

COVER SHEET

P	W	-	2	7	7				
---	---	---	---	---	---	--	--	--	--

S. E. C. Registration Number

						S	A	N								
--	--	--	--	--	--	---	---	---	--	--	--	--	--	--	--	--

						M	I	G	U	E	L						
--	--	--	--	--	--	---	---	---	---	---	---	--	--	--	--	--	--

			C	O	R	P	O	R	A	T	I	O	N				
--	--	--	---	---	---	---	---	---	---	---	---	---	---	--	--	--	--

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

(Company's Full Name)

N	o.		4	0		S	a	n		M	i	g	u	e	l		A	v	e.
---	----	--	---	---	--	---	---	---	--	---	---	---	---	---	---	--	---	---	----

M	a	n	d	a	l	u	y	o	n	g		C	i	t	Y				
---	---	---	---	---	---	---	---	---	---	---	--	---	---	---	---	--	--	--	--

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

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Contact Person

(632)	632-3000
-------	----------

Company Telephone Number

1	2
---	---

Month

3	1
---	---

Day

1	7	-	A		
---	---	---	---	--	--

FORM TYPE

--	--

Month

--	--

Day

Annual Meeting

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Secondary License Type, If Applicable

--	--	--

Dept. Requiring this Doc.

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Amended Articles Number/Section

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Total No. of Stockholders

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Domestic

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Foreign

To be accomplished by SEC Personnel concerned

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

File Number

_____ LCU

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Document I. D.

_____ Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended **December 31, 2007**
2. SEC Identification Number **PW 000277** 3. BIR Tax Identification No. **041-000-060-741-V**
4. Exact name of issuer as specified in its charter **SAN MIGUEL CORPORATION**
5. **Philippines** 6. 
Province, Country or other jurisdiction of Industry Classification Code:
incorporation or organization
7. **No. 40 San Miguel Avenue, Mandaluyong City** **1550**
Address of principal office Postal Code
8. **(02) 632-3000**
Issuer's telephone number, including area code
9. **N/A**
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding (as of December 31, 2007)
Class "A" Common Shares	1,920,629,485
Class "B" Common Shares	<u>1,235,715,222</u>
	3,156,344,707

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

Yes [☒] No [☐]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange

Class "A" and Class "B" Common

12. Check whether the issuer:

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

Yes [☒] No [☐]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [☒] No [☐]

13. The aggregate market value of the voting stock held by non-affiliates of the Company as of first quarter 2007 is P178,832,403,141.00

DOCUMENTS INCORPORATED BY REFERENCE

14. The following documents are attached and incorporated by reference:

None.

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

San Miguel Corporation (SMC or the Parent Company), together with its subsidiaries (collectively referred to as the Group), is the largest publicly listed food, beverage and packaging company in Southeast Asia. Established in 1890 as a single-product brewery, the Group today has over 100 facilities in the Philippines, Southeast Asia and China. In 2007, the Group accounts for about 3.6% of the country's gross national product and 3% of the country's gross domestic product.

The Group's extensive product portfolio includes beer, hard liquor, and non-carbonated non-alcoholic beverages, processed and packaged food products, meat, poultry, dairy products and a number of packaging products.

The Group's flagship product, San Miguel Beer, is among the world's largest selling beers and among the top three brands in Southeast Asia.

From its original cerveza, the Group now owns a wide range of popular beverage brands and products that extends from beer to hard liquor, bottled water, powdered juice and juice drinks.

The Group's food operations includes the production and marketing of fresh, ready-to-cook and processed chicken, pork and beef, milk, butter, cheese, margarine, ice cream, flour, pancake mix, snack foods, coffee, cooking oil, coconut oil, and animal and aquatic feeds.

Through partnerships it has forged with major international companies, the Group has gained access to the latest technologies and expertise, thereby enhancing the Group's status as a world-class organization.

The Parent Company has strategic partnerships with international companies, among them Nihon Yamamura Glass Company, Ltd. and Rengo Co., Ltd. of Japan, and Hormel Foods International Corporation of the United States. Kirin Holdings Company Limited, one of the largest beer manufacturing companies in Japan, has a significant stake in the Parent Company.

The Group is one of the nation's biggest private employers with an estimated 15,000 employees. In addition, the Group contributes to the growth of downstream industries and sustains a network of hundreds of third party suppliers.

Major developments in the Group are discussed in Management's Discussion and Analysis of Financial Conditions and Results of Operations, attached herein as **Annex "F"**, and in Note 10 of the Audited Consolidated Financial Statements, attached herein as **Annex "D"**.

Beverages

San Miguel Brewery Inc. (SMB) has five breweries in the Philippines strategically located in Luzon, Visayas and Mindanao.

The international beer group operates one brewery each in Indonesia, Vietnam, Thailand, and two breweries in China.

Apart from beer, the Group also produces hard liquor through its majority-owned subsidiary, Ginebra San Miguel, Inc. (GSMI). GSMI is not only the leader in the domestic hard

liquor market, but also the world's largest gin producer by volume and the fourth largest spirits company.

The Group also produces non-carbonated ready-to-drink tea and fruit juices in the Philippines, Thailand and Indonesia through its subsidiary San Miguel Beverages, Inc.

Below is a list of the Company's beverage subsidiaries:

San Miguel Brewery Inc.

San Miguel Brewing International Ltd. and subsidiaries – including:

San Miguel Brewery Hong Kong Limited

San Miguel Baoding Brewery Ltd

San Miguel Brewery Vietnam Ltd

PT Delta Djakarta Tbk

San Miguel Beer (Thailand) Ltd.

Ginebra San Miguel, Inc. and subsidiaries – including:

Distileria Bago, Inc.

Ginebra San Miguel International Limited (BVI)

San Miguel Beverages, Inc.

Food

The Group's domestic food operations are comprised of San Miguel Pure Foods Company, Inc. (SMPFC) and its subsidiaries, which include San Miguel Foods, Inc., San Miguel Mills, Inc., The Purefoods-Hormel Company, Inc., Magnolia Inc, San Miguel Super Coffeemix Co., Inc., Monterey Foods Corporation and the Company's subsidiary, Star Dari, Inc.

With a business portfolio that is unparalleled in the industry, the Group offers a complete line of food products and services for both individual and food service customers. Its businesses range from vegetable oils, feeds, flour, poultry, fresh and processed meats, coffee, snacks, and dairy products, to food service. The Group carries some of the best-known brands in the Philippine food industry, among them Magnolia, Monterey, Star, Purefoods, Dari Crème, and B-Meg.

Having established partnerships with world-renowned food companies-Hormel Foods International Corporation of the United States and the La Salle Financial, Inc., SMPFC enjoys access to global and regional expertise.

Expansion in the region came from the increase in equity participation of SMPFC in P.T. San Miguel Pure Foods Indonesia (formerly P.T. Purefoods Suba Indah), a company engaged in the manufacture and trade of processed meats and related products in Indonesia to 75%, and the acquisition of San Miguel Pure Foods Investment (BVI) Limited, a joint venture between the Company (through San Miguel Foods and Beverage International (BVI) Limited) and Hormel Netherlands B.V. and which wholly owns San Miguel Pure Foods (VN) Co., Ltd., (formerly TTC (VN) Co. Ltd.), a hogs and feed mill business in Binh Duong, Vietnam.

The establishment of San Miguel Super Coffeemix Company, Inc. (SMSCCI), through partnership with Super Coffeemix Manufacturing Ltd. of Singapore, marked the entry of SMPFC in the coffee business. SMSCCI imports, packages, manufactures, markets and distributes coffee and coffee-related products in the Philippines.

The Food Group operates through the following subsidiaries / operating divisions:

San Miguel Pure Foods Company, Inc. (SMPFC) is a 99.92%-owned business of the Parent Company engaged in processing and sale of poultry and feeds, processed meats and flour milling. It was consolidated in April 2001.

San Miguel Foods, Inc. (SMFI) is a 100%-owned business of SMPFC, engaged in integrated poultry operation, production and marketing of feeds, and franchising operation of San Miguel Food Shops.

The Purefoods-Hormel Company, Inc. ("PF-Hormel") is a 60%-40% joint venture between SMPFC and Hormel Netherlands B.V. PF-Hormel produces and markets fresh processed meats (hotdogs, hams, bacons, cold cuts and gourmet meat) and canned meat products (corned beef, luncheon meat, Vienna sausage, pork and beans, liver and meat spreads) under the following brands: *Pure Foods, Hormel, Gusto, Vida, Chef's* and *Spam*.

Magnolia, Inc. ("Magnolia"), a 100%-owned business of SMPFC, manufactures and markets butter, margarine and cheese, and is the exclusive manufacturer and distributor of SMC-owned Star Dari, Inc.'s *Star Margarine* and *Dari Crème*. Magnolia accounts for a substantial share of the cheese market, through the Magnolia brands. In May 2003, Sugarland Corporation ("Sugarland") became a wholly-owned subsidiary of Magnolia, after its acquisition from GSML. Sugarland currently toll manufactures the products of Magnolia which handles the selling and marketing of *Jelly Ace* products.

Monterey Foods Corporation (MFC) is a 95.95%-owned business of SMPFC, engaged in livestock farming, processing and selling of meat products mainly pork and cattle. MFC is considered a major player in the highly fragmented domestic pork and beef industries. Fresh produce from MFC's farms is sold in *Monterey* meat shops located in major cities throughout the country.

Star Dari, Inc. (SDI), a wholly owned subsidiary of SMC, produces *Dari Crème* and *Star margarine*.]

San Miguel Pure Foods (Vn) Co., Ltd. [formerly TTC (Vn) Co. Ltd.], a wholly-owned subsidiary of San Miguel Pure Foods Investment (BVI) Ltd. [formerly TTCV Investment (BVI) Co., Ltd. and now a joint venture between the Company (through San Miguel Foods and Beverage International Limited) and Hormel Netherlands B.V.], is a hogs and feedmill business in Binh Duong, Vietnam. San Miguel Pure Foods (VN) Co., Ltd. was acquired in November 2003 through the Company's foreign subsidiary, San Miguel Foods and Beverage International Limited.

San Miguel Super Coffeemix Company, Inc. (SMSCCI), is a 70%-30% joint venture between SMPFC and Super Coffeemix Manufacturing, Ltd of Singapore. It imports, packages, markets and distributes coffee and coffee-related products in the Philippines.

San Miguel Mills, Inc. (SMMI), a 100%-owned subsidiary of SMPFC, engaged in the manufacture and distribution of flour, premixes, vegetable oil, and related cereal-based branded products.

Below is a list of the Company's food subsidiaries:

San Miguel Foods and Beverage International Limited and subsidiaries,
including

San Miguel Pure Foods Investment (BVI) Limited
(formerly TTCV Investment (BVI) Co. Ltd.)

Star Dari, Inc.

San Miguel Pure Foods Company, Inc. and subsidiaries – including:

San Miguel Foods, Inc.
San Miguel Mills, Inc.

The Purefoods-Hormel Company, Inc.
Magnolia Inc. and subsidiary
Sugarland Corporation
San Miguel Super Coffeemix Co., Inc.
P.T. San Miguel Purefoods Indonesia Ltd.
RealSnacks Mfg. Corp.
Monterey Foods Corporation

Packaging

The San Miguel Packaging Group (Packaging Group) is a total packaging solutions business servicing many of the region's leading food, pharmaceutical, chemical, beverages, and personal care manufacturers. With clients in the Asia-Pacific, Middle East, Africa and U.S. markets, the Packaging Group manufactures glass bottles, glass molds, PET bottles and preforms, corrugated cartons, paperboard, paper pallets, flexible packaging, plastic crates and pallets, plastic caps and handles, plastic poultry flooring, plastic pails and trays, plastic films, industrial laminates, woven bags, metal closures, two-piece aluminum beverage cans; and offers filling services, graphics design, testing services, crate and pallet leasing, recycling services, and logistical solutions. With a facility dedicated to the recycling of PET containers, the Packaging Group manages Asia's first food-grade recycling system.

Apart from supplying the internal requirements of the Group, the Packaging Group also supplies major Philippine-based multinational corporations such as Nestlé, Unilever, Kraft, Diageo, Del Monte, Coca-Cola and Pepsi-Cola Products Phils., Inc.

Glass. The glass business is the largest business segment of the Packaging Group. It has three glass manufacturing facilities in the Philippines and one glass mold plant serving the requirements of the beverage, food, pharmaceutical, personal care and health care industries. The bulk of the glass bottle requirements served by this segment are for the beverage industries.

In July 1991, the Company thru its San Miguel Packaging Products Division, (SMPP) embarked on a joint venture with Yamamura Glass Co., Ltd of Japan (now Nihon Yamamura Glass Co. ["NYG"]), incorporating San Miguel Yamamura Asia Corporation ("SMYAC"), rated as the country's most technologically advanced glass manufacturing facility. Another strategic alliance forged by SMPP was with the NYG and the Fuso Machine & Molds Manufacturing Co., Ltd. of Japan, forming SMC Yamamura Fuso Molds Corporation ("SMYFMC").

Metal. The metal business manufactures metal caps, crowns, resealable caps and two-piece aluminum beverage cans for a range of industries that include beer, softdrinks and food. The Packaging Group's metal container plant is the country's only aluminum beverage can plant in the Philippines and pioneered in the production of two-piece cans and ends for the beverage market.

Plastics. The plastics business provides plastic crates and pallets, plastic poultry flooring, plastic trays to domestic markets, and caters to the requirements of SMC's brewing operations in Vietnam and China.

PET. The PET business produces PET preforms and bottles, plastic caps & handles and offers filling services as well.

Paper. San Miguel Rengo Packaging Corporation ("SMRPC"), the Company's joint venture with Rengo Co. of Japan, supplies the packaging needs of a broad range of

manufacturing and agricultural industries. Another subsidiary of the Company in the paper business is Mindanao Corrugated Fibreboard, Inc. ("Mincorr") based in Davao.

Composites. Through its Rightpak plant, the Packaging Group manufactures flexible packaging for the food, beverage, personal care, chemical and healthcare industries.

The Packaging Group has ten international packaging facilities located in China (glass, metal, plastic), Vietnam (glass, metal), Indonesia (plastic) and Malaysia (flexibles, paperboard, plastic films, woven bags, industrial laminates, and a Packaging Research Center). Aside from extending the reach of the packaging business overseas, these facilities also serve the packaging requirements of SMC breweries in China and Vietnam

In January 2008, SMC finalized a joint venture agreement with NYG pursuant to which NYG purchased 35% of San Miguel Packaging Specialists, Inc. (SMPSI) and San Miguel Packaging International Limited (SMPIL). SMPSI owns all of the domestic plants of the Packaging Group, with exception of the two corrugated carton plants (i.e., San Miguel Rengo Packaging Corp. and Mindanao Corrugated Fibreboard Inc.) and of San Miguel Yamamura Asia Corp. which was an existing joint venture between SMC and NYG already. SMPIL's subsidiaries are composed of the Packaging Group's international facilities.

Below is a list of the Company's domestic and international packaging subsidiaries:

San Miguel Packaging International Limited and subsidiaries – including:

- San Miguel Yamamura Haiphong Glass Co., Ltd.
- San Miguel Phu Tho Packaging Company, Ltd.
- Zhaoqing San Miguel Glass Company Limited
- Foshan San Miguel Packaging Company, Ltd.
- PT San Miguel Sampoerna Packaging Industries Ltd.
- San Miguel Packaging & Printing Sdn. Bhd.
- San Miguel Woven Products Sdn. Bhd.
- San Miguel Packaging Research Center Sdn Bhd
- San Miguel Plastic Films Sdn. Bhd.

San Miguel Packaging Specialists, Inc.) and including the following subsidiaries which were merged into SMPSI in 2006:

- Premium Packaging International, Inc.
- Rightpak International Corporation
- San Miguel Yamamura Ball Corporation
- San Miguel Yamamura Asia Corporation
- SMC Yamamura Fuso Molds Corporation
- Mindanao Corrugated Fibreboard, Inc.
- San Miguel Rengo Packaging Corporation

Properties

San Miguel Properties, Inc. (SMPI) was created in 1990 as an independent developer, it is the Company's primary property subsidiary, currently owned 98.45% by SMC. SMPI was formed by a merger of San Miguel Properties Philippines, Inc. and publicly-listed Monterey Farms Corporation on January 30, 1998, where Monterey Farms Corporation emerged as the surviving entity. Upon the merger's effectivity, Monterey Farms Corporation changed its name to San Miguel Properties, Inc.

SMPI is presently engaged in the development, sale and lease of real properties. It is the corporate real estate arm of the Group.

Below is a list of the Company's property and other subsidiaries:

San Miguel Properties, Inc. and subsidiaries
 ArchEn Technologies Inc.
 Challenger Aero Air Corp.
 San Miguel Energy Corporation
 San Miguel Logistics Asia Corporation and subsidiaries
 San Miguel Distribution Co., Inc.
 SMC Stock Transfer Service Corporation
 SMITS, Inc.
 San Miguel Bulk Water Company Inc.
 Philippine Breweries Corporation
 Pacific Central Properties, Inc.
 SMC Shipping and Lighterage Corporation
 Anchor Insurance Brokerage Corporation

Principal products or services

The principal products of the Company are attached hereto as **Annex “A”**.

Percentage of sales or revenues and net income contributed by foreign sales

The Company's 2007 foreign operations contributed about 40.79% of consolidated sales and 39.41% of consolidated net income. Foreign sales are broken down by market as follows:

Market	2007	% to Consolidated Sales	
		2006	2005
Discontinued Operations			
Australia	33.81	30.45	23.89
Continuing Operations			
China	2.78	3.06	3.50
Indonesia	1.28	1.20	1.42
Vietnam	1.23	0.95	1.07
Others	1.69	1.58	2.28

Distribution Methods

The Group employs various means to ensure product availability at all times. It distributes through a network of dealers, wholesalers, and various retailers. The Group owns, as well as contracts, a third party fleet of trucks, delivery vans, and barges, to ensure timely and cost efficient distribution of its various products, from food to beverages.

Status of any publicly-announced new product or service

The Company plans to build not only the hard infrastructure but also the software capabilities to establish a number of logistics centers nationwide. While the Company endeavors to provide logistics, shipping and cargo handling services, it will also facilitate transactions among suppliers, manufacturers and distributors through electronic commerce technology.

Competition

The Company has the leading brands with the highest quality in the industry, substantial market share leads over its nearest competitors, successful pricing strategies and a strong financial position.

Sources and Availability of Raw Materials and Supplies

The Group obtains its principal raw materials on a competitive basis from various suppliers here and abroad. The Group is not aware of any dependency upon one or a limited number of suppliers for essential raw materials as it continuously looks for new principals/traders where the strategic raw materials could be sourced out and negotiations are done on a regular basis. The Company has contracts with various suppliers (from a related party and third parties) for varying periods ranging from 3 to 12 months. All contracts contain renewal options.

Among the Company's major raw material's suppliers in 2007 are as follows:

Beverage Business

Flavors	Firmenich Asia Pte Ltd.
Malt	Joe White Maltings Pty Ltd. Boortmalt N.V.
Glass Bottles	Arcya Glass Corporation
Molasses/Alcohol	Schuurmans & Van Ginneken Second consolidated Sugar Corp. Balayan Distillery, Inc. Progressive Chemicals Trade, inc. Heindrich Trading Corporation Kool Company, Inc.
Sugar	Coca-Cola Bottlers Phils., Inc. All Asian Countertrade, Inc.

Food Business

Cattle Meat	South East Asian Livestock Services Australian Rural Exports Pty. Ltd. (Also Trades As: Austrex)
Corn / Corn Grits / Corn Bran	Southern Mindanao Commodities Inc. National Food Authority Nan's Marketing Corporation N.G. Salvador Grains Trading Cauayan Grains Center Leonardo Pua Grain Dealer Cosko Export & Import Inc. Leyte Circle Trading Mindanao Grain Processing Co., Inc. Cebu Agribusiness, Inc.

	Anson Grains Dealer NJP Grains Dealer PMG Trading WBA Trading Yuemms Agricultural Products Davao Wesscon Trade Corp.
Corn/ Corn Grits/ Corn Bran/ Cassava/ Tapioca Residue Pellet	Cagayan Corn Products Corp.
Hogs	Rombe Philippines, Inc. Fiber & Agro Systems Technology, Inc. Kalookan Slaughter House Bibiana Farms Cavite Pig City, Inc. Linsangan Trading Corp.
Indian Buffalo Meat	Allanasons Limited Hind Agro Industries Ltd.
Rice Bran	Central Sisiman Farmers Multi-Purpose Cooperative Nan's Marketing Corporation Lucky Grains Rice Mill Northern Star Rice Mill Incorporated
Soybean and Soybean Meals	Louis Dreyfus Asia Pte Ltd. Ag Processing Inc. Noble Resources S.A. Cebu Agribusiness, Inc. Simon Enterprises, Inc. Perdue Farms Incorporated US Commodities, LLC
Cassava / Tapioca Residue Pellets	FTS Agrifood Corp. Sirana Agri Group Inc. Heindrich Agri Corporation DBA Traders & Industrial Works Baganian Peninsula Planters
Spring / Soft Wheat	The Canadian Wheat Board Toepfer International - Asia Pte. Ltd

Packaging Business

Aluminum cans	Macro International Corporation Alcoa Australia Rolled Products Pty Limited Sumitomo Corporation
Paper (CM)	United Pulp and Paper Co., Inc.
Paper (KL)	Kwok Fung (Sino HK) Enterprise Ltd. Visy Paper Pty. Ltd. Price & Pierce International Inc. Daiei Papers (USA) Corp.
PET Resins	Far Eastern Textile Ltd.
Soda Ash	Arvin International Mktg., Inc.
Tin Free Steel	Mitsui & Co., Ltd. (TKISB. SEC.) Metal One Corporation Macro-Lite Korea Corp.

Dependency upon a single customer or a few customers

Due to constant drive toward customer satisfaction and continuous improvement, the Group is able to maintain its wide base of customers. The Company is not dependent upon a single or a few customers.

Transactions with and /or dependence on related parties

The Company and certain related parties, in the normal course of business, purchase products and services from one another. Please see Note 28 of the Audited Consolidated Financial Statements attached hereto as **Annex "D"**.

Registered Trademarks/Patents, Etc.

All marks used by the Company in its principal products are either registered or pending registration in the name of the Parent Company or its subsidiaries in the Philippines and in foreign markets of said products.

Government Approval

The Company has obtained all necessary permits, licenses and government approvals to manufacture and sell its products.

Government Regulation

The Group has no knowledge of recent or impending legislation, the implementation of which can result in a material adverse effect on the Group's business or financial condition.

Research & Development

The Company's expenses for research and development are as follows (amounts in millions):

	2007	2006	2005
Research and Development	P 58	P 117	P 151
Percentage to Net Income	0.67%	1.13%	1.73%

Human Resources and Labor Matters

As of December 31, 2007, the Group has about 15,252 employees. The Group has 45 existing collective bargaining agreements ("CBA") as of December 2007. Of the 45 CBAs, 18 will be expiring in 2008.

The list of CBAs entered into by the Company and its subsidiaries with their different employee unions, is attached hereto as **Annex "B"**.

The Group does not expect any significant change in its existing workforce level within the ensuing twelve (12) months.

There have been no strikes experienced by the Group in the last three (3) years. A notice of strike was filed by the Monterey Farms Senior Employees Union in Cavite on April 24, 2008. Monterey Foods Corporation is currently in negotiations with the said union and expects a favorable resolution.

The Company and majority of its subsidiaries have funded, noncontributory retirement plans covering all of their permanent employees. The retirement plan is described in Note 30 of the 2007 Audited Consolidated Financial Statements of the Company attached hereto as **Annex "D"**.

Major Business Risk/s

The major business risks faced by the Group are as follows:

a) Competitor Risks

New and existing competitors can erode the Group's competitive advantage through the introduction of new products, improvement of product quality, increase in production efficiency, new or updated technologies, costs reductions, and the reconfiguration of the industry's value chain. The Group has responded with the corresponding introduction of new products in practically all businesses, improvement in product propositions and packaging, and redefinition of the distribution system of its products.

b) Catastrophic and Environmental Risks

War, terrorism, fire, severe weather conditions, health issues and other similar events that are completely beyond the control of the Company were mitigated with the re-channeling of volumes from mostly on-premise outlets to retail stores. On-premise outlets are the primary outlets for the Company's beer products.

c) Political Risks

The risk of adverse consequences through political actions by way of discouraging alcoholic consumption in Indonesia where the Company has a sizeable investment in a brewery is being gradually addressed with the introduction of non-alcoholic beverages that can cater to the predominantly Muslim population. Marketing and distribution efforts for the Company's beer products have focused only in outlets where alcoholic beverages are allowed to be sold and consumed.

d) Regulatory Risks

Changes in regulations and actions by national or local regulators can result in increased competitive pressures, such as the recent legislation on excise tax increases for alcoholic beverages.

e) Social and Cultural Risks

The way people live, work and behave as consumers can affect the industry's products and services. For example, more women in the workplace are concerned about drug use, increasing crime rate, increased health consciousness, etc. The Group has introduced products that try to address or are attuned to the evolving lifestyles and needs of its consumers. *San Mig Light* was introduced to address increasing health consciousness and *San Miguel Strong Ice Beer* for the upwardly mobile market. Initiatives similar to this have been pushed in the food division for years.

f) Sourcing Risks / Price Risks

Alternative sources of raw materials are used in the Group's operations to avoid and manage risks on unstable supply and higher costs. This is true for most businesses that have foreign denominated raw material requirements.

The Group enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows predictability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Company, thus protecting raw material cost and preserving margins.

g) Financial Market and Financial Risk Management

Prudent fund management is employed to temper exposure to changes in earnings as a result of fluctuations of interest rates, currency rates, etc.

Cash flows and financial risks are managed to provide adequate liquidity to the Company. Accounts receivables and inventory are monitored to ensure liquidity.

Please refer to Note 35 of the Notes to the Audited Consolidated Financial Statements attached hereto as **Annex "D"** for the discussion of the Group's Financial Risk Management Objectives and Policies.

Item 2. Properties

A summary of information on the Parent Company and its significant subsidiaries' principal plants and conditions thereof, is attached hereto as **Annex "C"**.

The Parent Company and *its significant subsidiaries* have no principal properties that are subject to a lien or mortgage or any specific limitations in usage or ownership. There are no

imminent acquisitions of any material property that cannot be funded by working capital of the Parent Company or its significant subsidiaries.

Item 3. Legal Proceedings

The Parent Company or any of its subsidiaries or affiliates is not a party to, and its properties are not the subject of, any material pending legal proceeding that could be expected to have a material adverse effect on the Group or its results of operations.

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

There are no matters which were submitted to a vote of the Company's stockholders, through the solicitation of proxies or otherwise, during the fourth quarter of 2007.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

The Company's common equity is traded in the Philippine Stock Exchange.

The Company's high and low closing prices for each quarter of the last two (2) fiscal years are as follows:

	2006				2007			
	Class A		Class B		Class A		Class B	
	High	Low	High	Low	High	Low	High	Low
1 st	65.00	58.50	89.50	76.50	67.50	61.00	79.50	69.50
2 nd	65.50	59.00	84.00	68.00	80.00	64.00	88.00	71.50
3 rd	66.00	62.50	76.00	70.00	76.50	59.00	87.00	59.50
4 th	67.50	63.50	77.50	70.00	65.00	42.50	67.00	43.00

The closing prices as of May 14, 2008, the latest practicable trading date, are as follows:

Class "A" Common ₱ 43.50

Class "B" Common ₱ 46.50

The approximate number of shareholders as of December 31, 2007 is 443,234.

The top 20 stockholders as of December 31, 2007 are as follows:

Rank	Name of Stockholders	Class "A"	Class "B"	Total No. of Shares	% of Total O/S
1	Kirin Holdings Company Limited	0	628,640,175	628,640,175	19.93%
2	SM Investments Corporation	339,349,120	0	339,349,120	10.76%
3	PCD Nominee Corporation (Filipino) ¹	280,162,683	49,460,067	329,622,750	10.45%

¹ Registered owner of shares held by participants in the Philippine Central Depository, Inc., a private company organized to implement an automated book entry system of handling securities in the Philippines.

Rank	Name of Stockholders	Class "A"	Class "B"	Total No. of Shares	% of Total O/S
4	San Miguel Corporation Retirement Plan	156,893,938	91,810,228	248,704,166	7.88%
5	ASC Investors, Inc.	144,673,424	22,809,671	167,483,095	5.31%
6	ARC Investors, Inc.	12,160,662	93,528,698	105,689,360	3.35%
7	Primavera Farms, Inc.	94,738,250	0	94,738,250	3.00%
8	PCD Nominee Corporation (Non-Filipino)	0	86,823,072	86,823,072	2.75%
9	Toda Holdings, Inc.	74,880,174	0	74,880,174	2.37%
10	Misty Mountains Agricultural Corp.	63,158,769	0	63,158,769	2.00%
11	Pastoral Farms, Inc.	63,158,769	0	63,158,769	2.00%
12	Black Stallion Ranch, Inc.	63,158,769	0	63,158,769	2.00%
13	Te Deum Resources, Inc.	58,483,000	4,823	58,487,823	1.85%
14	Rock Steel Resources, Inc.	4,138,792	54,098,611	58,237,403	1.85%
15	San Miguel Officers Corp., Inc.	35,719,434	18,143,601	53,863,035	1.71%
16	Roxas Shares, Inc.	7,032,718	45,782,476	52,815,194	1.67%
17	Silver-Leaf Plantations, Inc.	47,369,061	0	47,369,061	1.50%
18	Meadow-Lark Plantations, Inc.	47,369,039	0	47,369,039	1.50%
19	AP Holdings, Inc.	33,592,251	1,077,154	34,669,405	1.10%
20	Valhalla Properties Limited	13,700,183	17,711,665	31,411,848	1.00%

Cash dividends declared per share amounted to P1.40 in 2007 and 2006.

Description of the following securities of the Company may be found in the indicated Notes to the 2007 Audited Consolidated Financial Statements, attached herein as **Annex "D"**:

Long-term Debt	Note 19
Stockholders' Equity	Note 21
Share-Based transactions	Note 34

There were no securities sold by the Company within the past three (3) years which were not registered under the Securities Regulation Code. The Company has not issued any exempt security or any securities pursuant to an exempt transaction other than the common shares issued under the Employee Stock Purchase Program and Long Term Incentive Program for Stock Options for eligible senior and key management officers of the Company described in Note 34 of the Audited Consolidated Financial Statements attached hereto as **Annex "D"**.

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

(A) Management Discussion and Analysis

The information required by Item 6 (A) may be found on **Annex "F"** hereto.

(B) Information on Independent Accountant and Other Related Matters

None of the holders of the Company's common shares registered under the name of PCD Nominee Corporation owns more than 5% of the Company's common shares.

The accounting firm of Manabat Sanagustin & Company (formerly Laya Mananghaya & Co.) served as the Company's external auditors for the last two fiscal years.

Fees for the services rendered by the external auditor to the Parent Company for the last (2) fiscal years are as follows:

(in millions, approximate)

	Audit Fees	Tax Fees	All Other Fees
2006	P30.0	-	-
2007	P8.0	-	-

The stockholders approve the appointment of the Company's external auditors. The Audit Committee reviews the audit scope and coverage, strategy and results for the approval of the board and ensures that audit services rendered shall not impair or derogate the independence of the external auditors or violate SEC regulations.

Item 7. Financial Statements

The Audited Consolidated Financial Statements and Statement of Management's Responsibility are attached as **Annex "D"** hereto with the Supplementary Schedules attached as **Annex "E"** hereto. The auditors' PTR, name of certifying partner and address are attached as **Annex "D-1"** hereto.

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

There are no disagreements with the Company's external auditors on accounting and financial disclosure.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The names of the incumbent and nominee directors and key executive officers of the Company, and their respective ages, periods of service, directorships in other reporting companies and positions held in the last five (5) years, are as follows:

Eduardo M. Cojuangco, Jr., Filipino, 72, is the Chairman and Chief Executive Officer of the Company, a position he has held since July 7, 1998. He also holds the following positions: Chairman and Chief Executive Officer of Ginebra San Miguel, Inc.; and Chairman of San Miguel Pure Foods Company, Inc. He is also the Chairman of ECJ & Sons Agricultural Enterprises, Inc. and the Eduardo Cojuangco, Jr. Foundation, Inc., and a Director of Cainaman Farms, Inc.

Ramon S. Ang, Filipino, 54, is the Vice Chairman (since January 28, 1999), President and Chief Operating Officer (since March 6, 2002) of the Company. He also holds, among others, the following positions: Chairman and President of San Miguel Brewery Inc.; Chairman of San Miguel Properties, Inc., The Purefoods-Hormel Company, Inc., Anchor Insurance Brokerage Corporation and San Miguel Brewery Hong Kong Limited (Hong Kong); and a Director of Ginebra San Miguel, Inc. and San Miguel Pure Foods Company, Inc. He is also the Chairman of Philippine Diamond Hotel & Resort, Inc., Philippine Oriental Realty Development, Inc., Atea Tierra Corporation and Cyber Bay Corporation; and an Independent Director of Philweb Corporation. Mr. Ang has held directorships in various subsidiaries of San Miguel Corporation in the last five years.

Estelito P. Mendoza, Filipino, 77, has been a Director of the Company since April 21, 1998 and for the years 1991 to 1993. He also holds the following positions: Chairman of Prestige Travel, Inc.; and a Director of Philippine Airlines, Inc. Atty. Mendoza, a former Solicitor General, Minister of Justice, Member of the Batasang Pambansa and Governor of the Province of Pampanga, heads the E.P. Mendoza Law Office. He is also a former Chairman of Dutch Boy Philippines, Inc. and Alcorn Petroleum and Minerals Corporation, and Director of East-West Bank.

Iñigo Zobel, Filipino, 51, has been a Director of the Company since May 5, 1999; and a Member of the Company's Executive Committee, Executive Compensation Committee and Nominations and Hearing Committee. He is also an Independent Director of San Miguel Brewery Inc., Ginebra San Miguel, Inc., San Miguel Pure Foods Company, Inc. and San Miguel Properties, Inc. He also holds the following positions: President and Chief Executive Officer of E. Zobel, Inc., President of Ayala España S.A., Calatagan Golf Club, Inc. and Hacienda Bigaa, Inc.; and a Director of Calatagan Resort, Inc., Calatagan Gulf Realty, Inc., and Mermac, Inc. He has been the President of Diamond Star Agro Products, Inc. during the last five years.

Winston F. Garcia, Filipino, 49, has been a Director of the Company since February 1, 2001; and a Member of the Company's Audit Committee. Atty. Garcia is the President and General Manager of the Government Service Insurance System and Vice Chairman of its Board of Trustees. He also holds the following positions: Chairman of the National Reinsurance Corporation of the Philippines, GSIS Mutual Fund, Inc., and Asean Forum, Inc.; Vice Chairman of Philippine Social Security Association; a Director of Philippine National Construction Corporation, Philippine Health Insurance Corporation and Manila Electric Company; and a Member of the Asean Social Security Association, International Insurance Society, Inc., Federation of Afro Insurers and Reinsurers and International Social Security Association. Atty. Garcia is a practicing lawyer since 1983.

Corazon S. de la Paz Bernardo, Filipino, 66, has been a Director of the Company since October 25, 2001; and the Chairman of the Company's Audit Committee; and a Member of the Company's Executive Compensation Committee. Ms. de la Paz is the President and Chief Executive Officer of the Social Security System and Vice Chairman of the Social Security Commission. She also holds the following positions: a Director of Philippine Long Distance Telephone Company, Ayala Land, Inc., Ionics, Inc., Republic Glass Holdings Corporation, Philex Mining Corporation, Philex Gold, Inc., PCI Leasing and Finance, Inc., Equitable Card Network, Inc., and Philippine Health Insurance Corporation; Vice Chairman of BDO Unibank; and Board Member of ASEAN Social Security Association and Philippine Social Security Association. She was previously the President of International Social Security Association (2004-2007) and Chairman of Equitable PCI Bank (2206-2007).

Menardo R. Jimenez, Filipino, 75, has been a Director of the Company since February 27, 2002. He is also a Director of San Miguel Pure Foods Company, Inc., and Magnolia, Inc. His other positions include: President and Chief Executive Officer of Albay-Agro Industrial Development Corporation; Chairman and President of Majent Management and Development Corporation, Majent Agro Industrial Corporation, M. A. Jimenez Enterprises, Inc., Pac Rim Realty Development Corporation, Television International Corporation, Alta Tierra Resources, Inc. and Fibers Trading, Inc.; Chairman of Cable Entertainment Corporation, Majent Foundation, Inc., Marathon Building Technologies, Inc. and Meedson Properties Corporation; and a Director of First Metro Investment Corporation, Cunickel Mining Corporation, Electronic Realty Associates, Inc., Mabuhay Philippines Satellite Corporation, Franchise One Corporation, CBTL Holdings, Inc., CCC Insurance Corporation and Pan-Phil Aqua Culture Corporation.

Pacifico M. Fajardo, Filipino, 64, has been a Director of the Company since November 4, 2004 and for the years 2002 to 2004. He also holds the following positions: Chairman and President of Harvestgold Shipping, Transport and Trading Corporation and P.M. Fajardo Youth Development and Scholarship Foundation, Inc.; Chairman of RICNOR Farms, Inc.; and a Member of the Board of Regents of the Nueva Ecija University of Science and Technology. He previously served as

Congressman of the Third District of Nueva Ecija (1992-2001), City Mayor (1988-1992) and Officer-in-Charge/City Mayor (1986) of Palayan City, Nueva Ecija, and Administrator of the Light Rail Transit Authority (2004).

Leo S. Alvez, Filipino, 65, has been a Director of the Company since February 27, 2002. He is also a Director of Ginebra San Miguel, Inc. and San Miguel Pure Foods Company, Inc. Ret. Major General Alvez is a former Security Consultant to the Prosecution Panel of the Senate Impeachment Trial of President Joseph Estrada (2000-2001), Vice Commander of the Philippine Army (1998), and Division Commander of the 7th Infantry Division (1996-1998).

Yoshinori Isozaki, Japanese, 54, has been a Director of the Company since April 20, 2004. He is also the Executive Officer and General Manager, Corporate Planning Department of Kirin Holdings Company Limited. He is a former Deputy General Manager, Media Section, Corporate Communication Department of Kirin Brewery Company Limited (2001) and General Manager of Hotel Hopinn of the Kirin Hotels Development Company Limited (1998).

Henry Sy, Jr., Filipino, 54, has been a Director of the Company since January 29, 2004. He also holds the following positions: Vice Chairman of SM Investments Corporation, SM Development Corporation and Highlands Prime Inc.; and a Director of SM Prime Holdings, Inc. and Banco de Oro Unibank, Inc.

Egmidio de Silva Jose, Filipino, 61, has been a Director of the Company since April 20, 2004. He also holds the following positions: President of Valerie Products Manufacturing, Inc., Sanoh Fulton (Philippines), Inc., VA Components, Inc., Optimum Securities Corporation, Kyoei Kogyo (Philippines) Corporation and ESJ Properties. He is also a Director of Hanano Philippines Corporation, Asahi Cast Philippines, Inc., Metal Press Assembly and Jupiter Logistics Philippines.

Silvestre H. Bello III, Filipino, 63, has been a Director of the Company since October 2, 2006. He is the Presidential Adviser on New Government Centers, Office of the President and a partner at the Yulo and Bello Law Offices (since 2001). Mr. Bello is a former Chief Executive Officer and General Manager of the Philippine Reclamation Authority (2006); Chief Executive Officer and President of PNOC-Development and Management Corporation (2004-2005); and Chairman of the GRP Panel for Talks with the CCP-NPA-NDF (2001-2004).

Koichi Matsuzawa, Japanese, 59, is a Director of the Company since July 24, 2007. His previous work experience with Kirin Brewery Company Limited includes: Managing Director (2007); Managing Executive Officer and General Manager (2005), Executive Officer and General Manager (2004), and General Manager (2003), Production and Quality Control Department, Production Division; and General Manager, Hokuriku Plant (2002). He was also a former Managing Director of Kirin Europe GmbH (1996).

Tsukahara Kazuhiro, Japanese, 50, is a Director of the Company since March 1, 2007. He previous work experience includes: President of Kirin Brewery of America LLC (2004); and Branch Manager, Aomori Sales Branch (2001), Section Manager, Public Relations Department (1998) and Branch Manager, Yamanashi Sales Branch (1994), Kirin Brewery Company Limited.

Ferdinand K. Constantino, Filipino, 56, is the Senior Vice President, Chief Finance Officer and Treasurer of the Company since January 1, 2001. He also holds, among others, the following positions: Director, Chief Finance Officer and Treasurer of San Miguel Brewery Inc.; Director of San Miguel Properties, Inc., San Miguel Packaging Specialists, Inc., San Miguel Brewery Hong Kong Limited (Hong Kong), Magnolia Inc. and San Miguel Foods, Inc.; and President of Anchor Insurance Brokerage Corporation. Mr. Constantino previously served as Chief Finance Officer of the San Miguel Beer Division of San Miguel Corporation (1999-2005) and has held directorships in various subsidiaries of San Miguel Corporation during the last five years.

Francis H. Jardeleza, Filipino, 58, is the Corporate Secretary (since April 2, 2001), Senior Vice-President and General Counsel (since 1996) and Compliance Officer of the Company. He is also Director and Corporate Secretary of San Miguel Brewery Inc.; Corporate Secretary and Compliance Officer of Ginebra San Miguel, Inc., San Miguel Pure Foods Company, Inc. and San Miguel Properties, Inc.; Corporate Secretary of The Purefoods-Hormel Company, Inc.; Chairman of SMC Stock Transfer Service Corporation; and a Director of San Miguel Brewery Hong Kong Limited (Hong Kong). Mr. Jardeleza has been a director, corporate secretary and/or assistant corporate secretary of various subsidiaries of San Miguel Corporation during the last five (5) years and is a professorial lecturer at the University of the Philippines (1992-2003, 2007-2008).

Francisco S. Alejo III, Filipino, 59, is the President (since May 20, 2005) and a Director (since May 22, 2001) of San Miguel Pure Foods Company, Inc. He also holds the following positions: Chairman and Chief Executive Officer of Monterey Foods Corporation; Vice Chairman of San Miguel Foods, Inc.; President of The Purefoods-Hormel Company, Inc., Magnolia, Inc. and San Miguel Super Coffeemix Co., Inc.; and Chairman and President of Sugarland Corporation and Star Dari, Inc.

Ferdinand A. Tumpalan, Filipino, 47, is the President and Chairman of San Miguel Packaging Specialists, Inc. (since September 16, 2005), and a Director of San Miguel Yamamura Asia Corporation, and SMC Yamamura Fuso Molds Corporation. He was a former President of the Company's Packaging Products Division (2005).

Roberto N. Huang, Filipino, 59, is the Director and General Manager of San Miguel Brewery Inc. He is also a Director of San Miguel Beverages, Inc., Ginebra San Miguel, Inc. and San Miguel Pure Foods Company, Inc. His previous work experience includes the following: President of Coca-Cola Bottlers Philippines, Inc., Cosmos Bottling Corporation and Philippine Beverage Partners Inc. (2003-2007); Senior Vice President, Director, Corporate Sales for the Food, Beverage, Corporate Key Accounts and Corporate Export Sales Groups (2002-2003) and Vice President and Director, Corporate Sales for the Beverage Group (2001-2002) of San Miguel Corporation.

Gerardo C. Payumo, Filipino, 50, is the President of Ginebra San Miguel, Inc. (since August 9, 2006). He was a former Senior Vice President and Director of the Corporate Procurement Unit of San Miguel Corporation (1998-2006).

Carlos Antonio M. Berba, 43, is the Chairman and Managing Director of San Miguel Brewing International. He previously served the Company as President of the San Miguel Beer Division (2006-2007, Vice President, CFO for International Beer Operations and Director for Business Planning and Information Management, San Miguel Beer Division (2002-2006). Mr. Berba was formerly the Chief Finance Officer of Baxter Healthcare Philippines (2001-2002) and First Vice President of All AsiaCapital Managers, Inc. (2000-2001).

Term of Office

Pursuant to the Company's By-Laws, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. Each director holds office until the next annual election and his successor is duly elected, unless he resigns, dies or is removed prior to such election.

Independent Directors

The independent directors of the Company are as follows:

1. Iñigo Zobel

2. Winston F. Garcia
3. Corazon S. de la Paz Bernardo

Significant Employees

The Company has no employee who is not an executive officer but who is expected to make a significant contribution to the business.

Family Relationships

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among the Company's directors, executive officers or persons nominated or chosen by the Company to become its directors or executive officers.

Involvement in Certain Legal Proceedings

None of the directors, nominees for election as director, executive officers or control persons of the Company have been involved in any legal proceeding, including without limitation being the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, or a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities, which is not subsequently reversed, suspended or vacated, or (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self regulatory organization, which has not been reversed, suspended or vacated, for the past five (5) years up to the latest date that is material to the evaluation of his ability or integrity to hold the relevant position in the Company.

Item. 10 Executive Compensation

The aggregate compensation paid or incurred during the last two (2) fiscal years and estimated to be paid in the ensuing fiscal year to the Chief Executive Officer and senior executive officers of the Company are as follows:

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
Total Compensation of the Chief Executive Officer and Senior Executive Officers ²	2008	P 120.7	P 27.0	P 33.1	P 180.8
	(estimated)	Million	Million	Million	Million
	2007	P 126.0	P 97.3	P 39.1	P 262.4
		Million	Million	Million	Million
	2006	P 120.6	P 56.5	P 34.0	P 211.1
		Million	Million	Million	Million

² The Chief Executive Officer and senior executive officers of the Company for 2008 are Eduardo M. Cojuangco, Jr., Ramon S. Ang, Ferdinand K. Constantino, Francis H. Jardeleza, Carlos Antonio M. Berba, Emmanuel E. Eraña, Virgilio S. Jacinto, Rosabel T. Balan and Joseph N. Pineda; for 2007: Eduardo M. Cojuangco, Jr., Ramon S. Ang, Ferdinand K. Constantino, Francis H. Jardeleza, Francisco S. Alejo III, Roberto N. Huang, Ferdinand A. Tumpalan, Gerardo C. Payumo and Carlos Antonio M. Berba; and for 2006: Eduardo M. Cojuangco, Jr., Ramon S. Ang, Faustino F. Galang, Ferdinand K. Constantino, Francis H. Jardeleza, Francisco S. Alejo III, Roberto N. Huang, Ferdinand A. Tumpalan and Gerardo C. Payumo.

All other officers and directors as a group unnamed	2008 (estimated) 2007	P 137.8 Million P 416.4 Million	P 44.3 Million P 134.8 Million	P 49.6 Million P 158.0 Million	P 231.7 Million P 709.2 Million
	2006	P 502.2 Million	P 122.3 Million	P 183.4 Million	P 807.9 Million
Total	2008 (estimated) 2007	P 258.5 Million P 542.4 Million	P 71.3 Million P 232.1 Million	P 82.7 Million P 197.1 Million	P 412.5 Million P 971.6 Million
	2006	P 622.8 Million	P 178.8 Million	P 217.4 Million	P 1,019.0 Million

Section 10 of the Amended By-Laws of the Company provides that the Board of Directors shall receive as compensation no more than 2% of the profits obtained during the year after deducting therefrom general expenses, remuneration to officers and employees, depreciation on buildings, machineries, transportation units, furniture and other properties. Such compensation shall be apportioned among the directors in such manner as the Board deems proper.

The Long-Term Incentive Plan for Stock Options ("LTIP") of the Company grants stock options to eligible senior and key management officers of the Company as determined by the Committee administering the said Plan. Its purpose is to further and promote the interests of the Company and its shareholders by enabling the Company to attract, retain and motivate senior and key management officers, and to align the interests of such officers and the Company's shareholders.

On November 10, 2005, the Company approved the grant of stock options to 1,096 executives and middle managers of about 4.43 million shares based on the closing price of the Company's shares, computed in accordance with the LTIP. Also on March 1, 2007, the Parent Company approved the grant of options to 822 executives consisting of 18.27 million shares.

Options to purchase 6.65 million shares and 5.97 million shares in 2007 and 2006, respectively, were outstanding at the end of each year. Options which were exercised and cancelled totaled about 2.27 million shares and 1.08 million shares in 2007 and 2006, respectively.

There were no employment contracts between the Company and a named executive officer.

There were neither compensatory plans nor arrangements with respect to a named executive officer.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Owners of more than 5% of the Company's voting securities as of December 31, 2007 were as follows:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. Of Shares Held	Percent
Class "A" Common	CIIF Companies ³ c/o 16/F, UCPB Building, Makati City	N.A.	Filipino	446,452,536	23.88%
Class "B" Common				307,395,776	
Class "A" Common	ECJ Companies ⁴ c/o 18/F, Northeast Tower, The Goldloop Tower, One Goldloop Plaza, Ortigas Center, Pasig City	N.A.	Filipino	473,332,727	15.52%

³ ASC Investors, Inc., ARC Investors, Inc., Anglo Ventures Corporation, AP Holdings, Inc., Fernandez Holdings, Inc., First Meridian Development, Inc., Randy Allied Ventures, Inc., Rock Steel Resources, Inc., Roxas Shares, Inc., San Miguel Officers Corps., Inc., Soriano Shares, Inc., Te Deum Resources, Inc., Toda Holdings, Inc. and Valhalla Properties Limited, Inc. None of these companies owns more than 5% of the Company's voting securities except ASC Investors, Inc. which has 144,673,424 Class "A" common shares and 22,809,671 Class "B" common shares or a total of 167,483,095 common shares equivalent to 5.31% of the Company's voting securities as of December 31, 2007. The administrator of the CIIF Companies is the United Coconut Planters Bank and the Chairman of the Board or its President or the designate of the Chairman is authorized to vote in person or by proxy the shares registered in the name of the CIIF Companies.

⁴ Primavera Farms, Inc., Misty Mountains Agricultural Corporation, Black Stallion Ranch, Inc., Pastoral Farms, Inc., Meadow-Lark Plantations, Inc., Silver-Leaf Plantations, Inc., Agricultural Consultancy Services, Inc., Archipelago Realty Corporation, Balete Ranch, Inc., Christensen Plantation Corporation, Discovery Realty Corporation, Dream Pastures, Inc., Echo Ranch, Inc., Far East Ranch, Inc., First United Transport, Inc., Habagat Realty Development Corporation, Kalawakan Resorts, Inc., Kaunlaran Agricultural Corporation, Labayug Air Terminals, Inc., Land Air International Marketing Corporation, LHL Cattle Corporation, Lucena Oil Factory, Inc., Metroplex Commodities, Inc., Northeast Contract Traders, Inc., Northern Carriers Services Management Corporation, Oceanside Maritime Enterprises, Inc., Oro Verde Services, Inc., PCY Oil Manufacturing Corporation, Philippine Technologies, Inc., Punong Bayan Housing Development Corporation, Pura Electric Co., Inc., Radio Audience Developers Integrated Org., Inc., Radyo Pilipino Corporation, Rancho Grande, Inc., Reddee Developers, Inc., San Esteban Development Corporation, Southern Service Traders, Inc., Southern Star Cattle Corporation, Spade One Resorts Corporation, Unexplored Land Developers, Inc., Verdant Plantations, Inc., Vesta Agricultural Corporation and Wings Resort Corporation. None of these corporations owns more than 5% of the voting securities of the Company. The shares owned by these companies are voted, either in person or by proxy, by the authorized designate of their respective boards.

Class "B" Common				16,652,544	
Class "B" Common	Kirin Brewery Co., Ltd. ⁵ 10-1 Shinkawa, 2- Chome, Chuo-Ku, Tokyo, Japan	N.A.	Japanese	628,640,175	19.92%
Class "A" Common	SM Investments Corporation ⁶ Rm. 426, Makati Stock Exchange Building, Ayala Ave., Makati	N.A.	Filipino	339,349,120	10.75%
Class "A" Common	San Miguel Corporation Retirement Plan	397,809,814	Filipino		16.03% ⁷
Class "B" Common		108,295,161			

The following are the number of shares comprising the Company's capital stock (all of which are voting shares) owned of record by the directors, Chief Executive Officer, key officers of the Company, and nominees for election as director, as of December 31, 2007:

Title of Class	Name of Owner	Amount and Nature of Ownership		Citizenship	Total No. of Shares
		Class A	Class B		
Common	Eduardo M. Cojuangco, Jr.	292,388	0	Filipino	292,388(r)
Common	Ramon S. Ang	6,050	0	Filipino	6,050(r)
Common	Estelito P. Mendoza	31,972	0	Filipino	31,972 (r)
Common	Iñigo Zobel	16,171	0	Filipino	16,171 (r)
Common	Winston F. Garcia	5,000	0	Filipino	5,000 (r)
Common	Corazon S. de la Paz Bernardo	5,001	0	Filipino	5,001 (r)
Common	Menardo R. Jimenez	5,000	0	Filipino	5,000 (r)
Common	Pacifico M. Fajardo	5,000	0	Filipino	5,000 (r)
Common	Leo S. Alvez	14,326	0	Filipino	14,326 (r)
Common	Egmidio de Silva Jose	5,500	0	Filipino	5,500 (r)
Common	Yoshinori Isozaki	0	6,000	Japanese	6,000 (r)
Common	Henry Sy, Jr.	5,500	0	Filipino	5,500 (r)
Common	Koichi Matsuzawa	0	5,000	Japanese	5,000(r)
Common	Kazuhiro Tsukahara	0	5,000	Japanese	5,000(r)
Common	Silvestre H. Bello III	5,000	0	Filipino	5,000 (r)
Common	Ferdinand K. Constantino	123,800	0	Filipino	123,800 (r)
Common	Francis H. Jardeleza	50,001	70,000	Filipino	120,001 (r)

⁵ The shares owned by Kirin Brewery Co., Ltd. are voted, in person or by proxy, by its authorized designate.

⁶ The shares owned by SM Investments Corporation are voted, in person or by proxy, by its authorized designate.

⁷ Includes shares lodged with the Philippine Depository and Trust Corporation.

Common	Francisco S. Alejo III	0	96,900	Filipino	96,900 (r)
Common	Roberto N. Huang	32,430	22,750	Filipino	55,180 (r)
Common	Gerardo C. Payumo	348	20,000	Filipino	20,348 (r)
Common	Carlos Antonio M. Berba	1,045	0	Filipino	1,045(r)

The aggregate number of shares owned of record by the Chief Executive Officer, key officers and directors as a group as of December 31, 2007 is 830,182 shares or approximately 0.0263% of the Company's outstanding capital stock.

The aggregate number of shares owned by all officers and directors as a group as of December 31, 2007 is 2,315,117 shares or approximately 0.0733% of the Company's outstanding capital stock.

Changes in Control

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year.

Item 12. Certain Relationships and Related Transactions

See Note 28 (Related Party Disclosures) of the Notes to the Audited Consolidated Financial Statements attached hereto as **Annex "D"**.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The evaluation by the Company to measure and determine the level of compliance of the Board of Directors and top level management with its Manual of Corporate Governance ("Manual") is vested by the Board of Directors in the Compliance Officer. The Compliance Officer is mandated to monitor compliance by all concerned with the provisions and requirements of the Manual. The Compliance Officer has certified that, save for the requirement under the Manual for the Company's directors, before assuming their positions as such, to attend a seminar on corporate governance conducted by a duly recognized private or government institute, for 2007, the Company has substantially adopted all the provisions of the Manual.

Pursuant to its commitment to good governance and business practice, the Company continues to review and strengthen its policies and procedures, giving due consideration to developments in the area of corporate governance which it determines to be in the best interests of the Company and its stockholders.

PART V – EXHIBITS AND SCHEDULES

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

(a) Exhibits

The Audited Consolidated Financial Statements are attached as **Annex "D"** and the Supplementary Schedules are attached as **Annex "E"** hereto. The other Schedules as indicated in the Index to Schedules are either not applicable to the Company or require no answer.

(b) Reports on Form 17-C

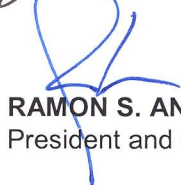
A summary list of the reports on Form 17-C filed during the last six month period covered by this report is attached as **Annex "G"**.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on May 15, 2008.

By:


EDUARDO M. COJUANGCO JR.
Chairman and Chief Executive Officer


RAMON S. ANG
President and Chief Operating Officer


FERDINAND K. CONSTANTINO
Chief Finance Officer and Treasurer

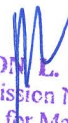

BELLA O. NAVARRA
Comptrollership Manager


FRANCIS H. JARDELEZA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 15th day of May, 2008 affiants exhibiting to me their Community Tax Certificates, as follows:

<u>NAME</u>	<u>COM. TAX CERT.</u> <u>NO.</u>	<u>DATE OF ISSUE</u>	<u>PLACE OF ISSUE</u>
Eduardo M. Cojuangco, Jr.	03829365	1-16-08	Pontevedra, Negros Occidental
Ramon S. Ang	11895133	1-15-08	Mandaluyong City
Ferdinand K. Constantino	01522278	2-28-08	Mandaluyong City
Bella O. Navarra	01522252	2-28-08	Mandaluyong City
Francis H. Jardeleza	07631988	1-31-08	Quezon City

Doc. No. : 495
Page No. : 100
Book No. : VII
Series of 2008. : 2008


PEDRO CLINTON L. LAUDENCIA, JR.
Commission No. 0279
Notary Public for Mandaluyong City
Until Dec. 31, 2008
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 37915
PTR No. 0103512 ; 01/04/08 ; Mandaluyong City
IBP No. 730370 ; 01/02/08 ; Quezon City

AGRO-INDUSTRIAL
(Monterey, Magnolia Chicken, B-MEG)

ANNEX “A”

BASIC MEATS

Monterey Meatshop

- ☐ Fresh Meats- Pork, Beef & Lamb
- ☐ Ready-to-Cook Meats (Timplados)

Gannado Meat Products

- ☐ Pork Meats

Monty's (Monterey Food-to-Go)

- ☐ Pork BBQ Ready to Eat

POULTRY

Wholes

- ☐ Magnolia Fresh Chicken (Fresh Chilled & Frozen)
- ☐ Magnolia Spring Chicken (Fresh Chilled & Frozen)
- ☐ Purefoods Supermanok (Fresh Chilled & Frozen)
- ☐ Magnolia Chicken Cut-ups (Fresh Chilled & Frozen)
- ☐ Magnolia Chicken Giblets

Magnolia Chicken Station Products

- ☐ Convenient cuts
- ☐ Cook-Easy Line

FEEDS

SMFI Animal & Aquatic Feeds

- ☐ B-MEG Premium Hog, Layer, Broiler, Duck, Quail, Tilapia, and Bangus Feeds
- ☐ B-MEG Dynamix Hog Pellets
- ☐ B-MEG Export Hog Pellet & Mash, Layer And Fish Feeds
- ☐ Bonanza Hog Pellets
- ☐ Pureblend Hog, Layer, Broiler, Duck, and Quail Feeds
- ☐ Jumbo Hog Mash
- ☐ B-MEG Derby Ace Premium Game Fowl Feeds
- ☐ B-MEG Prize Catch Floating fish Feeds
- ☐ B-MEG Aquaration Fish Feeds
- ☐ B-MEG CE-90 Shrimp Feeds
- ☐ B-MEG Concentrates and Pre-mixes

San Miguel Animal Health Care

- ☐ Antibacterials
- ☐ Supplements
- ☐ Dewormers
- ☐ Disinfectants
- ☐ Parenteral

VALUE-ADDED MEATS (Purefoods-Hormel)

REFRIGERATED MEATS

Hotdogs

- ☐ Purefoods Tender Juicy Hotdog
(Classic, Cheesedog Balls, Footlong)
- ☐ Purefoods Beefies Hotdog (Classic, Lots a Cheese)
- ☐ Moby Hotdog
- ☐ Magnolia Low Fat Chicken Hotdog
- ☐ Purefoods Chick'N Tasty Chicken Hotdog (Classic, Cheese)
- ☐ Pure Delight Chicken Hotdog
- ☐ Vida Hotdog (Classic, Cheese, Footlong, Balls, Chicken)
- ☐ Purefoods German Franks, Beef Franks and Cheese Franks

Sliced Hams

- ☐ Purefoods Sweet Ham
- ☐ Purefoods Cooked Ham
- ☐ Purefoods Ham Selections (Salami, Bologna, Spiced, Sausage, Sweetened and Cheese)
- ☐ Purefoods Pritong Pinoy (Tocino, Tapa, Longanisa, Barbecue, Bistek Tagalog, Batutay, Sweet Longanisa)
- ☐ Vida Sweet Ham
- ☐ Gusto Sliced Ham

Whole Hams

- ☐ Purefoods Fiesta Ham
- ☐ Purefoods Jamon de Bola
- ☐ Purefoods Chicken Ham
- ☐ Purefoods Chinese Ham
- ☐ Purefoods Brick Ham
- ☐ Purefoods Pear Shaped Ham
- ☐ Purefoods Jamon Royale

Bacon

- ☐ Purefoods Honey Cured Bacon
- ☐ Purefoods Maple Flavored Bacon
- ☐ Purefoods Lean N Mean Bacon
- ☐ Vida Bacon
- ☐ Hormel Bacon

Native and Specialty Lines

- ☐ Purefoods Ready-to-Cook products

Ready-to-Cook Line- Magnolia Convenience Line

- ☐ Magnolia Chicken Classics Institutional Products
- ☐ Magnolia Rotisserie Chicken Battered, Breaded, & Fried
- ☐ Magnolia & Purefoods Chicken Products

Street Food Line

- ☐ Vida products

Gourmet Meat

- ☐ Purefoods
- ☐ Hormel

Ready-to-Cook Line- Monterey

- ☐ Monterey Altanghap, Filipino Favorites & Oriental Lines Snack Line
- ☐ Monterey Burger Line
- ☐ Purefoods Hamburger Products
- ☐ Vida Hamburger & Cheeseburger
- ☐ Monterey Hamburger

Cook Easy Products**GROCERY PRODUCTS****Corned Meats**

- ☐ Purefoods Corned Beef
- ☐ Purefoods Chunkee Corned Beef
- ☐ Purefoods Carne Norte
- ☐ Purefoods Carne Norte Patatas
- ☐ Gusto Corned Beef

Luncheon Meats

- ☐ Purefoods Luncheon Meat
- ☐ Purefoods Chinese Luncheon Meat
- ☐ Purefoods Chinese Luncheon Meat with Cheese
- ☐ Purefoods Chinese Luncheon Meat Hot & Spicy
- ☐ Purefoods Beef Loaf Superior
- ☐ Gusto Meat Loaf
- ☐ Purefoods Chicken Luncheon Meat
- ☐ Hormel SPAM

Sausages

- ☐ Purefoods Vienna Sausage
- ☐ Purefoods Vienna Tidbits
- ☐ Purefoods Chicken Vienna Sausage
- ☐ Gusto Sausage
- ☐ Gusto Tidbits
- ☐ Gusto Frankfurters
- ☐ Hormel Vienna Sausage

Canned Beans

- ☐ Purefoods Pork & Beans
- ☐ Purefoods Corned Beef & Beans
- ☐ Purefoods Hotdog & Beans
- ☐ Purefoods Chilicon (Regular)
- ☐ Purefoods Chilicon Dynamite Hot

Canned Viands

- ☐ Purefoods Sizzling Delights Sisig
- ☐ Purefoods Mom's Kitchen Dinuguan
- ☐ Purefoods Mom's Kitchen Bopis
- ☐ Ulam King- Asado
- ☐ Ulam King- Caldereta
- ☐ Ulam King- Gravy
- ☐

Specialty Grocery Products

- ☐ Purefoods Liver Spread
- ☐ Gusto Liver Spread
- ☐ Purefoods Spaghetti Meat Sauce
- ☐ Purefoods Chorizo Filipino
- ☐ Purefoods Chicken Chunks in Water

- ☐ Purefoods Chicken Chunks in Vegetable Oil

Monterey Chicharon

- ☐ Monterey Chicharon Salted
- ☐ Monterey Chicharon Chili Vinegar

INTEGRATED MILLING (SAN MIGUEL MILLS, INC.)

FLOUR MILLING

Hard Wheat Flour

- ☐ Emperor
- ☐ King
- ☐ Monarch
- ☐ Count
- ☐ Pacific
- ☐ Silver Dragon

Soft Wheat Flour

- ☐ Queen Soft flour
- ☐ Countess
- ☐ Red Dragon

Specialty Flour

- ☐ Baron All-Purpose Flour
- ☐ Princess Cake Flour
- ☐ Duchess Cake Flour
- ☐ Golden Wheat Whole Wheat Flour (Course & Fine)

Customized Flour

- ☐ Harina de Pan de Sal
- ☐ Royal Premium Noodle Flour
- ☐ Prince Noodle Flour
- ☐ Hi-Gluten Flour
- ☐ Soft Roll Flour
- ☐ Siopao Flour

Premixes

- ☐ Pancake & Waffle Mix
- ☐ Brownie Mix
- ☐ Cookie Mix
- ☐ Muffin Mix
- ☐ Siopao Mix
- ☐ Doughnut Mix
- ☐ Puto Mix
- ☐ Pizza Mix
- ☐ Crinkle Mix
- ☐ Kakanin Mix
- ☐ Spicy Batter Mix

Bakery Ingredients

- ☐ Zuprim Bread Improver
- ☐ Bake Best Baking Powder

BRANDED SNACKS

E-aji Dip Snax

- ☐ Fries with Cheesy Garlic Dip
- ☐ Fries with Sweet Chili Dip
- ☐ Fries with Mayo Ketchup Dip
- ☐ Fries with Peppered Mayo Dip
- ☐ Nachos with Cheesy Garlic Dip
- ☐ Nachos with Fiesta Salsa Dip
- ☐ Nachos with Mayo BBQ Dip
- ☐ Nachos with Chili Con Carne Dip
- ☐ Nachos with Flamin' Hot Salsa Dip
- ☐ Nachos with Peppered Mayo
- ☐ Ridges with Cheddar Cheese Dip
- ☐ Ridges with Sweet Chili Dip
- ☐ Nachos Party Pack with Cheesy Garlic and Salsa Dips
- ☐ Nachos Party Pack with Cheddar Cheese and Chili Con Carne Dips

E-aji Potato Chips

- ☐ E-aji Potato Chips Lightly Salted
- ☐ E-aji Potato Chips Fiery Hot BBQ
- ☐ E-aji Potato Chips Cheddar Cheese
- ☐ E-aji Potato Chips Sour Cream and Chives

Premixes

- ☐ Magnolia Pancake Plus with Syrup
(Maple, Chocolate, Strawberry)
- ☐ Magnolia Pancake & Waffle Mix (500g and 200g)

Services

- ☐ Product Customization
- ☐ Recipe Development
- ☐ Technical Training in Baking

DAIRY, OILS & FATS (MAGNOLIA)

BUTTER, MARGARINE & CHEESE

Butter

- ☐ Magnolia Gold and Magnolia Gold Lite
- ☐ Magnolia Dairy Blend
- ☐ Magnolia Spreadable

Refrigerated Margarine

- ☐ Dari Crème and Dari Crème Lite
- ☐ Dari Crème Blends
- ☐ Buttercup
- ☐ Baker's Best

Non-Refirgerated Margarine

- ☐ Star Margarine
- ☐ Delicious Margarine

Cheese

- ☐ Magnolia Cheezee
- ☐ Daily Quezo

- ☐ Magnolia Quickmelt
- ☐ Magnolia Cheddar
- ☐ Magnolia Cream Cheese
- ☐ Magnolia Cheese Food Service

GEL-BASED SNACKS AND DESSERTS

- ☐ JellyYace Fruiteez
- ☐ JellyYace Bites
- ☐ JellyYace Stixx
- ☐ JellyYace Ice Ice Jelly
- ☐ JellyYace Snackers
- ☐ JellyYace Market Stall Pack
- ☐ Magnolia Best Fruits Jam (Strawberry, Pineapple, Apple Cinnamon, Pink Guava, Mango)

MILK

- ☐ Magnolia Chocolait
- ☐ Fresh Milk

ICE CREAM

Bulk Ice Cream

- ☐ Magnolia Classic (Vanilla, Chocolate, Mocca, Strawberry, Ube, Mango, Sweet Corn)
- ☐ Magnolia Gold Label (Double Dutch, Rocky Road, Cookies N’ Cream, Dulce de Leche, Creamy Halo-halo, Macapuno Ube Swirl)

Frozen Delights

- ☐ Magnolia Potong (Ube and Red Monggo)
- ☐ Magnolia Spinner (Chocolate, Vanilla, Strawberry)
- ☐ Magnolia Pop-a-Cup (Chocolate and Raspberry)
- ☐ Magnolia Rainbow Bar
- ☐ Magnolia Mochi (Ube and Sesame)
- ☐ Magnolia Party Cup (Chocolate, Vanilla, Ube)

SPECIALTY OILS

- ☐ Magnolia Nutri-Oil Pure Coconut & Palm Vegetable Oil
- ☐ Pure-Oil Cooking Oil

COFFEE

- ☐ San Mig Coffee Regular 3-in-1 Coffeemix- Mild, Original, Strong & Extra Strong
- ☐ San Mig Coffee Sugar Free 3-in-1 Coffeemix- Mild, Original, Strong & Extra Strong
- ☐ Grandeur Premium 3-in-1 Coffeemix- Original, Hazelnut, Italian Original & Mocha

FOOD SERVICE (Great Food Solutions)

Branded Food Service Products

VALUE-ADDED MEATS/POULTRY

- ☐ Primo D’ Italian TM Pizza Topping Line
- ☐ Sizzlers TM Sausage Links and Patties Line
- ☐ Deli Ready TM Sliced Deli Meats Line
- ☐ Tender Cuts Tm Product Line
- ☐ SPAM Chubs and Slices
- ☐ Fast N’ Easy Prepared Meals and Cuts
- ☐ Purefoods TM Foodservice product line
- ☐ Purefoods TM Foodservice Meatballs, Chickenballs, Burgerballs, and Corned Beef Balls
- ☐ Magnolia Pritong Manok
- ☐ Purefoods TM Corned Beef in Chubs – 1 kg

- ☐ Purefoods Corned Beef Blue Label Institutional Corned Beef 800g can
- ☐ Purefoods TM Breakfast Sausages
- ☐ Purefoods Corned Beef Pandesal
- ☐ Product Customization

BUTTER, MARGARINE, CHEESE, and OILS

In Institutional Sizes

- ☐ Magnolia Gold Butter
- ☐ Dairy Crème Margarine
- ☐ Baker's Best Margarine
- ☐ Buttercup Margarine
- ☐ Magnolia Non-Refrigerated Margarine
- ☐ Primex Shortening
- ☐ Magnolia Cheese (block format)
- ☐ Magnolia Cheese Sauce
- ☐ Magnolia Mozzarella
- ☐ Magnolia Parmesan
- ☐ Magnolia Real Mayonnaise
- ☐ Magnolia Nutri-Oil

CONFECTIONARY

- ☐ Magnolia Choco & Strawberry Syrups
- ☐ Magnolia Coffee Jelly

FLOUR and PREMIXES

SMPF COMMISSARY PRODUCTS

- ☐ Beef, Pork and Chicken Patties
- ☐ Breaded, Battered and Fried products
- ☐ Ready-to-Eat- "Cook Express"
 1. Fully-cooked entrees
 2. Shelf-stable
 3. Siomai

SERVICES

- ☐ Customization
- ☐ Menu & Recipe development
- ☐ Packing Development
- ☐ Food Safety Trainings and Consultancy
- ☐ Quality Assurance Services
- ☐ Food Laboratory Analysis
- ☐ Marketing Services and Promotional Tie-Ups

DISTRIBUTION

- ☐ San Miguel Food Shop
- ☐ Monterey Neighborhood Meat Shop
- ☐ Purefoods Market Shop
- ☐ Magnolia Chicken Stations

**San Miguel Corporation and Subsidiaries
List of Collective Bargaining Agreements**

SAN MIGUEL CORPORATION

- 1 Ilaw at Buklod ng Manggagawa (IBM) - SMC Chapter
- 2 SMC Employees Union (SMCEU) - PTGWO
- 3 San Miguel Bacolod Brewery Employees Union-Independent
- 4 Phil. Agricultural, Commercial and Industrial Workers Union
- 5 San Fernando Complex Monthly-Paid Emp. Union IBM No. 48
- 6 New San Miguel Corporation Sales Force Union
- 7 Ilaw at Buklod ng Manggagawa (IBM) Local No. 42 -San Fernando Beer Bottling Plant Chapter
- 8 Ilaw at Buklod ng Manggagawa (IBM)-Mandaue Chapter
- 9 New SMC Sales Force Union - Cebu
- 10 Samahang Manggagawa ng San Miguel Beer - Southern Philippines Federation of Labor (SPFL-Davao)
- 11 Central Visayas Provincial Sales Force

ANCHOR INSURANCE BROKERAGE CORPORATION

- 12 AIBC Employees Independent Union - FFW

MINDANAO CORRUGATED FIBREBOARD INC.

- 13 Mincorr Independent Workers Union (MIWU)

PREMIUM PACKAGING INTERNATIONAL INC.

- 14 IBM - Primepak Chapter
- 15 IBM-85, Primepak Chapter

RIGHTPAK INTERNATIONAL CORPORATION

- 16 Independent Rightpak Employees Union

SAN MIGUEL RENGU PACKAGING CORPORATION

- 17 San Miguel Rengu Employees Labor Union - AWATU

SAN MIGUEL YAMAMURA BALL CORPORATION

- 18 Kristiyanong Organisasyon ng Manggagawa sa San Miguel Yamamura Ball Corporation (Kristong Manggagawa-SMYBC) - Inc.

SMC YAMAMURA FUSO MOLDS CORPORATION

- 19 SMC Yamamura Fuso Molds Monthlies Union - PTGWO

SMC SHIPPING AND LIGHTERAGE CORPORATION

- 20 SMC Wharf Shipping & Lighterage Independent Union
- 21 Ilaw at Buklod ng Manggagawa (IBM) Mandaue Chapter

GINEBRA SAN MIGUEL INC.

- 21 Nagkakaisang Manggagawa ng LTDI-CIO-ALU
- 22 La Tondeña Distillers Inc. Workers Union - Independent
- 23 CIO-ALU Distileria Bago Employees Union Chapter
- 24 Nagkakaisang Lakas Manggagawa ng LTDI (Cabuyao Plant) - Independent Union

MAGNOLIA INC.

- 25 Progressive Workers' Union (PWU) IBM Local 47
- 26 PDPC Employees Union IBM Local 85

SUGARLAND CORPORATION

- 27 Jellyace Workers Union-Tupas

MONTEREY FOODS CORPORATION

- 28 Bukluran ng Manggagawa sa Monterey-Ilaw at Buklod ng Manggagawa (BMM-IBM) IBM Local 69
- 29 Monterey Farms Senior Employees Union-Independent
- 30 Purefoods Sta. Maria Farm Workers Union - (PFSMPFWU-PULO)-Ind.
- 31 Bukluran ng Manggagawa sa Monterey-Ilaw at Buklod ng Manggagawa (BMM-IBM) Monterey Meat Plt. Loc. 70
- 32 SMPF Monterey Angat Farm Workers Union, PULO Loc 19

THE PUREFOODS-HORMEL COMPANY INC.

- 33 Purefoods-Hormel Company Administrative Marketing Employees Union (PHCAMEU)
- 34 Nagkakaisang Samahang Manggagawang Purefoods-Hormel Rank and File (NAGSAMA-PHC-PULO)-Independent

SAN MIGUEL FOODS INC.

- 35 Kapisanan ng mga Manggagawa sa Purefoods (KAMPU) - Independent
- 36 Magnolia Poultry Farm Employees Labor Union (MAPFELU) - IBM Local No. 67
- 37 SMFI Employees Union (SMFIEU)-PTGWO
- 38 Magnolia Poultry Employees Union-PTGWO
- 39 Iwag sa Baroganan sa Mamumuo (IBM) sa MPPP-Cebu
- 40 SMFI-Magnolia Poultry Processing Plant Workers Union
- 41 Magnolia Poultry Processing Plant Monthly Employees Union (MPPPMEU)
- 42 Purefoods Corporation Flour Mill Employees Union (PFMEU) - Independent
- 43 The Confederation of Filipino Workers - PureFoods Hatchery Chapter (CFW)

COCA-COLA BEVERAGE GROUP

- 1 Manila/Antipolo Monthlies Union
- 2 Manila/Antipolo Sales Force Union
- 3 Meycauayan Dailies Union
- 4 Meycauayan Monthlies Union
- 5 Meycauayan Sales Force Union
- 6 Calasiao Dailies Union
- 7 Calasiao Monthlies Union
- 8 Calasiao Sales Force Union
- 9 Carlatan Baguio Sales Force Union
- 10 Carlatan Dailies Union
- 11 Carlatan Monthlies Union
- 12 Carlatan Sales Force Union
- 13 Ilagan Dailies Union
- 14 Ilagan Monthlies Union
- 15 Ilagan Sales Force Union
- 16 Ilocos Dailies Union
- 17 Ilocos Monthlies Union
- 18 Ilocos Sales Force Union
- 19 San Fernando Dailies & Plant Delivery Personnel Union
- 20 San Fernando Monthlies Union
- 21 San Fernando Sales Force Union
- 22 Calamba (KMM) - Monthlies/Dailies/Sales Force Union
- 23 Calamba Monthlies/Dailies (IBM-FLUC) Union
- 24 Canlubang Dailies Union
- 25 Naga Monthlies/Dailies/Sales Force Union
- 26 Sta Rosa 1 Monthlies/Dailies Union
- 27 Cagayan Monthlies/Dailies Union
- 28 Cagayan Sales Force Union
- 29 Davao Monthlies/Dailies (SAMACoke) Union
- 30 Davao Sales - Bajada & Ulas Union
- 31 Davao Sales - Bislig Union
- 32 Davao Sales - Digos Union
- 33 Davao Sales - Kidapawan Union
- 34 Davao Sales - Mati Union
- 35 Davao Sales - Panabo Union
- 36 Davao Sales - San Francisco Union
- 37 Davao Sales - Tagum Union
- 38 Davao Sales - Tandag Union
- 39 Gen Santos Sales - Cotabato Union
- 40 Gen Santos Sales - Marbel Union
- 41 Gen Santos Sales - Midsayap Union
- 42 Gen Santos Sales - Plant Union

- 43 Gen Santos Sales - Tacurong Union
- 44 Gen. Santos Monthlies/Dailies Union
- 45 Zamboanga Monthlies/Dailies Union
- 46 Zamboanga Sales Force Union
- 47 Bacolod Monthlies/Dailies Union
- 48 Bacolod Sales Force Union
- 49 Bacolod Supervisors Union
- 50 Cebu Monthlies & Dailies Union
- 51 Cebu Sales Force Union
- 52 Cebu Supervisors Union
- 53 Iloilo Monthlies/Dailies/Sales Force Union
- 54 Iloilo Sales Force Union
- 55 Tacloban Monthlies/Dailies Union
- 56 Tacloban Sales Force Union
- 57 Tagbilaran Monthlies/Dailies/Sales Force Union

COSMOS BOTTLING CORPORATION

- 58 Cosmos Supervisory (Luzon) Union
- 59 GMA Rank and File Union (Malabon, San Pedro, San Fernando, Cauayan)
- 60 San Jacinto Monthlies/Dailies/Sales Force Union
- 61 Cosmos Bacolod Pop Rank and File Workers Union
- 62 Cosmos Iloilo Jaz Rank and File Workers Union
- 63 Cosmos Cebu Rank and File Workers Union
- 64 Cosmos Davao Rank and File Workers Union

PHILIPPINE BEVERAGE PARTNERS INC.

- 65 SBC Imus / Navotas
 - 66 Wilkins Gen Trias
 - 67 Cebu Mos/Dailies RTD
-

Description of Property
ANNEX “C”

Company Name / Subsidiary		Address	Rented / Owned	Condition
Beverage				
1	San Miguel Brewery Inc.			
	Polo Brewery	Marulas McArthur High-way Valenzuela City	Owned	Good
	San Fernando Brewery	SMC Complex, Quebiawan, San Fernando, Pampanga	Owned	Good
	Mandaue Brewery	SMC Mandaue Complex, Hi-way, Mandaue City, Cebu	Owned	Good
	Bacolod Brewery	Sta. Fe, Bacolod City	Owned	Good
	Davao Brewery	Darong, Sta. Cruz, Davao del Sur	Owned	Good
	Warehouse – Supply Center			
	GMA – West	Pureza S. O. ; Pureza, Sta Mesa, Manila	Owned	Good
	GMA – West	Sta. Ana Carreon St. Sta Ana, Manila	Owned	Good
	GMA – South	Taguig S. O. ; Veterans Cmpd. Bldg. 1 A Taguig	Closed	
	GMA – South	Pananaque S. O. ; Bernabe Subd., San Dinisio, Paranaque	Owned	Good
	GMA – Central	Cubao S. O. ; 20th Ave., Cubao Q. C.	Owned	Good
	GMA – Central	Congressional S. O.. Congressional Ave. Quezon City	Closed	
	GMA – East	Taytay S. O. ; East Road, Taytay, Rizal	Owned	Good
	GMA – East	Pasig S.O. ; Mercedes Ave., Pasig	Rented	Good
	GMA – N. West	Caloocan S.O. ; Asistio., Bo. Biglang Awa, Caloocan City	Owned	Good
	GMA – N. West	Tondo S. O. ; Honorio Lopez St., Tondo Manila	Owned	Good
	GMA – North	Valenzuela S. O. ; Plastic City	Rented	Good
	GMA – North	Novaliches S.O. ; Bo. Kaligayahan, Quirino Highway	Rented	Good
	CNLA – NCL	Dagupan S.O. ; Caranglaan Dist., Dagupan City	Owned	Good
	CNLA – ECL	Tarlac S. O. ; San Rafael, Tarlac, Tarlac	Owned - Closed	Good
	CNLA – NCL	Carmen S.O.; Carmen East, Rosales, Pangasinan	Owned	Good
	GMA – Bulacan	San Isidro S.O.; Gapan-Olongapo Rd.,Pob. S. Isidro,N.E.	Owned	Good
	CNLA – ECL	Cabanatuan S.O.; Maharlika Rd.,Bitas, Cabanatuan	Rented	Good
	CNLA – ECL	Guiguinto S.O.Brgy. Sta. Cruz, Guiguinto, Bulacan	Owned	Good

Company Name / Subsidiary		Address	Rented / Owned	Condition
	CNLA – ECL	Angeles S.O.; S. Jacinto St., S. Angelo Subd. Angeles City	Owned	Good
	CNLA – Ilocos	San Nicolas Region Office Bgy. Catuguing, San Nicolas Ilocos Norte	Rented	Good
	CNLA – WCL	Olongapo S.O.; Old Cabalan, Olongapo City	Closed	
	CNLA – Cordillera	Carlatan S.O.; Madayegdeg, San Fernando, La Union	Owned	Good
	CNLA – Cordillera	Baguio S.O.; Irisan, Baguio City	Owned	Good
	CNLA – Ilocos	Candon Whse, Tablac, Candon, Ilocos Sur	Owned – leased to dealer	Good
	CNLA – Cag. Valley	Cauayan S.O.; Nat'l Highway, S. Fermin, Cauayan; Isabela	Owned	Good
	CNLA – Cag. Valley	Santiago S.O.; Mabini, Santiago, Isabela	Owned	Good
	CNLA – Cag. Valley	Solano S.O.; Sillawan St., Poblacion, Solano, Nueva Vizcaya	sold	
	CNLA – Cag. Valley	Lal-lo S.O., Sta. Maria, Lal-lo, Cagayan	Owned – leased to dealer	Good
	SLA – Laguna	Canlubang S.O.; Silangan Industrial Park, Canlubang; Laguna	Owned	Good
	SLA – Laguna	San Pedro S.O.; 106 Mabini St., National Highway, San Pedro, Laguna	Rented	Good
	SLA – Laguna	Sta. Cruz S.O.; Bgy. Pagsawitan, Sta. Cruz; Laguna	Rented	Good
	SLA – Quezon	Lucena S.O. ; Bgy. Isabang, Lucena City	Owned	Good
	SLA – Quezon	Gumaca S.O.; Natl. Hi-way, Villa Bota, Gumaca, Quezon	Owned	Good
	SLA – Batangas	Batangas S.O.; Bo. Balagtas, Batangas City	Owned	Good
	SLA – Batangas	Balayan Whse.; Bo. Lanatan, Balayan Batangas (Leased to Dealer)	Lot Rented, Bldg. Constructed by SMC	Good
	SLA – Batangas	Lipa S.O.; Ayala Hi-way, Lipa City, Batangas	Owned – leased to dealer	Good
	SLA – Cavite	Bacoor S.O.; BINHEPCO Cmpd, Tirona Hi-way, Cavite	Rented	Good
	SLA – Cavite	Dasmarinas S. O.	Rented	Good
	SLA – STIP	Puerto Princesa S.O.	Owned – leased to dealer	Good
	SLA – STIP	San Jose, Occidental Mindoro	Owned – leased to dealer	Good
	SLA – SBicol	Gotladera St., Zone 2, Bulan, Sorsogon	Rented	Good
	SLA – SBicol	Cataingan S.O.	Closed	Good
	SLA – NBicol	Daet S.O.	Closed	Good
	SLA – NBicol	Naga S.O.; Concepcion Grande, Naga City	Owned	Good

Company Name / Subsidiary		Address	Rented / Owned	Condition
	SLA – SBicol	Legaspi S.O.; Cogon St., Bgy. Cruzada, Legaspi City, Bicol	Rented	Good
	SLA – SBicol	Masbate S.O.; Matungao, Tugbo, Masbate	Closed –dealer area	Good
	Visayas – CVNSO	Mandaue S.O.; Mandaue Complex, Mandaue City	Owned	Good
	Visayas – CVSSO	Cebu S.O.; M.C. Briones St., Cebu	Closed	Good
	Visayas – CVSSO	Carcar S.O.; Valladolid, Carcar, Cebu	Closed	Good
	Visayas – CVSSO	Tagbilaran S.O.; CPG Ave., Tagbilaran, Bohol	Rented	Good
	Visayas – EVSO	Tacloban S.O. Fatima Vill., Tacloban City, Leyte	Owned	Good
	Visayas – EVSO	Ormoc S.O.; Old Hermosilla Drive, Ormoc City	Closed	Good
	Visayas – Panay	Pavia-Solid Manila Bldg., Diversion Road, Bgy. San Rafael, Mandurriao, Iloilo	Rented	Good
	Visayas – Panay	Numancia S.O.; Camansi Norte, Numancia ; Aklan	Owned	Good
	Visayas – Panay	Roxas S.O.; Bo. Libas, Roxas City	Owned	Good
	Visayas – WV Metro	Iloilo S.O.; Muelle Loney, Iloilo	Owned	Good
	Visayas – WV Metro	Bacolod S.O.; Bacolod Brewery, Bacolod	Owned	Good
	Visayas – Negros	Sum-Ag Warehouse; Bgy. Sum-Ag, Bacolod City	Owned	Good
	Visayas – Negros	Himamaylan S.O.; Himamaylan, Negros Occidental	Owned	Good
	Visayas – Negros	Dumaguete S.O.; W. Rovira Rd., Pulantubig, Dumaguete City	Rented	Good
	Mind – Caraga	Butuan S.O.; Fort Poyohan, Butuan City	Owned	Good
	Mind – Caraga	Tandag S.O. Sema St. Bgy., Bongtod, Tandag City, Surigao del Sur	Owned	Good
	Mind – Caraga	San Francisco S.O., San Francisco, Agusan del Sur	Rented	Good
	Mind – Cotabato Prov	Gen. Santos S.O.; Lagao Road, South Cotabato	Owned	Good
	Mind – Cotabato Prov	Marbel, Koronadal City (Leased to Dealer)	Owned	Good
	Mind – Cotabato Prov	Banga S.O., National Highway, Banga dealer	Rented	Good
	Mind – Davao Prov	Davao S.O.; Ulas, Davao City	Owned	Good
	Mind – Davao Prov	Tagum S.O.; National Highway, Tagum City (Leased to Dealer)	Owned	Good
	Mind – Davao Prov	Panabo S.O., Hi-way, Panabo City	Rented	Good
	Mind – Davao Prov	Sto. Tomas Hi-way, Sto. Tomas	Rented	Good
	Mind – North Mindanao	Opol S.O.; Opol, Cagayan de Oro City	Owned	Good
	Mind – North West	Iligan S.O.; Sta. Filomena, Iligan City	Rented	Good

<i>Company Name / Subsidiary</i>		<i>Address</i>	<i>Rented / Owned</i>	<i>Condition</i>
	Mind – North West	Ozamis S.O.; Elim Compound, Lam-an, Ozamis City	Rented	Good
	Mind – North West	Dipolog S.O., Sta. Filomena, Dipolog City	Rented	Good
	Mind – Cenmin	Digos, Rizal St., Digos City	Owned	Good
	Mind – Zambo-Sulu	Liloy S.O.; Poblacion Liloy, Zamboanga del Norte	Rented	Good
	Mind – Zambo-Sulu	Zamboanga S.O.; Baliwasan Drive, Zamboanga City	Owned	Good
2	San Miguel Brewery Hong Kong Ltd.	Yuen Long Industrial Estate, New Territories, Hong Kong	Owned	Good
4	San Miguel (Baoding) Brewery Company Ltd.	Jiangcheng Road, Baoding City, Hebei Province, PRC	Owned	Good
5	San Miguel (Guangdong) Brewery Co., Ltd.	Renmin Road, Longjang Town, Shunde, Guangdong, PRC	Owned	Good
6	PT Delta Djakarta Tbk	Inspeksi Tarum Barat, Bekasi Timur, Indonesia	Owned	Good
7	San Miguel Brewery Vietnam Company Ltd.	Suoi Hiep Hamlet, Dien Khanh Dist., Khanh Hoa Province, Vietnam	Owned	Good
	San Miguel Beer (Thailand) Limited	89 Moo 2 Tivanon Road, Tambol Bann-Mai, Amphur, Muang, Pathumthani, Thailand 12000	Owned	Good
8	J. Boag & Sons Limited	21 Shields Street, Launceston, Tasmania, Australia	Owned	Good
10	Ginebra San Miguel, Inc			
	Canlubang	Silangan Industrial Estate, Bgy Pittland, Terelay Phase, Cabuyao, Laguna	Owned	Good
	Lucena	Bgy. Gulang-gulang, Lucena City, Quezon	Owned	Good
	Sta. Barbara	Tebag West, Sta. Barbara, Pangasinan	Owned	Good
	Cebu	Subandaku, Mandaue City, Cebu	Owned	Good
	Distileria Bago, Inc. (Alcohol Distillery)	Km 13.5 Bgy. Taloc, Bago City, Negros Occidental	Owned	Good
Packaging				
1	SAN MIGUEL PACKAGING SPECIALISTS, INC.			
	SMPSI Primepak Glass Plant	Bo. Halayhay, Tanza, Cavite	SMPSI Owned	Good
	SMPSI Rightpak Plant	Canlubang Industrial Estate, Canlubang, Laguna	SMC Owned	Good
	SMPSI Metal Container Plant	Bgy. San Francisco de Malabon, Gen. Trias, 4107 Cavite	SMPSI Owned	Good
	SMPSI Cebu Bev. Packaging Plant	SMC Mandaue Complex, Hi-way, Mandaue City, Cebu	SMC Owned	Good
	SMPSI Davao Bev. Packaging Plant	SMC Complex, Darong, Sta. Cruz, Davao City	SMC Owned	Good
	SMPSI San Fernando Bev. Packaging Plant	Barangay Maimpis, City of San Fernando, Pampanga (Gate 2, SMC Pet Plant)	SMPSI Owned	Good

<i>Company Name / Subsidiary</i>		<i>Address</i>	<i>Rented / Owned</i>	<i>Condition</i>
	SMPSI Canlubang PET & Caps Plant	Canlubang Industrial Estate, Canlubang, Laguna	SMC Owned	Good
	SMPSI Manila Glass Plant	Muelle dela Industria St., Binondo Manila	SMC Owned	Good
	SMPSI Manila Plastics Plant	Tomas Claudio St., Beata, Pandacan, Manila	SMC Owned	Good
	SMPSI MCLP Canlubang	Silang Canlubang Industrial Park, Canlubang Laguna	SMC Owned	Good
	SMPSI MCLP San Fernando	SMC San Fernando Complex, Quebiauan, San Fernando City	SMC Owned	Good
	SMPSI Mandaue Glass Plant	SMC Mandaue Complex, Hi-way, Mandaue City, Cebu	SMC Owned	Good
	SMPSI MCLP Mandaue	SMC Mandaue Complex, Hi-way, Mandaue City, Cebu	SMC Owned	Good
	SMPSI Mandaue Plastics Plant	SMC Mandaue Complex, Hi-way, Mandaue City, Cebu	SMC Owned	Good
2	San Miguel Yamamura Asia Corporation	Km 12, Aguinaldo Highway, Imus, Cavite	Owned	Good
3	San Miguel Yamamura Fuso Molds Corp.	Governor Dr., Bo. De Fuego, Bgy. San Francisco, Gen. Trias, Cavite	Owned	Good
4	San Miguel Rengo Packaging Corporation	Dr. A Santos Avenue, Sucat, Parañaque City	Owned	Good
5	Mindanao Corrugated Fibreboard Inc.	Km 12 Sasa, Davao City	Owned	Good
6	Mandaue Power Plant	SMC Mandaue Complex, Hi-way, Mandaue City, Cebu	SMC Owned	Good
7	Zhaoqing San Miguel Glass Company Ltd.	12 North Avenue, Housha St., Zhaoqing City Guangdong Province, PRC	Land Use Rights	Good
8	Foshan San Miguel Packaging Company Ltd.	9 Dongdi Road, Junan Township, Guangdong Province, PRC	Land Use Rights	Good
9	PT San Miguel Sampoerna Packaging Industries Ltd.	Jalan Jababeka V 42-43, Kawasan Industri Jababeka, Cikarang, Bekasi 17530, Indonesia	Land Use Rights	Good
10	San Miguel Yamamura Haiphong Glass Company Ltd.	17-A Ngo Quyen St., Ngo Quyen District, Haiphong City, Vietnam	Land Use Rights	Good
11	San Miguel Phu Tho Packaging Company Ltd.	152 Lac Long St., District 11, Ho Chi Minh City, Vietnam	Land Use Rights	Good
12	San Miguel Plastics Films Sdn. Bhd.	No. 172, Jalan Usaha 5, lots 83, 84, 85, 75, 76 Ayer Keroh Industrial Estate, 75450 Melaka, Malaysia.	Land Lease Rights	Good
13	San Miguel Packaging and Printing Sdn Bhd.			
	- Converting plant	Lot 5078 and 5079, Jalan Jenjarom 28/39, Seksyen 28, 40000 Shah Alam, Selangor Darul Ehsan, Malaysia	Owned	Good
	- Duplex plant	Lot 9, Jalan Perusahaan Empat, Tapak Perindustrian P.K.N.S., 68100 Batu Caves, Selangor Darul Ehsan, Malaysia	Rented	Good

<i>Company Name / Subsidiary</i>		<i>Address</i>	<i>Rented / Owned</i>	<i>Condition</i>
14	San Miguel Woven Products Sdn. Bhd.	Lot 9 and 10, Ayer Keroh Industrial Estate, Jalan Usuha 4, 75450 Melaka, Malaysia	Land Lease Rights	Good
15	Packaging Research Centre Sdn. Bhd.	Lot 5078 and 5079, Jalan Jenjarom 28/39, Seksyen 28, 40000 Shah Alam, Selangor Darul Ehsan, Malaysia	Owned	Good
16	San Miguel Woven Products Sdn. Bhd.	Lot 9 and 10, Ayer Keroh Industrial Estate, Jalan Usuha 4, 75450 Melaka, Malaysia	Land Lease Rights	Good
17	Packaging Research Centre Sdn. Bhd.	Lot 5078 and 5079, Jalan Jenjarom 28/39, Seksyen 28, 40000 Shah Alam, Selangor Darul Ehsan, Malaysia	Owned	Good
Foods				
1	San Miguel Purefoods (Vietnam) Co., Ltd.	Cau Sat Hamlet, Lai Hung Village, Ben Cat District, Binh Duong Province, Vietnam	Bldg. - Owned Land - Rented	Good
2	Tien Giang Sales Office	Phuoc Hoa Hamlet, Phuoc Thanh Village, Chau Thanh District, Tien Giang Province, Vietnam	Warehouse and Land Rented	Good
3	Dong Nai Sales Office	39/2 An Hoa Hamlet, Tay Hoa Village, Trang Bom District, Dong Nai Province, Vietnam	Warehouse and Land Rented	Good
4	Can Tho Sales Office	60 High Way 1, Ba Lang Ward, Cai Rang Distric, Can Tho Province, Vietnam	Warehouse and Land Rented	Good
5	Long An Sales Office	73 High Way 1A, 1 Hamlet, My Yen Village, Ben Luc District, Long An Province, Vietnam	Warehouse and Land Rented	Good
6	Lam Dong Sales Office	1023, Tran Phu Road, Loc Tien Ward, Bao Loc Lam Dong Province, Vietnam	Warehouse and Land Rented	Good
7	San Miguel Pure Foods Company Inc. and Subsidiaries			
	JMT Corporate Condominium Building	ADB Avenue, Ortigas Center, Pasig City	Owned	Good
	Feeds & Poultry Iloilo Office	Melliza St., Iloilo City	Owned	Good
	Processed Meats Marikina Plant	Bo. San Roque, Marikina City	Owned	Good
	Processed Meats Cavite Plant	Bo. De Fuego, Brgy. San Francisco, Gen. Trias, Cavite	Owned	Good
	Mabini Flourmill	Brgy. Bulacan, Mabini, Batangas	Owned	Good
	Tabangao Flourmill	Brgy. Tabangao, Batangas City	Owned	Good
	Pampanga Poultry Dressing Plant	SMC Complex, Bo. Quebiawan, San Fernando, Pampanga	Owned	Good
	Cabuyao Poultry Dressing Plant	Cabuyao, Laguna	Owned	Idle
	Cebu Poultry Dressing Plant	Brgy. Canduman, Mandaue City	Owned	Good
	Davao Poultry Dressing Plant	Toril, Sirawan, Davao City	Owned	Good
	Feeds Spend Drying Plant	San Fernando, Pampanga	Owned	Good

Company Name / Subsidiary		Address	Rented / Owned	Condition
	Laguna Feedmill	Brgy. Malitlit, Sta. Rosa, Laguna	Owned	Good
	Tarlac Feedmill	Luisita Industrial Park, San Miguel, Tarlac City	Owned	Good
	B-Meg Pangasinan Plant	Km. 189, Brgy. Bued, Binalonan, Pangasinan	Lot Owned by Ginebra San Miguel, Inc.	Good
	General Santos Feedmill	Bo. Calumpang, Gen. Santos City	Owned	Good
	Isabela Feedmill	Bo. Soyung, Echague, Isabela	Owned	Good
	Bataan Feedmill	Mindanao Avenue, cor 10 th Avenue, BEZ, Mariveles, Bataan	Owned	Good
	Feeds Spent Grain Drying Plant	SMC Complex, Highway, Mandaue City	Owned	Good
	Cagayan de Oro Feedmill	Brgy. Baloy, Tablon, Cagayan de Oro City	Rented Lot	Good
	Bukidnon Feedmill	Milmar Cpmd., Impalutao, Impasug-ong, Bukidnon	Owned	Good
	Magnolia Plant	Bo. De Fuego Governor's Drive, Gen. Trias, Cavite	Owned	Good
	Monterey Meat Plant	Governor's Drive, Dasmariñas, Cavite	Owned	Good
	Processed Meats Indonesia Plant	Jl. Raya Bogor Km. 37 Sukamaju, Sukmajaya, Indonesia	Owned	Good
	Calamba Hatchery	Brgy. Licheria, Calamba City	Owned	Good
	Poultry Breeding Farm	San Rafael, San Pablo City	Owned	Idle
	Bulacan Hatchery	Km. 37, Pulong Buhangin, Sta. Maria, Bulacan	Owned	Good
	Grandparent Hatchery	Kapitan Bayong, Impasug-ong, Bukidnon	Owned	Good
	Calauan Experimental Farms	SMC Cmpd., Brgy. Mabacan, Calauan, Laguna	Owned	Good
	Angat Hog Farm	Pulong Yantok Angat, Bulacan	Owned	Good
	Alfonso Hog Farm	Buck Estate, Alfonso, Cavite	Owned	Good
	Calamias Hog Farm	Calamias, Ibaan, Batangas	Owned	Good
	Lipa Hog Farm	San Jose East, Lipa, Batangas	Owned	Good
	Quilo Hog Farm	Lot No. 2489, Quilo, Ibaan, Batangas	Owned	Good
	Sta. Maria Hog Farm	Guyong, Sta. Maria, Bulacan	Owned	Good
	Isabela Cattle Farm	Bo. San Lius, Cauayan, Isabela	Owned	Good
	Polomolok Cattle Farm	Silway 8, Polomolok, South Cotabato	Owned	Good
	Processed Meats Fairview Cold Storage	Consul St., cor Carmel St., District 2, North Fairview, Quezon City	Owned	Good
	Otis Warehouse	Otis, Pandacan, Manila	Owned	Good
	Jellyace Snack Food Manufacturing Plant	Pines cor Reliance St., Brgy. Highway Hills, Mandaluyong City	Lot Owned by San Miguel Properties, Inc.	Good
	Great Food Solutions Commissary	North Bay Blvd., Navotas, Metro Manila	Rented	Good
	DMC – Urban Property Developers, Inc.	JMT Corporate Condominium Building, ADB Avenue, Ortigas Center, Pasig City	Rented	Good

Company Name / Subsidiary		Address	Rented / Owned	Condition
	TDR Inc.	JMT Corporate Condominium Building, ADB Avenue, Ortigas Center, Pasig City	Rented	Good
	Magnolia Head Office	SMFG Cmpd., Legaspi cor Eagle St., Ugong, Pasig City	Lot Owned by San Miguel Corporation	Good
	Food Group Consolidated Warehouse	F. Legaspi St., Maybunga, Pasig City	Rented	Good
	Poultry Pangasinan	Brgy. San Vicente, San Jacinto, Pangasinan	Rented	Good
	Poultry Isabela	Brgy. Rizal, Santiago City, Isabela	Rented	Good
	Poultry Zambales	Brgy. Mangan-vaca, Subic, Zambales	Rented	Good
	Poultry VAO Office	Emmanuel SJB Dev't., San Isidro, Cabuyao, Laguna	Rented	Good
	Poultry Laguna Office	3F, Sta. Cecilia Bus. Center, Parian, Calamba City	Rented	Good
	Poultry Quezon	Brgy. Lagalag, Tiaong, Quezon	Rented	Good
	Poultry Albay	Brgy. Anislag, Daraga, Albay	Rented	Good
	Poultry Bohol	Albur Dressing Plant, Eastern Poblacion, Albuquerque, Bohol	Rented	Good
	Poultry Bacolod	Daalco IV Bldg., Singcang, Araneta St., Bacolod City	Rented	Good
	Poultry Dumaguete	Magatas, Sibulan, Negros Oriental	Rented	Good
	Poultry Tacloban	Wab Traders Corp., Brgy. Abucay, Tacloban City	Rented	Good
	Poultry Cebu	6 th Flr. Cleotilde Bldg., Casuntingan, Mandaue City, Cebu	Rented	Good
	Poultry Ormoc	Door 4, 2 nd Flr., Tan Bldg., Lilia Ave., Cogon, Ormoc	Rented	Good
	Poultry Davao	Coaco Road, Sasa, Davao City	Rented	Good
	Poultry Zamboanga	Door #2, Nuño Bldg., MCLL Highway, Guiwan, Zamboanga City	Rented	Good
	Poultry Cagayan de Oro	Dacudao Cmpd, Corrales Ext. Cagayan de Oro City	Rented	Good
	Poultry Ozamis	Mailen, Clarin, Misamis Occidental	Rented	Good
	Poultry Butuan	Km 9, Tag-ibo, Butuan City	Rented	Good
	Feeds Cebu Office	1 st Flr, GSMI Bldg., Subangdaku, Mandaue City, Cebu	Rented	Good
	Bacolod Feeds Sales Office	JA Building, San Patrico, Banago, Bacolod City	Rented	Good
	Feeds Cagayan de Oro Sales Office	S&C Building, Mitimco, Baloy, Cagayan de Oro	Rented	Good
	Feeds Butuan Sales Office	Brgy. 23, Langihan Road, Butuan City	Rented	Good
	Feeds Ozamis Sales Office	Elim Cmpd, Lam-an, Ozamis City	Rented	Good
	Flour Libis Warehouse	No. 13 Economia St., Bagumbayan, Libis, Q. C.	Rented	Good
	Flour Bulacan Warehouse	Sta. Rita, Guiginto, Bulacan	Rented	Good
	Prifoods Corporation (Snacks)	Brgy. Paciano, Calamba, Laguna	Rented	Good
	Tacoma (Feeds)	Port Area, Manila	Rented	Good
	RIDJO (Feeds)	Judge Juan Luna St., San Francisco Del Monte, Quezon City	Rented	Good

<i>Company Name / Subsidiary</i>	<i>Address</i>	<i>Rented / Owned</i>	<i>Condition</i>
PNOC (Feeds)	Bauan, Batangas	Rented	Good
Nawaco (Feeds)	Port Area, Manila	Rented	Good
NFA Isabela Warehouse (Feeds)	Northern Philippines Grains Complex, Echague, Isabela	Rented	Good
Lucky 103 Realty Corp. (Feeds)	Pulilan, Bulacan	Rented	Good
Bamcor Warehouse (Feeds)	Brgy. Taboc, San Juan, La Union	Rented	Good
Fieldman Warehouse (Feeds)	Brgy. Poblacion, Bacnotan, La Union	Rented	Good
BPA Warehouse (Feeds)	Carmen, Pangasinan	Rented	Good
MCAR Warehouse (Feeds)	Bacnotan, La Union	Rented	Good
Paragas Warehouse (Feeds)	Babasit, Manaoag, Pangasinan	Rented	Good
Alejo Sim (Feeds)	Pangasinan	Rented	Good
Pozorrubio (Feeds)	Pangasinan	Rented	Good
William Sim (Feeds)	Urdaneta, Pangasinan	Rented	Good
PKS Shipping (Feeds)	Looc, Mandaue City, Cebu	Rented	Good
San Miguel Shipping and Lighterage (Feeds)	Looc, Mandaue City, Cebu	Rented	Good
Rocksun Warehouse (Feeds)	Marasbaras, Tacloban City	Rented	Good
Bacolod Warehouse B (Feeds)	JA Building, San Patricio, Banago, Bacolod City	Rented	Good
Muelle, Loney Warehouse (Feeds)	Brgy. Loboc, Lapaz, Iloilo City	Rented	Good
SIAIAN Warehouse (Feeds)	Brgy. Loboc, Lapaz, Iloilo City	Rented	Good
Bassett Land, Inc. (Feeds)	Sitio Tawagan, Consolacion, Cebu	Rented	Good
BUHAYCO (Feeds)	Puntod, Cagayan de Oro City	Rented	Good
KIMWA Warehouse (Feeds)	KIMWA Const. & Dev't Corp Baloy, Cagayan de Oro City	Rented	Good
MITIMCO Warehouse (Feeds)	Mitimco Compound, Baloy, Cagayan de Oro City	Rented	Good
CATIMCO Warehouse (Feeds)	Puntod, Cagayan de Oro City	Rented	Good
BUDEX (Feeds)	Bangcud, Malaybalay	Rented	Good
Western Feedmill Warehouse (Feeds)	Coaco Road, Sasa, Davao City	Rented	Good
Southern Philippine Coco Charcoal Green Warehouse (Feeds)	Coaco Road, Sasa, Davao City	Rented	Good
Vismin Region Office (Monterey)	Door No. 8, Teresa Bldg., Dacudao Cmpd., Cagayan de Oro City	Rented	Good
Bukidnon Live Operations Office (Monterey)	Propia St., Malaybalay City	Rented	Good
Bandung Office (PT SMPF Indonesia)	Jl Sukarno Hatta No 606 Bandung	Rented	Good
Surabaya Office (PT SMPF Indonesia)	Perumahan Citra Harmoni Block C1 Bi.25 Troso Bo Jawa Timur Surabaya	Rented	Good
Yogyakarta Office (PT SMPF Indonesia)	Jl. Angga II Gang Merak No. 219A Condang Catur Slemos Yogyakarta	Rented	Good
Bali Office (PT SMPF Indonesia)	Jl Mertasari No 61 Sawung Beton Kendal Sidakarya Bali	Rented	Good
Medan Office (PT SMPF Indonesia)	Jl. Tirtosari No 102 B, Kel Bantan, Kec Tembung, Medan	Rented	Good
Makasar Office (PT SMPF Indonesia)	Jl. Anggrek I Block EA No 17, Nusa Tomdarea Indah Makassar	Rented	Good

Company Name / Subsidiary		Address	Rented / Owned	Condition
	PT Hagajaya Kemasindo Sarana (PT SMPF Indonesia)	Graha Cempaka Block C28, Jl Letjend Suprpto, Jakarta Selatan	Rented	Good
	A. Raqub Salim (PT SMPF Indonesia)	Jl. Mertasari No 61 Sawung Beton Kendal Sidakarya Bali	Rented	Good
	Joni Susanto (PT SMPF Indonesia)	Jl. Tirtosari No 102 B, Kel Bantan, Kec Tembung, Medan	Rented	Good
	Angin Selatan (PT SMPF Indonesia)	Jl. Prof. Ir. Sutami No. 46-55 Makasar	Rented	Good
	PT. Sewu Segar Nusantara (PT SMPF Indonesia)	Jl. Beringin Bendo Kawasan Industri Ragam II Kav. 8 RT 06/09 Taman Sepayang Surabaya	Rented	Good
	Joko P (PT SMPF Indonesia)	Jl. Ring Road Utara Pandega Patma DP 16D Yogyakarta	Rented	Good
	Staples Food Corporation (Poultry)	Navotas, Metro Manila	Rented	Good
	Diaz Dressing Plant (Poultry)	Km. 104, Brgy. Tabuating, San Leonardo, Nueva Ecija	Rented	Good
	Kenwood Construction (Poultry)	Brgy. San Vicente, San Jacinto, Pangasinan	Rented	Good
	Lolim's Dressing Plant (Poultry)	Brgy. Rabon, Rosario, La Union	Rented	Good
	Cheers Trade Star, Inc. (Poultry)	Brgy. Rizal. Santiago City, Isabela	Rented	Good
	New Breed Dressing Plant (Poultry)	Brgy. Mangan-vaca, Subic, Zambales	Rented	Good
	Reitoh Cold Storage, Inc. (Poultry)	Km. 30 Amante St., San Pedro, Laguna	Rented	Good
	Johanna's Chicken Proc. Center (Poultry)	Brgy. Bocohan, Lucena City	Rented	Good
	IP3 (Poultry)	Brgy. Lagalag, Tiaong, Quezon	Rented	Good
	Cariño & Sons Agri-Dev't Inc. (Poultry)	Brgy. Aya, San Jose, Batangas	Rented	Good
	Gallintina Ind Corp (Poultry)	GIC Compound, Brgy. Tagbong Pili, Camarines Sur	Rented	Good
	Palmas Agri Bus Inc. (Poultry)	Brgy. Anislag, Daraga, Albay	Rented	Good
	Silangan Poultry Farms (Poultry)	San Jose, Lipa City	Rented	Good
	MKC Poultry Dressing Plant (Poultry)	Brgy. Tagburos, Puerto Princesa City, Palawan	Rented	Good
	Ormoc (Poultry)	Sitio Canmingming, Brgy. Valencia, Ormoc City	Rented	Good
	Albur Dressing Plant (Poultry)	Eastern Poblacion, Alburquerque, Bohol	Rented	Good
	Poultry Bacolod (1)	Singko de Nyubembre St., Silay City, Negros Occidental	Rented	Good
	Poultry Bacolod (2)	Km 6 St., Tangub, Bacolod	Rented	Good
	First Farmers Foods Corp. (Poultry)	Brgy. Dos Hermanos, Talisay City, Neg. Occidental	Rented	Good
	Cold Links Storage (Poultry)	PC Suico, Tabuk, Mandaue City, Cebu	Rented	Good
	DCTV Network (Poultry)	Riverside, Canduman, Mandaue City, Cebu	Rented	Good
	Big Blue (Poultry)	Brgy. Paknaan, Mandaue City, Cebu		
	Orient Cold Storage (Poultry)	Iloilo Fishing Port, Tanza, Iloilo City	Rented	Good
	Poultry Iloilo	Iloilo Fishing Port, Tanza, Iloilo City	Rented	Good
	Mincool (Poultry)	Dacudao Cmpd., Corrales Ext., Cagayan de Oro City	Rented	Good
	WMC Cold Storage (Poultry)	Cugman, Cagayan de Oro City	Rented	Good
	ZAVI (Poultry)	Boalan, Zamboanga City	Rented	Good

Company Name / Subsidiary		Address	Rented / Owned	Condition
	ECA Cold Storage (Poultry)	Tambler, General Santos City		
	Davao Fresh Foods Corporation (Poultry)	Km. 20 Los Amigos, Tugbok, Davao City	Rented	Good
	Sirawan Ice Plant (Poultry)	Brgy. Toril, Sirawan, Davao City	Rented	Good
	Polar Bear Corporation (Poultry)	Davao Fishing Port Complex, Toril, Davao City	Rented	Good
	Green Pine Dressing Plant (Poultry)	Km 9., Tag-ibo, Butuan City	Rented	Good
	St. Jude Dressing Plant (Poultry)	Mohon, Tagoloan, Misamis Oriental	Rented	Good
	Reefer Van Specialists	Alubijid, Misamis Oriental	Rented	Good
	Elim Dressing Plant (Poultry)	Mialen Clarin, Misamis Occidental	Rented	Good
	Lubogan Hatchery (Poultry)	Crossing Bayabas, Lubogan, Toril, Davao City	Rented	Good
	PMC Logistics (Purefoods-Hormel)	Marcos Highway, Barrio Mayamot, Antipolo City	Rented	Good
	Estrella Ice Plant (Purefoods-Hormel)	Valenzuela, Bulacan	Rented	Good
	Royal Cargo Combined Logistic (Purefoods-Hormel)	Sta. Acqueda Ave., Pascor Drive, Parañaque City	Rented	Good
	Vifel Ice Plant and Cold Storage (Purefoods-Hormel)	North Bay Blvd., Navotas, Metro Manila	Rented	Good
	Magnolia Cebu	SMC Complex, Hi-Way, Mandaue City	Lot Owned by San Miguel Brewery	Good
	Big Blue (Magnolia)	S. E. Jayme St, Paknar, Mandaue City	Rented	Good
	Special Segment Storage Center (Magnolia)	Truck Plus Compound, Km 10 Doña Mercedes, Subdivision, Sasa, Davao City	Rented	Good
	Royal Cargo (Monterey)	Dasmariñas, Cavite	Rented	Good
	Refrigerated Transport Services (Monterey)	Pasig City	Rented	Good
	Koldstor Centre Philippines, Inc. (Monterey)	Pasig City	Rented	Good
	Reefer Van Specialists, Inc. (Monterey)	Pasig City	Rented	Good
	Icon Reefer Corp. (Monterey)	Makati City	Rented	Good
	Supreme Aqua Resources Corporation (Monterey)	Tacloban City, Leyte	Rented	Good
	Sunpride Foods, Inc. (Monterey)	Pakna-an, Mandaue City, Cebu	Rented	Good
	Special Segment Storage Center (Monterey)	Truck Plus Compound, Km 10 Doña Mercedes, Subdivision, Sasa, Davao City	Rented	Good
	Polar Bear Freezin & Storage Corp. (Monterey)	Davao City	Rented	Good
	Nenita's Quality Foods Corp. (Monterey)	Brgy. Toril, Davao City	Rented	Good
	Liza's Tender & Lean Meat (Monterey)	Siniwal, General Santos City	Rented	Good
	Big Blue Logistic Corporation (Monterey)	Cagayan de Oro City	Rented	Good
	Subic (Food Shop)	Dream Plaza, National Highway, Bo. Matain, Subic, Zambales	Rented	Good
	Las Piñas (Food Shop)	Enriquez Business Center, Real St., Alabang-Zapote Road, Pamplona 3, Las Piñas	Rented	Good

Company Name / Subsidiary		Address	Rented / Owned	Condition
	Baliuag (Food Shop)	B. S. Aquino Ave., Bagong Nayon, Baliuag, Bulacan	Rented	Good
	Paco Paz (Food Shop)	1510-12 Paz St., near cor. Perdigon St., Paco, Manila	Rented	Good
	Edsa Central (Food Shop)	GF 106 & 107 Edsa Central Pavilion, Mandaluyong City	Rented	Good
	Retiro (Food Shop)	474-486 N. S. Amoranto Ave., Sta. Mesa Heights, Q. C.	Rented	Good
	Pres. Avenue (Food Shop)	L19 B1 President's Ave. cor. Adelfa St., Tahanan Village, Parañaque City	Rented	Good
	JP Rizal (Food Shop)	Ground Floor, Filben Bldg., 779-781 JP Rizal Ave., Makati City	Rented	Good
	Caniozan (Food Shop)	Emmanuel Bldg., 155-157 Dr. Sixto Antonio Ave., Caniozan, Pasig City	Rented	Good
	Lagro (Food Shop)	Ground Floor Roncal Bldg., Quirino Highway near cor. Ascension St., Pasong Putik, Lagro Quezon City	Rented	Good
	Parang (Food Shop)	Lot 2-B, Block 9, Gen. N. C. Molina St., cor. E. Rodriguez St., Parang, Marikina City	Rented	Good
	Commonwealth (Food Shop)	313 Commonwealth Ave., near cor. Tandang Sora Ave., Culiati, Quezon City	Rented	Good
	Quirino (Food Shop)	RG Buenavista Plaza., 82 Quirino Ave., cor Correa St., Baclaran, Parañaque City	Rented	Good
	Anza (Food Shop)	8300 Anza St., Makati Ave., Makati City	Rented	Good
	Countryside (Food Shop)	Ground Floor, RCJ Bldg., Ortigas Ave. cor. Countryside Ave., Brgy. Sta. Lucia, Pasig City	Rented	Good
	San Pablo (Food Shop)	Ex-Manila Bank Bldg., Rizal Ave. cor. Brion St., Brgy. Poblacion, San Pablo City	Rented	Good
	Sangandaan (Food Shop)	1584 A. Mabini St., Sangandaan, Caloocan City	Rented	Good
	Dolores (Food Shop)	McArthur Hway cor. Gapan-Olongapo Rd., Brgy. Dolores, San Fernando City, Pampanga	Rented	Good
	Evangelista (Food Shop)	1653 Evangelista cor. Hen. J. Belarmino Sts., Brgy. Bangkal, Makati City	Rented	Good
	Morcilla (Food Shop)	Hen. B. Morcilla cor P. Herrera Sts., Brgy. Poblacion, Pateros, Metro Manila	Rented	Good
	Legarda (Food Shop)	2243 Legarda St., cor. M. De Los Santos St., Manila	Rented	Good
	Caloocan (Food Shop)	Unit R1-R2, One Kalayaan Place, Samson Road, Victory Liner Cmpd., Caloocan City	Rented	Good
	UST (Food Shop)	Space 13 Level 1 & Space 25B Leve2, UST-Multi-Deck Parking, Leon Ma. Guerrero Drive, UST Manila	Rented	Good

<i>Company Name / Subsidiary</i>		<i>Address</i>	<i>Rented / Owned</i>	<i>Condition</i>
	CM Recto (Food Shop)	Ground Floor, Sogo Hotel, Claro M. Recto cor. Coromina St., Quiapo, Manila	Rented	Good
	Novaliches (Food Shop)	248 Gen. Luis St., Novaliches Proper, Novaliches, Quezon City	Rented	Good
	Molino (Food Shop)	Lot 5541-A-3G Molino Road, Molino III, Bacoor, Cavite	Rented	Good
	Redemptorist (Food Shop)	83 Redemptorist Rd., Baclaran, Parañaque City	Rented	Good
	Trabajo Market (Food Shop)	M. Dela Fuente cor S. H. Loyola Sts., Sampaloc, Manila	Rented	Good
	Kalayaan (Food Shop)	9608 Kalayaan Ave. near cor. Anastacio St., Brgy. Guadalupe Nuevo, Makati City	Rented	Good
	Ruby (Food Shop)	Ground Floor. Agustin I Bldg., Ruby St., near cor. Julia Vargas St., Ortigas Center, Pasig City	Rented	Good
	Macalacat (Food Shop)	Mc Arthur Highway, Mabalacat, Brgy. Tabun, Pampanga	Rented	Good
	Lipa (Food Shop)	MVL Center, J. P. Laurel, Nat'l Highway, Brgy. Tambo, Lipa, Batangas City	Rented	Good
	San Pedro (Food Shop)	B22 L8 D' Great Building, Juan Ave. cor. Amorsolo St., Chrysanthenum Village, Brgy. San Vicente, San Pedro, Laguna	Rented	Good
	Lucena (Food Shop)	M. L. Tagarao cor. M. H. Del Pilar St., Lucena City	Rented	Good
	Rosario (Food Shop)	Lolo Polo Bldg., Gen. Trias Drive, Barangay Tejeros Convention, Rosario, Cavite	Rented	Good
	San Mig Café (Great Food Solutions)	Ground Floor., SMPC Bldg., St. Francis St., Mandaluyong City	Rented	Good
	Great Food Solutions Cebu Depot	SMC SL Compound, M. Ceniza St., Ouano Wharf, Brgy. Looc, Mandaue City, Cebu	Rented	Good
	Great Food Solutions Bacolod Depot	Zone 2 Calong Calong, Airport Subd., Bacolod City	Rented	Good
	Great Food Solutions Iloilo Depot	Fishing Port, Tanza, Iloilo City	Rented	Good
	Great Food Solutions Cagayan de Oro Depot	Door 4 Alwana Business Park, Cugman, Cagayan de Oro City	Rented	Good
	Great Food Solutions Davao Depot	Km. 6 Amon Building, Lanang, Davao City	Rented	Good
	Koldstor Centre Philippines, Inc. (Great Food Solutions)	Anabu Hills Industrial Estate, Anabu I-C, Imus, Cavite	Rented	Good
9	San Miguel Campocarne Corporation	General Trias, Cavite	Owned	Good
10	San Miguel Corporation - Agribusiness			Good
	Iligan Coconut Oil Mill	Sta. Filomena, Iligan City	Owned	
	Others			
1	San Miguel Properties, Inc.			

Company Name / Subsidiary		Address	Rented / Owned	Condition
	The Legacy	Las Piñas, Metro Manila	Owned	Good
	Bel Aldea	Gen. Trias, Cavite	Owned	Good
	Maravilla	Gen. Trias, Cavite	Owned	Good
	Office spaces	The Enterprise Center, Ayala Avenue, Makati,	Owned	Good
	Office spaces	LV Locsin Bldg., Makati	Owned	Good
	Office spaces	PET Plans Tower, Makati	Owned	Good
	Office spaces	San Miguel Properties Centre, Mandaluyong	Owned	Good
	Office building, land	San Miguel Avenue, Mandaluyong	Owned	Good
	Industrial plant, land	Reliance Street, Mandaluyong	Owned	Good
	Industrial plant, land	Aurora Avenue, Quezon City	Owned	Good
	Land	Meralco Avenue, Pasig	Owned	Good
	Land	Filinvest Corporate City, Muntinlupa	Owned	Good
	Land	Canlubang, Laguna	Owned	Good
	Land	Gen. Trias, Cavite	Owned	Good
	Land	Maragondon, Cavite	Owned	Good
	Land	Lubao, Pampanga	Owned	Good
	Land	Masbate	Owned	Good
	Land	Mactan, Cebu	Owned	Good
	Land	Sta. Cruz, Davao del Sur	Owned	Good
	Land	Polomolok, South Cotabato	Owned	Good
	Legacy Homes, Inc.			
	Villa de Calamba	Calamba, Laguna	Owned	Good
	Primavera Hills	Liloan, Cebu	Owned	Good
	Buenavista Homes	Jugan, Cebu	Owned	Good
	Excel Unified Land Resources Corp.			
	Wedge Woods	Silang, Cavite	Owned	Good
	Bright Ventures Realty, Inc.			
	Land	Mabini St., Addition Hills, San Juan	Owned	Good
	Bel-Aldea Realty, Inc.			
	Residential House & Lot	La Loma, Quezon City	Owned	Good
	Highriser Group, Inc.			
	Warehouse, land	Pasay Road, Makati	Owned	Good

Note : All owned properties are free of liens and encumbrances.

ANNEX “D”

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007 and 2006

(With Comparative Figures for 2005)



SAN MIGUEL CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of San Miguel Corporation is responsible for all information and representations contained in the consolidated balance sheets as at December 31, 2007 and 2006 and the consolidated statements of income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2007 and 2006, and a summary of significant accounting policies and other explanatory notes. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company's Audit Committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the consolidated financial statements before such statements are approved and submitted to the stockholders of the Company.

Manabat Sanagustin & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with auditing standards generally accepted in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors and stockholders.



EDUARDO M. COJUANGCO, JR.

Chairman and Chief Executive Officer



RAMON S. ANG

President and Chief Operating Officer



FERDINAND K. CONSTANTINO

Senior Vice President and
Chief Finance Officer / Treasurer

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

SUBSCRIBED AND SWORN to before me this 15th day of May, affiants exhibiting to me their Community Tax Certificates, as follows:

<u>NAME</u>	<u>COM. TAX CERT.</u> <u>NO.</u>	<u>DATE OF ISSUE</u>	<u>PLACE OF ISSUE</u>
Eduardo M. Cojuangco, Jr.	03829365	1-16-08	Pontevedra, Negros Occidental
Ramon S. Ang	11895133	1-15-08	Mandaluyong City
Ferdinand K. Constantino	01522278	2-28-8	Mandaluyong City

Doc. No. 494 ;
Page No. 100 ;
Book No. VII ;
Series of 2008.


PEDRO CLINTON L. LAUDENCIA, JR.
Commission No. 0279
Notary Public for Mandaluyong City
Until Dec. 31, 2008
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 37915
PTR No. 0103512 ; 01/04/08 ; Mandaluyong City
IBP No. 730370 ; 01/02/08 ; Quezon City

ABCD

Manabat Sanagustin & Co.
Certified Public Accountants
22/F, Philamlife Tower, 8767 Paseo de Roxas
Makati City 1226, Metro Manila, Philippines

Telephone +63 (2) 885 7000
+63 (2) 893 8507
Fax +63 (2) 894 1985
+63 (2) 816 6595
Internet www.kpmg.com.ph
e-Mail manila@kpmg.com.ph

PRC-BOA Registration No. 0003
SEC Accreditation No. 0004-FR-1
BSP Accredited

REPORT OF INDEPENDENT AUDITORS

The Stockholders and the Board of Directors
San Miguel Corporation
No. 40 San Miguel Avenue
Mandaluyong City

We have audited the accompanying consolidated financial statements of San Miguel Corporation and Subsidiaries which comprise the consolidated balance sheets as at December 31, 2007 and 2006, and the consolidated statements of income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes. The consolidated financial statements of San Miguel Corporation and Subsidiaries as at and for the year ended December 31, 2005 prior to the restatements described in Note 37 to these consolidated financial statements, were audited by other auditors whose report dated March 3, 2006, expressed an unqualified opinion on those statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Manabat Sanagustin & Co. certified public accountants, a professional partnership established under Philippine law, is a member of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.	Units 142/144 & 146/148 Ground Floor, Alpha Building Subic International Hotel Compound Rizal corner Sta. Rita Roads Subic Bay Freeport Zone 2222 Philippines	Unit 503, 5 th Floor, Keppel Center Samar Loop corner Cardinal Rosales Avenue Cebu Business Park Cebu City 6000 Philippines	2 nd Floor, Uy Building Sen. B. Aquino Avenue Mandurriao Iloilo City 5000 Philippines	Suite 3, Doll Building 6 th Street Bacolod City 6100 Philippines
	Telephone +63 (47) 252 2825	Telephone +63 (32) 233 9337	Telephone +63 (33) 321 3821	Telephone +63 (34) 434 9225
	Fax +63 (47) 252 2826	Fax +63 (32) 233 9339	Fax +63 (33) 321 3822	Fax +63 (34) 434 8015
	e-Mail subic@kpmg.com.ph	e-Mail cebu@kpmg.com.ph	e-Mail iloilo@kpmg.com.ph	e-Mail bacolod@kpmg.com.ph



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 consolidated financial position of San Miguel Corporation and Subsidiaries as of December 31, 2007 and 2006, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards. We also audited the adjustments described in Note 37 that were applied to restate the 2006 and 2005 financial statements of a subsidiary. In our opinion, such adjustments are appropriate and have been properly applied.

MANABAT SANAGUSTIN & CO.

JORGE MA. S. SANAGUSTIN

Partner

CPA License No. 0030399

SEC Accreditation No. 0026-AR-1

Tax Identification No. 124-282-616

BIR Accreditation No. 08-001987-7-2007

Issued July 10, 2007; Valid until July 9, 2010

PTR No. 0988757 J

Issued January 7, 2008 at Makati City

ANNEX "D-1"

May 13, 2008

Makati City, Metro Manila

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Millions)

		December 31	
		2007	2006 (As restated - Note 37)
<i>Note</i>			
ASSETS			
Current Assets			
Cash and cash equivalents	7, 35, 36	P93,281	P24,280
Trade and other receivables - net	4, 8, 30, 35, 36	61,879	43,034
Inventories - net	4, 9	23,852	42,550
Current portion of biological assets - net	4, 13	2,324	1,879
Prepaid expenses and other current assets	35, 36	5,677	5,234
		187,013	116,977
Assets held for sale	6, 10	5,792	-
Total Current Assets		192,805	116,977
Noncurrent Assets			
Investments and advances - net	4, 10, 35, 36	771	5,989
Property, plant and equipment - net	4, 11, 27	64,355	97,986
Investment properties - net	4, 12	1,648	1,744
Biological assets - net of current portion	4, 13	1,319	1,260
Goodwill - net	2, 4, 10, 14	5,348	72,899
Other intangible assets - net	4, 14	3,202	28,115
Deferred tax assets	4, 20	4,973	6,871
Other noncurrent assets - net	4, 10, 15, 27, 30, 35, 36	13,688	15,952
Total Noncurrent Assets		95,304	230,816
		P288,109	P347,793
LIABILITIES AND EQUITY			
Current Liabilities			
Drafts and loans payable	16, 35, 36	P44,231	P42,354
Accounts payable and accrued expenses	10, 17, 18, 30, 35, 36	20,311	39,502
Income and other taxes payable	20	3,327	3,016
Dividends payable	31	1,494	318
Current maturities of long-term debt - net of debt issue costs	19, 35, 36	1,222	11,007
		70,585	96,197
Liabilities directly associated with assets held for sale	6	3,642	-
Total Current Liabilities		74,227	96,197

Forward

December 31			
		2007	2006 (As Restated - Note 37)
	Note		
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	19, 35, 36	P54,612	P84,908
Deferred tax liabilities	20	12,721	13,434
Other noncurrent liabilities	29, 30, 35, 36	456	2,157
Total Noncurrent Liabilities		67,789	100,499
Equity 6, 19, 21, 31, 34			
Equity Attributable to Equity Holders of the Parent Company			
Capital stock		16,109	16,067
Additional paid-in capital		30,930	30,211
Revaluation increment		18	18
Cumulative translation adjustments		4,834	4,577
Retained earnings:			
Appropriated for expansion projects		6,034	6,036
Unappropriated		80,855	76,637
Treasury stock		(4,053)	(4,053)
		134,727	129,493
Amounts recognized directly in equity relating to assets held for sale		37	-
		134,764	129,493
Minority Interests		11,329	21,604
Total Equity		146,093	151,097
		P288,109	P347,793

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006
(With Comparative Figures for 2005)
(In Millions, Except Per Share Data)

Years Ended December 31				
			2006	2005
	<i>Note</i>	2007	(As Restated - Notes 6 and 37)	(As Restated - Notes 6 and 37)
SALES		P154,880	P140,598	P135,330
COST OF SALES	22	116,195	104,418	99,980
GROSS PROFIT		38,685	36,180	35,350
SELLING AND ADMINISTRATIVE EXPENSES	23	(26,644)	(23,108)	(24,648)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	16, 18, 19, 26	(7,127)	(7,101)	(9,257)
INTEREST INCOME		2,088	2,763	1,239
FOREIGN EXCHANGE GAIN - Net		6,587	2,768	2,153
EQUITY IN NET EARNINGS OF ASSOCIATES	6, 10	164	56	53
OTHER INCOME (CHARGES) - Net	27	(958)	584	459
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS		12,795	12,142	5,349
INCOME TAX EXPENSE	20	4,589	3,970	1,120
INCOME FROM CONTINUING OPERATIONS		8,206	8,172	4,229
INCOME AFTER INCOME TAX FROM DISCONTINUED OPERATIONS	6	145	1,727	4,428
NET INCOME		P8,351	P9,899	P8,657
Attributable to:				
Equity holders of the Parent Company		P8,630	P10,306	P8,728
Minority interests		(279)	(407)	(71)
		P8,351	P9,899	P8,657
Earnings Per Share From Continuing Operations, attributable to equity holders of the Parent Company	32			
Basic		P2.63	P2.54	P1.30
Diluted		P2.62	P2.53	P1.30

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006
(With Comparative Figures for 2005)
(In Millions)

Years Ended December 31				
		2006	2005	
	Note	(As Restated - Notes 6 and 37)	(As Restated - Notes 6 and 37)	
	2007			
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax from continuing operations		P12,795	P12,142	
Income before income tax from discontinued operations	6	2,485	2,717	
Loss from disposal of discontinued operations	6	(1,235)	-	
Income before income tax		14,045	14,859	
Adjustments for:				
Depreciation, amortization and others - net	5	11,140	11,875	
Interest expense and financing charges	6, 26	10,101	10,762	
Interest income		(2,404)	(2,994)	
Equity in net earnings of associates	10	(246)	(170)	
Loss from disposal of discontinued operations	6	1,235	-	
Gain on sale of investments and property and equipment	27	(2,219)	(272)	
Operating income before working capital changes		31,652	34,060	
Changes in noncash current assets, certain current liabilities and others	33	15,205	822	
Cash generated from operations		46,857	34,882	
Interest paid		(10,353)	(12,698)	
Income taxes paid		(6,201)	(4,895)	
Net cash flows provided by operating activities		30,303	17,289	
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of subsidiaries, net of cash and cash equivalents acquired	10, 33	-	(4,981)	
Additions to investments and advances		-	(3)	
Additions to property, plant and equipment	11	(9,310)	(12,593)	
Increase in other noncurrent assets and others		(14,820)	(4,931)	

Forward

Years Ended December 31				
			2006	2005
	<i>Note</i>	2007	(As Restated - Notes 6 and 37)	(As Restated - Notes 6 and 37)
Advances to a related party	8, 28	(P35,721)	P -	P -
Proceeds from sale of investments and property and equipment		6,269	2,741	2,857
Proceeds from disposal of discontinued operations, net of cash and cash equivalents disposed of	6	90,684	-	-
Interest received		2,374	3,015	2,787
Dividends received		59	73	-
Net cash flows provided by (used in) investing activities		39,535	(16,679)	(93,911)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term borrowings		345,789	232,386	221,404
Long-term borrowings		84,398	17,354	71,741
Payments of:				
Short-term borrowings		(337,512)	(222,865)	(213,576)
Long-term borrowings		(88,342)	(19,892)	(8,498)
Reissuance of treasury shares	21	-	-	17,799
Cash dividends paid	31	(3,228)	(4,369)	(4,267)
Issuances of capital stock	21, 34	490	600	487
Dividends paid to minority shareholders		(123)	(157)	(280)
Increase in minority interests		-	480	46
Net cash flows provided by financing activities		1,472	3,537	84,856
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
		(1,016)	(743)	(494)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		70,294	3,404	(6,124)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		24,280	20,876	27,000
CASH AND CASH EQUIVALENTS ASSOCIATED TO ASSETS HELD FOR SALE				
	6	(1,293)	-	-
CASH AND CASH EQUIVALENTS AT END OF YEAR				
	7	P93,281	P24,280	P20,876

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006
(With Comparative Figures for 2005)
(In Millions)

Equity Attributable to Equity Holders of the Parent Company										Minority Interests	Total Equity
	Note	Capital Stock	Additional Paid-in Capital	Revaluation Increment	Cumulative Translation Adjustments	Retained Earnings Appropriated	Retained Earnings Unappropriated	Treasury Stock	Total		
At January 1, 2007, as previously reported		P16,067	P30,211	P18	P4,577	P6,036	P78,011	(P4,053)	P130,867	P21,662	P152,529
Prior period adjustments	37	-	-	-	-	-	(1,374)	-	(1,374)	(58)	(1,432)
At January 1, 2007, as restated	21	16,067	30,211	18	4,577	6,036	76,637	(4,053)	129,493	21,604	151,097
Changes in the fair value of cash flow hedges, net of tax		-	-	-	162	-	-	-	162	-	162
Net effect of translation adjustments		-	-	-	95	-	-	-	95	-	95
Net income for the year		-	-	-	-	-	8,630	-	8,630	(279)	8,351
Total income and expense for the year		-	-	-	257	-	8,630	-	8,887	(279)	8,608
Issuances of capital stock	34	42	461	-	-	-	-	-	503	-	503
Stock options	34	-	258	-	-	-	-	-	258	-	258
Reduction in minority interests		-	-	-	-	-	-	-	-	(1,058)	(1,058)
Minority interests associated with discontinued operations	6	-	-	-	-	-	-	-	-	(8,824)	(8,824)
Appropriations - net	21	-	-	-	-	(2)	2	-	-	-	-
Cash dividends	31	-	-	-	-	-	(4,414)	-	(4,414)	(114)	(4,528)
	21	16,109	30,930	18	4,834	6,034	80,855	(4,053)	134,727	11,329	146,056
Amounts recognized directly in equity relating to assets held for sale	6	-	-	-	37	-	-	-	37	-	37
At December 31, 2007		P16,109	P30,930	P18	P4,871	P6,034	P80,855	(P4,053)	P134,764	P11,329	P146,093

Forward

Equity Attributable to Equity Holders of the Parent Company										Minority Interests	Total Equity
	Note	Capital Stock	Additional Paid-in Capital	Revaluation Increment	Cumulative Translation Adjustments	Retained Earnings		Treasury Stock	Total		
At January 1, 2006, as previously reported		P16,031	P29,647	P18	P5,619	P6,087	P70,695	(P4,053)	P124,044	P14,060	P138,104
Prior period adjustments	37	-	-	-	-	-	(1,114)	-	(1,114)	(47)	(1,161)
At January 1, 2006, as restated		16,031	29,647	18	5,619	6,087	69,581	(4,053)	122,930	14,013	136,943
Changes in the fair value of cash flow hedges, net of tax		-	-	-	18	-	-	-	18	-	18
Net effect of translation adjustments		-	-	-	(1,060)	-	-	-	(1,060)	-	(1,060)
Net income for the year, as restated		-	-	-	-	-	10,306	-	10,306	(407)	9,899
Total income and expense for the year		-	-	-	(1,042)	-	10,306	-	9,264	(407)	8,857
Issuances of capital stock	34	36	376	-	-	-	-	-	412	-	412
Stock options	34	-	188	-	-	-	-	-	188	-	188
Addition in minority interests		-	-	-	-	-	-	-	-	1,234	1,234
Reclassification of redeemable preferred shares to equity	18	-	-	-	-	-	-	-	-	6,917	6,917
Appropriations - net	21	-	-	-	-	(51)	51	-	-	-	-
Cash dividends	31	-	-	-	-	-	(3,301)	-	(3,301)	(153)	(3,454)
At December 31, 2006		P16,067	P30,211	P18	P4,577	P6,036	P76,637	(P4,053)	P129,493	P21,604	P151,097

Forward

Equity Attributable to Equity Holders of the Parent Company										Minority Interests	Total Equity
	Note	Capital Stock	Additional Paid-in Capital	Revaluation Increment	Cumulative Translation Adjustments	Retained Earnings Appropriated	Retained Earnings Unappropriated	Treasury Stock	Total		
At January 1, 2005, as restated		P15,982	P27,902	P18	P15,102	P5,787	P66,355	(P20,724)	P110,422	P17,332	P127,754
Prior period adjustments	37	-	-	-	-	-	(811)	-	(811)	(34)	(845)
At January 1, 2005, as restated		15,982	27,902	18	15,102	5,787	65,544	(20,724)	109,611	17,298	126,909
Changes in fair value of cash flow hedges, net of tax		-	-	-	(82)	-	-	-	(82)	-	(82)
Net effect of translation adjustments	20	-	-	-	(9,401)	-	-	-	(9,401)	-	(9,401)
Net income for the year, as restated		-	-	-	-	-	8,728	-	8,728	(71)	8,657
Total income and expense for the year		-	-	-	(9,483)	-	8,728	-	(755)	(71)	(826)
Issuances of capital stock	34	49	438	-	-	-	-	-	487	-	487
Stock option	34	-	179	-	-	-	-	-	179	-	179
Reissuance of treasury shares	21	-	1,128	-	-	-	-	16,671	17,799	-	17,799
Reduction in minority interests		-	-	-	-	-	-	-	-	(499)	(499)
Acquisition of minority interests-net	10	-	-	-	-	-	-	-	-	(2,557)	(2,557)
Appropriations - net	21	-	-	-	-	300	(300)	-	-	-	-
Cash dividends	31	-	-	-	-	-	(4,391)	-	(4,391)	(158)	(4,549)
At December 31, 2005		P16,031	P29,647	P18	P5,619	P6,087	P69,581	(P4,053)	P122,930	P14,013	P136,943

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Millions, Except Per Share Data)

1. Reporting Entity

San Miguel Corporation (SMC or Parent Company) was incorporated in the Philippines. The consolidated financial statements as at and for the year ended December 31, 2007 comprise the financial statements of the Parent Company and its Subsidiaries (collectively referred to as the “Group”) and the Group’s interest in associates and jointly controlled entities. The Parent Company is a public company under Section 17.2 of the Securities Regulation Code and its shares are listed on the Philippine Stock Exchange (PSE). The Group is primarily engaged in the production, processing and marketing of beverage, food and packaging products. The Group is also engaged in the management and development of real estate properties. The registered office address of the Parent Company is No. 40 San Miguel Avenue, Mandaluyong City.

The consolidated financial statements as at and for the year ended December 31, 2007 were authorized for issue by the Board of Directors (BOD) on May 13, 2008.

2. Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for the following:

- derivative financial instruments are measured at fair value;
- available-for-sale financial assets are measured at fair value; and
- agricultural produce are measured at fair value less estimated point-of-sale costs.

The consolidated financial statements are presented in Philippine peso, which is the Group’s functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest million, except when otherwise indicated.

Statement of Compliance

The consolidated financial statements have been prepared in compliance with PFRS. PFRS includes statements named PFRS and Philippine Accounting Standards (PAS), including Philippine interpretations, issued by the Financial Reporting Standards Council (FRSC).

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its Subsidiaries. The major subsidiaries include the following:

	Percentage of Ownership	Country of Incorporation
Beverage Business:		
San Miguel Brewery Inc. (SMB) ^(a)	100.00	Philippines
San Miguel Brewing International Ltd. and subsidiaries [including San Miguel Brewery Hong Kong Limited (SMBHK), PT Delta Djakarta Tbk and San Miguel Beer (Thailand) Ltd.]	100.00	British Virgin Islands (BVI)
San Miguel Australia Holdings Ltd. (SMAH) and subsidiary [including J. Boag & Son Limited (J. Boag)] ^(b,c)	100.00	Australia
San Miguel Beverages, Inc. (SMBI) ^(d)	100.00	Philippines
Ginebra San Miguel, Inc. (GSMI) and subsidiaries [including Distileria Bago, Inc., Ginebra San Miguel International, Ltd. (GSMIL)]	79.62	Philippines
Coca-Cola Bottlers Philippines, Inc. (CCBPI) and subsidiaries ^(c) [including Philippine Beverage Partners Inc. (PhilBev), Philippine Bottlers, Inc., Cosmos Bottling Corporation (CBC), Luzviminda Land Holdings, Inc., Marangal Properties, Inc. and Philbev Realty, Inc.]	65.00	Philippines
Food Business:		
San Miguel Foods and Beverage International Limited (SMFBIL) and subsidiaries [including San Miguel Pure Foods Investment (BVI) Limited (SMPFI) and San Miguel Pure Foods (Vn) Co. Ltd. (SMPFVN)]	100.00	BVI
San Miguel Foods Australia Holdings Pty. Ltd. (SMFAH) and subsidiaries ^(c) [including National Foods Limited (NFL) ^(f) , King's Creameries (S) Pte. Ltd. (King's) ^(e) , Berri Ltd. (Berri) and Lactos Pty. Ltd. (Lactos)]	100.00	Australia
Star Dari, Inc. (SDI)	100.00	Philippines
San Miguel Pure Foods Company, Inc. (SMPFC) ^(h) and subsidiaries [including San Miguel Foods, Inc. (SMFI), San Miguel Mills, Inc. (SMMI), The Purefoods-Hormel Company, Inc., Magnolia Inc. (Magnolia), San Miguel Super Coffeemix Co., Inc. (SMSCCI), Monterey Foods Corporation (MFC) ⁽ⁱ⁾ , RealSnacks Mfg. Corp. (RealSnacks) ^(g) and P.T. San Miguel Pure Foods Indonesia Ltd. (PTSMPFI) ^(b)]	99.92	Philippines
Packaging Business:		
San Miguel Packaging International Limited (SMPIL) and subsidiaries [including San Miguel Yamamura Haiphong Glass Co., Ltd. ^(b) , Zhaoqing San Miguel Glass Co., Ltd., San Miguel Packaging & Printing Sdn. Bhd. ^(b) , San Miguel Woven Products Sdn. Bhd. ^(b) , San Miguel Packaging Research Center Sdn. Bhd. ^(b) and San Miguel Plastic Films Sdn. Bhd. ^(b)]	100.00	BVI

Forward

	Percentage of Ownership	Country of Incorporation
Packaging Business:		
San Miguel Packaging International Limited (SMPIL) and subsidiaries [including San Miguel Yamamura Haiphong Glass Co., Ltd. ^(b) , Zhaoqing San Miguel Glass Co., Ltd., San Miguel Packaging & Printing Sdn. Bhd. ^(b) , San Miguel Woven Products Sdn. Bhd. ^(b) , San Miguel Packaging Research Center Sdn. Bhd. ^(b) and San Miguel Plastic Films Sdn. Bhd. ^(b)]	100.00	BVI
San Miguel Packaging Specialists, Inc. (SMPSI) [including subsidiaries which were merged in 2006, Premium Packaging International, Inc. (Primepak), Rightpak International Corporation (Rightpak) and San Miguel Yamamura Ball Corporation (SMYBC)]	100.00	Philippines
Mindanao Corrugated Fibreboard, Inc. (Mincorr) ^(b)	73.33	Philippines
San Miguel Rengo Packaging Corporation (SMRPC) ^(b)	70.00	Philippines
San Miguel Yamamura Asia Corporation (SMYAC)	60.00	Philippines
SMC Yamamura Fuso Molds Corporation (SYFMC) ^(b)	60.00	Philippines
Real Estate Business:		
Seaside Industrial Estate, Inc. ^(g)	100.00	Philippines
San Miguel Properties, Inc. (SMPI) and subsidiaries ^(b)	99.68	Philippines
Others:		
ArchEn Technologies, Inc.	100.00	Philippines
Challenger Aero Air Corp.	100.00	Philippines
San Miguel Energy Corporation	100.00	Philippines
San Miguel Distribution Co., Inc. (SMDCi) ^(j)	100.00	Philippines
San Miguel Logistics Asia Corporation and subsidiaries	100.00	Philippines
SMC Stock Transfer Service Corporation	100.00	Philippines
SMITS, Inc. ^(b)	100.00	Philippines
SM Bulk Water Company Inc.	100.00	Philippines
Pacific Central Properties, Inc.	100.00	Philippines
Philippine Breweries Corporation (PBC)	99.52	Philippines
SMC Shipping and Lighterage Corporation (SMCSLC)	70.00	Philippines
Anchor Insurance Brokerage Corporation (AIBC)	58.33	Philippines
(a) This was formerly the Domestic Beer Division of the Parent Company and was newly incorporated on July 26, 2007 (Note 10)		
(b) The financial statements of these subsidiaries were audited by other auditors.		
(c) Discontinued operations (Note 6)		
(d) Consolidated effective January 10, 2007.		
(e) Consolidated to SMFBIL effective March 18, 2005 and to SMFAH effective October 1, 2006.		
(f) Consolidated effective June 10, 2005.		
(g) Not yet operating as of December 31, 2007.		
(h) The Parent Company's percentage of ownership was 99.83% and 99.75% in 2006 and 2005, respectively.		
(i) Consolidated to SMPFC effective January 1, 2007.		
(j) Consolidated effective June 18, 2007.		

A subsidiary is an entity controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of the subsidiary are included in the consolidated financial statements from the date when the Group obtains control, and continue to be consolidated until the date that such control ceases.

The consolidated financial statements are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented in the consolidated balance sheets, separately from equity attributable to equity holders of the Parent Company.

Minority interests represent the interest not held by the Group in GSMI, SMPFC, MFC, Mincorr, SMRPC, SMYAC, SYFMC, SMPI, PBC, SMCSLC and AIBC in 2007 and 2006, including interest not held by the Group in CCBPI in 2006.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements and have been applied consistently by Group entities.

Adoption of New Standards, Amendments to Standards and Interpretations

The FRSC approved the adoption of new standards, amendments to standards, and interpretations.

Amendments to Standards and Interpretations Adopted in 2007

Starting January 1, 2007, the Group adopted the following new and amended PAS and Philippine Interpretations from International Financial Reporting Interpretation Committee (IFRIC):

- PFRS 7, *Financial Instruments: Disclosures*, requires disclosures about the significance of financial instruments relative to an entity's financial position and performance, and quantitative and qualitative disclosures on the nature and extent of risks. Adoption of this standard resulted in the inclusion of additional disclosures such as aging analysis of receivables, credit risk concentrations, contractual maturity analysis of financial liabilities and market sensitivity analysis (Notes 8 and 35).

The Group has made use of the transitional relief available under the FRSC approved Amendment to PFRS 7 with respect to the presentation of comparative information for the new risk disclosures about the nature and extent of risks arising from financial instruments in paragraphs 31-42 of PFRS 7. Accordingly, the Group did not present comparative information for the disclosures required by paragraphs 31-42, unless the disclosure was previously required under PAS 32.

- Amendment to PAS 1, *Presentation of Financial Statements - Capital Disclosures*, requires additional disclosures regarding the entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and if it has not complied, the consequences of such non-compliance. Adoption of this standard resulted in the inclusion of additional disclosures in the consolidated financial statements (Note 35).
- Philippine Interpretation IFRIC 8, *Scope of PFRS 2 Share-based Payment*, addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified. This interpretation has no impact on the consolidated financial statements.
- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*, requires that a reassessment of whether embedded derivative should be separated from the underlying host contract to be made only when there are changes to the contract that significantly modify the cash flows. The Group assessed that the adoption of this interpretation has no significant impact on the consolidated financial statements.
- Philippine Interpretation IFRIC 10, *Interim Financial Reporting and Impairment*, prohibits the reversal of impairment losses on goodwill and available-for-sale investments recognized in interim financial reports even if the impairment is no longer present at the balance sheet date. This interpretation has no impact on the consolidated financial statements.

New and Revised Standards, and Interpretations Not Yet Adopted

The following are the new standard, revised standards and interpretations which are not yet effective for the year ended December 31, 2007, and have not been applied in preparing these consolidated financial statements:

- Revised PAS 1, *Presentation of Financial Statements*. In accordance with the revised PAS 1, the statements of changes in equity shall include only transactions with owners, while all non-owner changes will be presented in equity as a single line with details included in a separate statement. Owners are defined as holders of instruments classified as equity.

In addition, the revised PAS 1 provides for the introduction of a new statement of comprehensive income that combines all items of income and expense recognized in the statements of income together with "other comprehensive income". The revisions specify what is included in other comprehensive income, such as gains and losses on available-for-sale assets, actuarial gains and losses on defined benefit pension plans and changes in the asset revaluation reserve. Entities can choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. The Group is currently assessing the impact of the revised standard on the consolidated financial statements when it adopts the standard on January 1, 2009.

- PFRS 8, *Operating Segments*, requires an entity to adopt the "management approach" to reporting segment information. This will be effective January 1, 2009 and will replace PAS 14, *Segment Reporting*. It is required for adoption only by entities whose debt or equity instruments are publicly traded, or are in the process of filing with the Philippine Securities and Exchange Commission (SEC) for the purpose of issuing any class of instruments in a public market. The Group will assess the impact of this standard to its current manner of reporting segment information when it adopts the standard on January 1, 2009.

- Revised PAS 23, *Borrowing Costs*, becomes effective for financial years beginning on or after January 1, 2009. The standard has been revised to require an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group will assess the impact of this revised standard on the consolidated financial statements when it adopts the standard on January 1, 2009.
- Philippine Interpretation IFRIC 11, *PFRS 2 - Group and Treasury Share Transactions*, becomes effective for financial years beginning on or after March 1, 2007. This interpretation describes how to apply PFRS 2, *Share-based Payment* to share-based payment arrangements involving an entity's own equity instruments and share-based payment arrangements of subsidiaries involving equity instruments of its parent company. The Group will assess the impact of this interpretation upon its adoption.
- Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, becomes effective for financial years beginning on or after January 1, 2008. This interpretation provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. This interpretation is not expected to have a significant effect on the consolidated financial statements.
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, becomes effective for financial years beginning on or after July 1, 2008. This interpretation addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. This interpretation is not expected to have a significant effect on the consolidated financial statements.
- Philippine Interpretation IFRIC 14, *PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, becomes effective for annual periods beginning on or after January 1, 2008. This interpretation clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. The Group will assess the impact of this interpretation on the consolidated financial statements when it adopts the interpretation on January 1, 2008.

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 and are subject to an insignificant risk of change in value.

Financial Assets and Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated balance sheets when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The fair value of the consideration given or received is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

Subsequent to initial recognition, the Group classifies its financial assets and liabilities in the following categories: held-to-maturity (HTM) financial assets, available-for-sale (AFS) investments, FVPL financial assets and loans and receivables. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

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

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

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

Financial Assets

Financial Assets at FVPL. Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognized in the consolidated statements of income.

Financial assets may be designated by management at initial recognition at FVPL, when any of the following criteria is met:

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

Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group accounts for its derivative transactions (including embedded derivatives) under this category with fair value changes being reported directly to profit or loss, except when the derivative is treated as an effective accounting hedge, in which the fair value change is deferred in equity under “Cumulative translation adjustments” account.

The Group’s derivative assets are classified under this category (Note 36).

The carrying values of financial assets under this category amounted to P921 and P518 as of December 31, 2007 and 2006, respectively (Note 36).

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 designated as AFS or financial asset at FVPL. Loans and receivables are carried at cost or amortized cost, less impairment in value. Amortization is determined using the effective interest method.

The Group’s cash and cash equivalents, trade and other receivables and noncurrent receivables and deposits are included in this category (Notes 7, 8 and 15).

The carrying values of financial assets under this category amounted to P162,597 and P68,217 as of December 31, 2007 and 2006, respectively (Note 36).

HTM Investments. HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group’s management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and classified as AFS investments. After initial measurement, these investments are measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that is an integral part of the effective interest rate.

Gains and losses are recognized in the consolidated statements of income when the HTM investments are derecognized or impaired, as well as through the amortization process.

The Group’s HTM investments matured in 2006.

AFS Investments. AFS investments are non-derivative financial assets that are designated in this category or are not classified in any of the other categories. Subsequent to initial recognition, AFS investments are carried at fair value in the consolidated balance sheets. Changes in the fair value of such assets are reported in the equity section of the consolidated balance sheets until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity is transferred to the consolidated statements of income. Interest earned on holding AFS investments are recognized in the consolidated statements of income using effective interest rate.

The Group's investments in equity securities included under "Investments and advances" account are classified under this category (Note 10).

The carrying values of financial assets under this category amounted to P551 and P208 as of December 31, 2007 and 2006, respectively (Note 36).

Financial Liabilities

Financial Liabilities at FVPL. Financial liabilities are classified in this category if these result from trading activities or derivative transactions that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category.

Included in this category are the Group's derivative financial instruments with negative fair values (Notes 17 and 36).

The carrying values of financial liabilities under this category amounted to P895 and P177 as of December 31, 2007 and 2006, respectively (Note 36).

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Included in this category are the Group's drafts and loans payable, accounts payable and accrued expenses and long-term debt (Notes 16, 17 and 19).

The carrying values of financial liabilities under this category amounted to P119,484 and P177,594 as of December 31, 2007 and 2006, respectively (Note 36).

Debt Issue Costs

Debt issue costs are shown as deduction against the related debt and are amortized over the terms of the related borrowings using the effective interest method.

Derivative Financial Instruments and Hedging

Freestanding Derivatives

For the purpose of hedge accounting, hedges are classified as either: a) fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk); b) cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or c) hedges of a net investment in foreign operations.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Fair Value Hedge. Derivatives classified as fair value hedges are carried at fair value with corresponding change in fair value recognized in the consolidated statements of income. The carrying amount of the hedged asset or liability is also adjusted for changes in fair value attributable to the hedged item and the gain or loss associated with that remeasurement is also recognized in the consolidated statements of income.

When the hedge ceases to be highly effective, hedge accounting is discontinued and the adjustment to the carrying amount of a hedged financial instrument is amortized immediately.

As of December 31, 2007, the Group has no outstanding derivatives accounted for as fair value hedges.

Cash Flow Hedge. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are included in the consolidated statements of changes in equity under "Cumulative translation adjustments" account. The ineffective portion is immediately recognized in the consolidated statements of income.

If the hedged cash flow results in the recognition of an asset or a liability, all gains and losses previously recognized directly in equity are transferred from equity and included in the initial measurement of the cost or carrying value of the asset or liability. Otherwise, for all other cash flow hedges, gains and losses initially recognized in equity are transferred from equity to net income in the same period or periods during which the hedged forecasted transaction or recognized asset or liability affect the consolidated statements of income.

When the hedge ceases to be highly effective, hedge accounting is discontinued prospectively. In this case, the cumulative gain or loss on the hedging instrument that has been reported directly in equity is retained in equity until the forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, any net cumulative gain or loss previously reported in equity is recognized in the consolidated statements of income.

As of December 31, 2007, the Group has no outstanding derivatives accounted for as cash flow hedge.

Net Investment Hedge. As of December 31, 2007, the Group has no hedge of a net investment in a foreign operation.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss during the year incurred.

Embedded Derivatives

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at fair value through profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Derecognition of Financial Assets and Liabilities

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

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

When 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, the asset is recognized to the extent of the Group’s continuing involvement in the asset.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

When 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.

Impairment of Financial Assets

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

Assets Carried at Amortized Cost. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) 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 shall be reduced either directly or through use of an allowance account. The amount of loss shall be recognized in the consolidated statements of income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a 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 continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

AFS Financial Assets. If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statements of income, is transferred from equity to the consolidated statements of income. Reversals in respect of equity instruments classified as AFS are not recognized in profit. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Classification of Financial Instruments Between Debt and Equity

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

- deliver cash or another financial assets 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.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheets 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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated balance sheets.

Inventories

Finished goods, goods in process and materials and supplies are valued at the lower of cost and net realizable value.

Costs incurred in bringing each inventory to its present location and conditions are accounted for as follows:

Finished goods and goods in process	- cost includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs; costs are determined using the moving-average method;
Materials and supplies	- At cost using the moving-average method.

Net realizable value of finished goods and goods in process is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Net realizable value of materials and supplies is the current replacement cost.

Containers (i.e., returnable bottles and shells) are stated at deposit values. The excess of the acquisition cost of the containers over their deposit value is presented under deferred containers included under “Other noncurrent assets” account in the consolidated balance sheets and is amortized over the estimated useful lives of two to twelve years. Amortization of deferred containers is included under “Selling and administrative expenses” account in the consolidated statements of income.

Biological Assets and Agricultural Produce

The Group’s biological assets include breeding and growing livestock (poultry, hogs and cattle) which are grouped according to their physical state, transformation capacity (breeding, growing or laying), as well as their particular stage in the production process.

Growing livestock are carried at accumulated cost while breeding livestock are carried at accumulated cost net of amortization. The costs and expenses incurred up to the start of the productive stage are accumulated and amortized over the estimated productive lives of the breeding stocks. The Group uses this method of valuation since fair value cannot be measured reliably. The Group’s biological assets have no active market and no active market for similar assets is available in the Philippine industry. Further, the existing sector benchmarks are determined to be irrelevant and the estimates (i.e., revenues due to highly volatile prices, input costs, efficiency values, production) necessary to compute for the present value of expected net cash flows comprise a wide range of data which will not result to a reliable basis for determining the fair value.

The carrying values of the biological assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The Group's agricultural produce which consists of grown broilers, marketable hogs and cattle harvested from the Group's biological assets are measured at its fair value less estimated point-of-sale costs at the point of harvest. The fair value of grown broilers is based on the quoted prices for harvested mature grown broilers in the market at the time of harvest. For marketable hogs and cattle, the fair value is based on the quoted prices in the market at any given time.

The Group in general, does not carry any inventory of agricultural produce for poultry at any given time as these are either sold as live broilers or transferred to the different poultry processing plants and immediately transferred into processed or dressed chicken.

Amortization is computed using straight-line method over the following estimated productive lives of breeding stocks:

Hogs - sow	3 years or 6 births, whichever is shorter
Hogs - boar	2.5 - 3 years
Cattle	2.5 - 3 years
Poultry breeding stock	40 - 44 weeks

Investments in Shares of Stock of Associates

The Group's investments in shares of stock of associates are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in an associate is carried in the consolidated balance sheets at cost plus post-acquisition changes in the Group's share in net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the associate. The consolidated statements of income reflect the share in the results of operations of the associate. Where there has been a change which was recognized directly in the equity of the associate, the Group recognizes its share in any changes and discloses this, when applicable, in the consolidated statements of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

An investment in an associate is accounted for using the equity method from the date when it becomes an associate. On acquisition of the investment, any difference between the cost of the investment and the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for in accordance with PFRS 3, *Business Combinations*. Consequently:

- a. goodwill relating to an associate is included in the carrying amount of investment. However, amortization of that goodwill is no longer permitted and is therefore not included in the determination of the Group's share in the associate's profit or losses.

- b. any excess of the Group's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share in the associate's profit or loss in the period in which the investment is acquired.

The Group discontinues applying the equity method when its investment in an associate is reduced to zero. Additional losses are provided only to the extent that the Group has incurred obligations or made payments on behalf of the associate to satisfy obligations of the associate that the Group has guaranteed or otherwise committed. If the associate subsequently reports profits, the Group resumes applying the equity method only after its share of the profits equals the share of net losses not recognized during the period the equity method was suspended.

The financial statements of the associates are prepared for the same reporting period as the Parent Company. The accounting policies of the associates conform to those used by the Group for like transactions and events in similar circumstances.

Interest in Joint Venture

The Group recognizes its interest in the joint venture using proportionate consolidation. The Group combines its share in each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The joint venture is proportionately consolidated until the date when the Group ceases to have joint control over the joint venture.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment in value.

The initial cost of property, plant and equipment comprises of its purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation and interest incurred during the construction period on funds borrowed to finance the construction of the projects. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have improved the condition of the asset beyond the originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Construction in progress represents structures under construction and is stated at cost. This includes the costs of construction, property and equipment and other direct costs. Borrowing costs that are directly attributable to the construction of plant and equipment are capitalized during the construction period. Construction in progress is not depreciated until such time that the relevant assets are ready for use.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Land improvements	5 - 50
Buildings and improvements	5 - 50
Machinery and equipment	3 - 40
Transportation equipment	5 - 7
Tools and small equipment	2 - 5
Office equipment, furniture and fixtures	2 - 6
Molds	2 - 5
Leasehold improvements	5 - 50
	or term of the lease, whichever is shorter

The remaining useful lives, residual values and depreciation and amortization method are reviewed and adjusted, if appropriate, at each financial year-end to ensure that such periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is credited or charged to current operations.

When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement, if the recognition criteria are satisfied.

An item of property, plant and equipment is derecognized when either it has been disposed or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gains or losses arising on the retirement and disposal of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) are included in the consolidated statements of income in the period of retirement or disposal.

Investment Properties

Investment properties consist of properties held to earn rentals and/or for capital appreciation. Investment properties, except for land, are measured initially at cost including transaction costs less accumulated depreciation and amortization and any accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Land improvements	5 - 50
Buildings and improvements	5 - 50
Machinery and equipment	3 - 40
Tools and small equipment	2 - 5

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at each financial year-end.

Investment property is derecognized when either it has been disposed or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement and disposal of investment property are recognized in the consolidated statements of income in the period of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Business Combinations

Business combinations are accounted for using the purchase method of accounting. The cost of acquisition is the aggregate of the fair values, at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, in exchange for control over the net assets of the acquired company, plus any directly attributable costs. The identifiable assets, liabilities and contingent liabilities that satisfy certain recognition criteria have to be measured initially at their fair values at acquisition date, irrespective of the extent of any minority interests.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with PAS 14, *Segment Reporting*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Negative goodwill which is not in excess of the fair values of acquired identifiable nonmonetary assets of subsidiaries and associates is charged directly to income.

Transfers of assets between commonly controlled entities are accounted for under historical cost accounting.

When a business combination involves more than one exchange transaction (occurs in stages), each exchange transaction is treated separately by the Group, using the cost of the transaction and fair value information at the date of each exchange transaction, to determine the amount of goodwill associated with that transaction. Any adjustment to fair values relating to the previously held interest is a revaluation and is accounted for as such.

When subsidiaries are sold, the difference between the selling price and the net assets plus goodwill is recognized in the consolidated statements of income.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is charged against profits in the year 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 the amortization method for an intangible asset with a finite useful life are 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 amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income in the expense category consistent with the function of the intangible asset.

Amortization is computed using the straight-line method over the following estimated useful lives of intangible assets with finite lives:

	Number of Years
Computer software	2 - 8
Franchise	13 - 20
Leasehold rights	20 or term of the lease, whichever is shorter
Land use rights	25 - 50 or term of the lease, whichever is shorter

The Group assessed the useful life of the trademarks and brand names to be indefinite because based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Group.

Trademarks and brand names with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite 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 disposition of an intangible asset are measured as the difference between the disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statements of income when the asset is derecognized.

Impairment of Non-financial Asset with Definite Useful Life

The carrying values of property, plant and equipment, investment properties, containers, investment in shares of stock of associates, biological assets, intangible assets with definite useful lives and idle assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. 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 the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses of continuing operations are recognized in the consolidated statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting 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 prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Provisions

Provisions are recognized only when the Group has (a) a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) 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 assessment 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. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

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 the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sales. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably, which is normally upon delivery.

Agricultural Produce. Revenue for agricultural produce is measured at fair value less cost to sell at point of harvest. Fair value is based on the most relevant market price at point of harvest.

Interest. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Dividend. Revenue is recognized when the Group's right as a shareholder to receive the payment is established.

Share-based Transactions

The cost of Long-term Incentive Plan for Stock Options (LTIP) is measured by reference to the option fair value at the date when the options are granted. The fair value is determined using Black-Scholes option-pricing model. In valuing LTIP transactions, any performance conditions are not taken into account, other than conditions linked to the price of the shares of the Parent Company. The cost of Employee Stock Purchase Plan (ESPP) is measured by reference to the market price at the time of the grant less subscription price.

The cost of share-based transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date when the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognized for share-based transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. Where the terms of a share-based award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Leases

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.

Group as Lessee. Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, 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 finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated statements of income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statements of income on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Group as Lessor. Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Lease income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenues in the period in which they are earned.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

Research and Development Costs

Research costs are expensed as incurred. Development cost incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortized in line with the expected future sales from the related project.

The carrying value of development cost is reviewed for impairment annually when the related asset is not yet in use. Otherwise, this is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Retirement Costs

The Parent Company and majority of its subsidiaries have separate funded, noncontributory retirement plans, administered by the respective trustees, covering their respective permanent employees. Retirement costs are actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Retirement cost includes current service cost, interest cost, expected return on plan assets, amortization of unrecognized past service costs, recognition of actuarial gains and losses, and effect of any curtailments or settlements. The past service cost, if any, is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, the plan, past service cost is recognized immediately as an expense. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

The transitional liability as of January 1, 2005, the date of adoption of PAS 19, *Employee Benefits*, is recognized as an expense over five years from date of adoption.

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

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan, net actuarial losses of the current period and past service cost of the current period are recognized immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service cost of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of past service cost of the current period exceeding any increase in the present value of the economic benefits stated above are recognized immediately if the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognized immediately.

Foreign Currency Transactions and Translations

The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange at balance sheet date. All differences are taken to the consolidated statements of income. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the Group's foreign operations is United States dollar. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Parent Company at the rate of exchange ruling at the balance sheet date and their income and expense accounts are translated at the weighted average exchange rates for the year. The resulting translation differences are included in the consolidated statements of changes in equity under "Cumulative translation adjustments" account. On disposal of a foreign entity, the accumulated exchange differences are recognized in the consolidated statements of income as a component of the gain or loss on disposal.

Taxes

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

Deferred Tax. Deferred income tax is provided using the balance sheet liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year 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 balance sheet date.

Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of income.

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

Value Added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated balance sheets.

Assets Held for Sale

Noncurrent assets or disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and expected to be completed within one year from classification and the asset is available for immediate sale in its present condition.

Assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

Discontinued Operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative consolidated statements of income are re-presented as if the operation had been discontinued from the start of the comparative period and show the results of discontinued operation separate from the results of continuing operation.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

Basic and Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effects of the shares issuable to employees and executives under the Parent Company's ESPP and LTIP, respectively, which are assumed to be exercised at the date of grant.

Where the EPS effect of the assumed conversion of shares issuable to employees and executives under the Parent Company's stock purchase and option plans would be anti-dilutive, diluted EPS is not presented.

Business Segments

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business and geographical segments is presented in Note 5 to the consolidated financial statements.

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 are disclosed when an inflow of economic benefits is probable.

Subsequent Events

Post-year end events that provide additional information about the Group's position at balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post-year end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Significant Accounting Judgments, Estimates and Assumptions

The Group's consolidated financial statements prepared in accordance with PFRS requires management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements and related notes, at the reporting date. However, uncertainty about these estimates and assumptions could result in outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

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 the amounts recognized in the consolidated financial statements.

Operating Leases. The Group has entered into various lease agreements as a lessee. The Group has determined that the lessor retains all significant risk and rewards of ownership of these properties which are leased out under operating lease arrangements.

Rent expense charged to operations amounted to P1,283, P1,465 and P1,444 in 2007, 2006 and 2005, respectively (Notes 22 and 23).

Estimates

The key estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Allowance for Doubtful Accounts. Provisions are made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customers and counterparties, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience, and historical loss experience. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies. An increase in allowance for doubtful accounts would increase the recorded selling and administrative expenses and decrease current assets.

The allowance for doubtful accounts amounted to P2,541 and P4,558 as of December 31, 2007 and 2006, respectively. The carrying values of trade and other receivables amounted to P61,879 and P43,034 as of December 31, 2007 and 2006, respectively (Note 8).

Allowance for Inventory Losses. The Group provides allowance for inventories whenever net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after balance sheet date to the extent that such events confirm conditions existing at balance sheet date. The allowance account is reviewed periodically to reflect the accurate valuation in the financial records.

The allowance for inventory losses amounted to P927 and P1,740 as of December 31, 2007 and 2006, respectively. The carrying values of inventories amounted to P23,852 and P42,550 as of December 31, 2007 and 2006, respectively (Note 9).

Estimated Useful Lives of Investment Properties, Containers and Property, Plant and Equipment. The Group estimates the useful lives of investment properties, containers and property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of investment properties, containers and property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of investment properties, containers and property, plant and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of investment properties, containers and property, plant and equipment would increase recorded cost of sales and selling and administrative expenses and decrease noncurrent assets.

Accumulated depreciation and amortization of investment properties and property, plant and equipment amounted to P47,128 and P74,064 as of December 31, 2007 and 2006, respectively. Property, plant and equipment, net of accumulated depreciation and amortization amounted to P68,177 and P101,266 as of December 31, 2007 and 2006, respectively. Investment properties, net of accumulated depreciation amounted to P2,021 and P2,124 as of December 31, 2007 and 2006, respectively. Deferred containers net of accumulated amortization amounted to P3,187 and P11,613 as of December 31, 2007 and 2006, respectively (Notes 11, 12 and 15).

Estimated Useful Lives of Intangible Assets with Finite Lives. The useful lives of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

Intangible assets with finite useful life amounted to P1,240 and P1,925 as of December 31, 2007 and 2006, respectively (Note 14).

Impairment of Goodwill and Trademarks and Brand Names with Indefinite Lives. The Group determines whether goodwill and trademarks and brand names are impaired at least annually. This requires the estimation of the value in use of the cash-generating units to which the goodwill is allocated and the value in use of the trademarks and brand names. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and from the trademarks and brand names and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying values of goodwill as of December 31, 2007 and 2006 amounted to P5,348 and P72,899, respectively (Note 14).

The carrying values of trademarks and brand names amounted to P1,962 and P26,190 as of December 31, 2007 and 2006, respectively (Note 14).

Purchase Price Allocation in Business Combinations. Purchase method requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at acquisition date. It also requires the acquirer to recognize goodwill. The Group's acquisitions have resulted in goodwill and trademarks and brand names with indefinite lives.

The total carrying values of goodwill and trademarks and brand names with indefinite useful lives arising from business combinations as of December 31, 2007 and 2006 amounted to P7,310 and P99,089, respectively (Note 14).

Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each balance sheet date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary difference and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P4,973 and P6,871 as of December 31, 2007 and 2006, respectively (Note 20).

Impairment of Other Non-financial Assets. PFRS requires that an impairment review be performed on investments and advances, property, plant and equipment, investment properties, containers, biological assets, other intangible assets with definite useful lives and idle assets when events or changes in circumstances indicate that the carrying value may not be recoverable. Determining the net recoverable value of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the results of operations.

Accumulated impairment losses of property, plant and equipment and investment properties amounted to P4,195 and P3,660 as of December 31, 2007 and 2006, respectively. The aggregate amount of investments and advances, property, plant and equipment, investment properties, containers, biological assets, other intangible assets with definite useful lives and idle assets amounted to P74,966 and P122,396 as of December 31, 2007 and 2006, respectively (Notes 10, 11, 12, 13, 14 and 15).

Present Value of Defined Benefit Obligation. The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 30 to the consolidated financial statements and include discount rate, expected return on plan assets and salary increase rate. Actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The assumption of the expected return on plan assets is determined on a uniform basis, taking into consideration the long-term historical returns, asset allocation and future estimates of long-term investment returns.

The Group determines the appropriate discount rate at the end of each year. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions.

While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension and other pension obligations.

The Group has a net cumulative unrecognized actuarial gain (loss) amounting to P13,963 and (P1,840) as of December 31, 2007 and 2006, respectively (Note 30).

Fair Value of Agricultural Produce. The Group determines the fair value of its agricultural produce based on most recent market transaction price provided that there has been no significant change in economic circumstances between the date of transactions and balance sheet date. Point-of-sale cost is estimated based on most recent transaction and is deducted from the fair value in order to measure the fair value of agricultural produce at point of harvest.

Unrealized gain on fair value adjustments included in the cost of inventories as of December 31, 2007 and 2006 amounted to P52 and P51, respectively (Note 9).

Financial Assets and Liabilities. The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgments. Significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates). The amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any change in the fair value of these financial assets and liabilities would affect profit and loss and equity.

Fair value of financial assets and liabilities are discussed in Note 36.

Asset Retirement Obligation. Determining asset retirement obligation requires estimation of the cost of dismantling property and equipment and other costs of restoring the leased properties to their original condition. The Group determined that there are no significant asset retirement obligations as of December 31, 2007 and 2006.

Contingencies. The Group currently has various tax assessments, legal and administrative claims. The Group's estimate of the probable costs for the resolution of these assessments and claims have been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these tax assessments, legal and administrative claims will have a material adverse effect on its financial position and results of operations. It is possible, however, that future financial performance and results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings. No accruals were made in relation to these proceedings (Note 39).

5. Segment Information

Business Segments

The business segment is determined as the primary segment reporting format as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products produced and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group is organized into three major business segments – beverage , food and packaging.

The beverage segment produces and markets alcoholic and nonalcoholic beverages.

The food segment includes, among others, the breeding, hatching, processing and marketing of chicken; production and marketing of feeds and flour, dairy products, snack foods, coffee, oil and fresh, ready-to-cook and processed meats.

The packaging segment is involved in the production and marketing of the following packaging products, among others, glass containers, glass molds, polyethylene terephthalate (PET) bottles and preforms, corrugated cartons, paperboard, pallets, flexible packaging, plastic crates, metal closures and two-piece aluminum cans.

Geographical Segments

The Group's major businesses primarily operate in the following geographical areas – Philippines, Australia, China, Indonesia, Vietnam and Thailand.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred income taxes.

Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments and between geographical segments. Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Such transfers are eliminated in consolidation.

Financial information about business and geographical segments follow:

Business Segments

	Continuing Operations															Discontinued Operations			Total Operations					
	Beverage			Food			Packaging			Others			Eliminations			Total			(Note 6)					
	2007	2006	2005	2007	2006*	2005*	2007	2006	2005	2007	2006	2005	2007	2006	2005	2007	2006*	2005*	2007	2006	2005	2007	2006*	2005*
Sales																								
External sales	P69,334	P67,103	P65,359	P70,374	P62,741	P61,293	P15,172	P10,754	P8,678	P -	P -	P -	P -	P -	P -	P154,880	P140,598	P135,330	P87,090	P108,909	P91,364	P241,970	P249,507	P226,694
Inter-segment sales	425	18	-	10	10	5	3,605	8,645	11,420	-	-	-	(4,040)	(8,673)	(11,425)	-	-	-	-	-	-	-	-	-
Total sales	P69,759	P67,121	P65,359	P70,384	P62,751	P61,298	P18,777	P19,399	P20,098	P -	P -	P -	(P4,040)	(P8,673)	(P11,425)	P154,880	P140,598	P135,330	P87,090	P108,909	P91,364	P241,970	P249,507	P226,694
Result																								
Segment result	P11,359	P9,275	P7,678	P2,755	P2,300	P1,585	P146	P2,696	P2,449	(P1,684)	(P2,569)	(P18,339)	(P535)	P1,370	P17,329	P12,041	P13,072	P10,702	P5,108	P7,083	P6,277	P17,149	P20,155	P16,979
Interest expense and financing charges																(7,127)	(7,101)	(9,257)	(2,974)	(3,661)	(2,565)	(10,101)	(10,762)	(11,822)
Interest income																2,088	2,763	1,239	316	231	1,536	2,404	2,994	2,775
Foreign exchange gain - net																6,587	2,768	2,153	(3)	49	6	6,584	2,817	2,159
Equity in net earnings of associates																164	56	53	82	114	36	246	170	89
Other income (charges) - net																(958)	584	459	(44)	(1,099)	278	(1,002)	(515)	737
Provision for income tax																(4,589)	(3,970)	(1,120)	(1,105)	(990)	(1,140)	(5,694)	(4,960)	(2,260)
Gain from discontinued operations																-	-	-	(1,235)	-	-	(1,235)	-	-
Net income																P8,206	P8,172	P4,229	P145	P1,727	P4,428	P8,351	P9,899	P8,657
Attributable to:																								
Equity holders of the Parent Company																8,287	7,969	3,990	343	P2,337	P4,738	8,630	P10,306	P8,728
Minority interests																(81)	203	239	(198)	(610)	(310)	(279)	(407)	(71)
Net income																P8,206	P8,172	P4,229	P145	P1,727	P4,428	P8,351	P9,899	P8,657

* As discussed in Note 37, certain accounts were adjusted

	Beverage			Food			Packaging			Others			Eliminations			Consolidated		
	2007	2006	2005	2007	2006*	2005*	2007	2006	2005	2007	2006	2005	2007	2006	2005	2007	2006*	2005*
Other Information																		
Segment assets	P76,617	P123,349	P125,034	P63,300	P74,150	P74,179	P34,787	P39,112	P31,363	P210,355	P108,638	P116,454	(P115,834)	(P109,447)	(P119,882)	P269,225	P235,802	P227,148
Investments in and advances to associates	-	-	-	-	5,936	6,217	-	419	1,659	220	40,529	39,887	-	(41,103)	(41,470)	220	5,781	6,293
Goodwill, trademarks and brands																7,310	99,089	96,285
Other assets																6,381	250	1,072
Deferred tax assets																4,973	6,871	6,526
Consolidated total assets																P288,109	P347,973	P337,324
Segment liabilities	P22,438	P45,689	P44,794	P16,767	P96,336	P156,157	P16,178	P18,664	P15,284	P84,594	P73,866	P80,988	(P119,603)	(P195,498)	(P260,059)	P20,374	P39,057	P37,164
Drafts and loans payable																44,231	42,535	33,060
Long-term debt and redeemable preferred shares																55,834	95,915	108,807
Income and other taxes payable																3,327	3,016	2,472
Dividends payable and others																5,529	2,739	5,472
Deferred tax liabilities																12,721	13,434	13,406
Consolidated total liabilities																P142,016	P196,696	P200,381
Capital expenditures	P4,851	P4,134	P6,333	P1,065	P3,455	P1,564	P2,550	P4,089	P2,772	P844	P915	P1,232	P -	P -	P -	P9,310	P12,593	P11,901
Depreciation and amortization and others	2,372	3,665	5,119	2,260	2,049	1,976	1,144	1,337	886	304	460	301	-	-	-	6,080	7,511	8,282
Noncash items other than depreciation	1,038	3,442	3,099	972	257	1,179	106	54	76	1,200	611	451	-	-	-	3,316	4,364	4,805
Impairment loss on property, plant and equipment and idle assets	1,461	-	-	-	-	-	283	-	-	-	-	-	-	-	-	1,744	-	-

Geographical Segments

	Total Sales			Sales from Continuing Operations			Sales from Discontinued Operations			Segment Assets			Capital Expenditures		
	2007	2006	2005	2007	2006	2005	2007	2006	2005	2007	2006	2005	2007	2006	2005
Philippines	P143,282	P156,603*	P153,793*	P138,013	P123,664*	P116,581*	P5,269	P32,939	P37,212	P182,380	P154,133*	P150,227*	P6,040	P7,381	P8,021
Australia	81,821	75,970	54,152	-	-	-	81,821	75,970	54,152	27,460	40,139	35,468	86	2,348	110
China	6,721	7,636	7,942	6,721	7,636	7,942	-	-	-	18,458	22,723	23,339	2,164	929	302
Indonesia	3,095	2,982	3,216	3,095	2,982	3,216	-	-	-	4,121	5,370	5,319	121	186	1,721
Vietnam	2,973	2,378	2,416	2,973	2,378	2,416	-	-	-	4,258	3,824	3,657	752	838	278
Thailand	595	378	657	595	378	657	-	-	-	5,382	6,663	5,411	129	856	1,469
Others	3,483	3,560	4,518	3,483	3,560	4,518	-	-	-	27,166	2,950	3,727	18	55	-
	P241,970	P249,507	P226,694	P154,880	P140,598	P135,330	P87,090	P108,909	P91,364	P269,225	P235,802	P227,148	P9,310	P12,593	P11,901

* As discussed in Note 37, certain accounts were adjusted.

6. Discontinued Operations and Assets Held for Sale

a. CCBPI (Note 10)

On February 22, 2007, the Parent Company and Coca-Cola South Asia Holdings, Inc. executed a Deed of Sale of Shares of Stock covering the Parent Company's 65% equity in CCBPI consisting of 766,121 common shares and 172,942 Class A preferred shares for US\$590. The payments to the Parent Company are scheduled on various dates over a five year period subject to fulfillment of specific conditions attached to each and every payment due. As of December 31, 2007, receivable from Coca-Cola South Asia Holdings, Inc. of P826 and P4,128 is presented as part of others under "Trade and other receivables" account (Note 8) and noncurrent receivables and deposits under "Other noncurrent assets" account (Note 15), respectively.

On August 23, 2007, the closing audit for the sale transaction was completed and the selling price was adjusted to US\$520. The gain realized from the sale amounted to P824, net of P376 net loss of CCBPI (from January 1 to February 22, 2007).

The adjustment in selling price from US\$590 to US\$520 (net of the assigned receivables amounting to US\$17) is a result of a compromise agreement between the Parent Company and Coca-Cola South Asia Holdings, Inc.

b. Australian businesses (Note 10)

On November 8, 2007, the Parent Company through San Miguel Foods (L) Pte. Limited (SMFL) had reached an agreement with Kirin Holdings (Australia) Pty. Ltd. to sell its Australian dairy and juice business, SMFAH, for a purchase price of Australian Dollar (A\$)752 (net of external debt and shareholder loans) subject to adjustments at completion of closing audit. The sale also includes NFL's shares in Berri, King's and Lactos.

On December 27, 2007, the Parent Company received A\$2,090 representing payment of the purchase price and settlement of shareholder loans.

Based on the results of the closing audit on April 30, 2008, an adjustment in the purchase price of A\$28 will be received within five business days after completion of the closing audit. The loss realized from the sale amounted to P513, net of P1,922 net income of SMFAH for the year.

On November 8, 2007, the Parent Company through San Miguel Beverages (L) Pte. Ltd. (SMBPL), has signed a definitive agreement to sell its SMAH shares including its premium Tasmanian brewer, J. Boag, to Lion Nathan Australia Pty. Ltd., an Australian alcoholic beverages company, for a purchase price of A\$325.

The closing audit was completed on January 2, 2008 and the Parent Company received A\$277 as payment of purchase price, net of adjustments.

As required by PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, the results of operations of CCBPI (for the first two months of 2007) and that of SMFAH and SMAH (for the period ended December 31, 2007), were presented as a separate item under “Income After Income Tax from Discontinued Operations” in the consolidated statements of income. Comparative figures for consolidated statements of income for the period 2006 and 2005 have been restated. SMAH’s assets, liabilities and equity were classified as items held for sale in the 2007 consolidated balance sheet.

The results of discontinued operations are presented below:

	<i>Note</i>	2007	2006	2005
Net sales		P87,090	P108,909	P91,364
Cost of sales		53,435	68,676	61,669
Gross profit		33,655	40,233	29,695
Selling and administrative expenses		(28,547)	(33,150)	(23,418)
Interest expense and financing charges		(2,974)	(3,661)	(2,565)
Interest income		316	231	1,536
Foreign exchange - net		(3)	49	6
Equity in net earnings of associates		82	114	36
Other income (charges) - net		(44)	(1,099)	278
Income before income tax		2,485	2,717	5,568
Income tax expense	20	1,105	990	1,140
Income from discontinued operations		1,380	1,727	4,428
Loss on sale from disposal of investment - net of tax of P4,596	20	(1,235)	-	-
Net income from discontinued operations		P145	P1,727	P4,428
Attributable to:				
Equity holders of the Parent Company	32	P343	P2,337	P4,738
Minority interests		(198)	(610)	(310)
		P145	P1,727	P4,428

Basic and diluted earnings per share from discontinued operations, attributable to equity holders of the Parent Company, are presented in Note 32.

Cash flows provided by discontinued operations are presented below:

	2007	2006	2005
Net cash provided by (used in) operating activities	P4,368	P8,102	(P15,777)
Net cash provided by (used in) investing activities	97,577	(7,693)	(1,147)
Net cash provided by (used in) financing activities	(11,221)	(258)	19,954
Net cash provided by discontinued operations	P90,724	P151	P3,030

The effect of disposal on the financial position of the Group is as follows:

Assets	
Cash and cash equivalents	P5,094
Trade and other receivables - net	19,095
Inventories - net	13,572
Prepaid expenses and other current assets - net	1,790
Investments and advances - net	282
Property, plant and equipment - net	27,795
Goodwill - net	62,061
Other intangible assets - net	22,597
Deferred tax assets	3,457
Other noncurrent assets - net	8,265
Liabilities	
Drafts and loans payable	(2,612)
Accounts payable, accrued expenses and other current liabilities	(25,129)
Income and other taxes payable	(657)
Current maturities of long-term debt	(23,672)
Long-term debt - net of current maturities	(3,249)
Deferred tax liabilities	(1,193)
Other noncurrent liabilities	(938)
Minority interests	(8,824)
Cumulative translation adjustment	88
Net assets disposed of	P97,822
Cash consideration received	P95,778
Less cash and cash equivalents disposed of	5,094
Net cash flows	P90,684

The major classes of SMAH's assets and liabilities held for sale are as follows:

Assets held for sale	
Cash and cash equivalents	P1,293
Trade and other receivables - net	491
Inventories - net	233
Prepaid expenses and other current assets	164
Property, plant and equipment - net	1,572
Goodwill, other intangibles and other assets - net	1,571
	P5,324
Liabilities directly associated with assets held for sale	
Loans payable	P2,778
Accounts payable, accrued expenses and income and other taxes payable	852
Other noncurrent liabilities	12
	P3,642

Included in the "Assets held for sale" account presented in the 2007 consolidated balance sheet is the investment in KSA Realty Corporation (KSA), an associate, amounting to P468. The share of the discontinued operations of KSA included in the "Equity in net earnings of associates" account amounted to P76 (Note 10).

7. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2007	2006
Cash in banks and on hand	P5,322	P7,579
Short-term placements	87,959	16,701
	P93,281	P24,280

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates.

Cash and cash equivalents included in the “Assets held for sale” account presented in the 2007 consolidated balance sheet amounted to P1,293 (Note 6).

8. Trade and Other Receivables

	Note	2007	2006 (As Restated - Note 37)
Trade		P20,775	P39,043
Amounts owed by related parties	28	35,721	393
Others	6, 29, 34	7,924	8,156
		64,420	47,592
Less allowance for doubtful accounts		2,541	4,558
		P61,879	P43,034

Trade receivables are non-interest bearing and are generally on a 30 to 45-day term.

The movements in the allowance for doubtful accounts in 2007 are as follows:

Balance at beginning of year	P4,558
Charges for the year	597
Amounts written off	(82)
Disposals and reversals	(2,532)
Balance at end of year	P2,541

As at December 31, 2007 the aging of receivables are as follows:

	Total	Trade	Owed by related parties	Non-trade
Current	P52,629	P12,335	P35,721	P4,573
Past due				
Less than 30 days	4,709	3,819	-	890
30-60 days	2,712	1,429	-	1,283
61-90 days	1,644	1,274	-	370
Over 90 days	2,726	1,918	-	808
	P64,420	P20,775	P35,721	P7,924

- a. The Group has matured short-term placements with a local bank which was placed under receivership on April 26, 2000. The bank and its subsidiary have been merged with another commercial bank and resumed operations on September 3, 2001. Under the terms and conditions of the repayment plan, placements will be settled as follows:
 - i. Seventy-five percent (75%) will be converted into time deposits withdrawable within three years from public opening date as follows: 30% at the end of year 1, 30% at the end of year 2 and 40% by the end of year 3; and
 - ii. The remaining balance of twenty-five percent (25%) will be paid in equal amortizations on the fourth, fifth and sixth year from public opening date.

In accordance with the repayment terms, the Group has received a total payment of P127 in 2005. In 2006, which is year 5, the Group was not able to collect the amount due as at December 31, 2006. The outstanding balance as of December 31, 2006 amounted to P248.

In 2007, outstanding receivables of the Group, including interest earned were exchanged with 940,560,000 common B shares of another local bank. The fair market value of the shares amounting to P357 was included as part of other investments under "Investments and advances" account (Note 10). Consequently, the Parent Company paid its subsidiaries for the outstanding amounts due them.

- b. The Parent Company has outstanding advances to San Miguel Corporation Retirement Plan (SMCRP) amounting to P35,721 as of December 31, 2007, subject to interest of 6.5% per annum (Note 28). Interest pertaining to the said advances amounted to P1,147 as of December 31, 2007.

SMCRP used the proceeds of the advances mainly for the purchase of the Parent Company's common shares. Such investment, accounts for more than 50% of the total plan assets as of December 31, 2007. The fair market value of these shares as of December 31, 2007 was P59.00 per share.

On December 27, 2007, SMCRP entered into a Stock Purchase Agreement (the Agreement) with a third party (Buyer) for the sale of the SMC common shares. The contract provides, among others, that the shares be sold at an agreed price, payable on or before December 31, 2008, extendible for additional three months up to March 31, 2009, subject to interest.

Under the terms of the Agreement, all rights to, interests and title in and ownership of the shares shall remain with SMCRP, provided that upon receipt of the agreed down payment, the voting rights shall be transferred to the Buyer. All dividends and other benefits, except for stock dividends, declared by the Parent Company in relation to the shares shall accrue fully to SMCRP. All stock dividends declared by the Parent Company in relation to the shares shall accrue to SMCRP and the Buyer proportionately to the consideration paid by the Buyer.

Should any part of the total consideration remain unpaid as of March 31, 2009, SMCRP shall have the right to demand payment from the Buyer of the relevant amounts outstanding inclusive of interest and penalties.

As of December 31, 2007, SMCRP received about P2,628 as a down payment for the above sale transaction.

9. Inventories

	2007	2006 (As Restated - Note 37)
Finished goods and goods in process - at cost, except for agricultural produce which were valued at net realizable value	P7,102	P13,093
Containers-at deposit value - net	1,632	5,731
Materials and supplies - at net realizable value	15,118	23,726
Total inventories at lower of cost and net realizable value	P23,852	P42,550

The cost of materials and supplies as of December 31, 2007 and 2006 amounted to P15,616 and P24,474, respectively.

Containers at deposit value amounted to P2,061 and P6,723 as of December 31, 2007 and 2006, respectively.

Finished goods and goods in process include unrealized gain on fair valuation of agricultural produce amounting to P52 and P51 in 2007 and 2006, respectively. The fair value of agricultural produce, less point-of-sale cost, which formed part of finished goods inventory amounted to P319 and P379 as of December 31, 2007 and 2006, respectively.

10. Investments and Advances

Investments in Shares of Stock of Subsidiaries

The following are the developments relating to the Parent Company's investments in shares of stock of subsidiaries in 2007 and 2006:

a. SMB

On July 24, 2007, the stockholders of the Parent Company, during the annual stockholders' meeting, approved the transfer of the Beer Division's net assets to a wholly-owned subsidiary of the Parent Company, SMB, in exchange for shares of stock. The transfer of the Beer Division's net assets to SMB is pursuant to the listing with the PSE and the public offering of the shares of SMB.

On July 26, 2007, the Parent Company incorporated SMB, a wholly-owned subsidiary with initial capitalization of P100 and a paid up capital of P6.25. Pursuant to the stockholders approval obtained on July 24, 2007, SMC's domestic beer business net assets as of June 30, 2007, excluding land, brands and certain payables were transferred to this new subsidiary in exchange for additional shares effective October 1, 2007.

On September 27, 2007, the SEC approved the transfer of the domestic beer business net assets to SMB and the increase in the authorized capital stock from P100 to P25,000.

Shares totaling 15,308,416,960, were issued to the Parent Company under a tax-free asset-for-share agreement, as confirmed by the Bureau of Internal Revenue (BIR) in its certification No. SN-300-2007 dated October 9, 2007.

As a standard condition of the SEC for approval of applications for increase in authorized capital stock, where the payment for the shares issued pursuant to such increase is made in the form of motor vehicles and receivables, 2,557,573,242 common shares that were issued by SMB to the Parent Company in exchange for motor vehicles and receivables out of the 15,308,416,960 common shares issued by SMB are being held in escrow by the SEC pending the transfer of ownership of those motor vehicles in the name of SMB and proof of collection of receivables. Transfer of ownership of those motor vehicles and proof of collection of receivables are currently in process.

b. SMBI

On January 10, 2007, the Parent Company incorporated a new beverage company, SMBI, with total authorized capital of P100 and an initial paid-up capital of P6.25. SMBI is engaged in the manufacturing, exporting, importing, selling and distribution of juice drinks, fruit drinks, water and water-based drinks, malt-based and coffee-based drinks and other beverage products. Actual commercial operations of SMBI started on March 19, 2007.

c. SMDCi

On June 18, 2007, the Parent Company formed SMDCi with an authorized capital stock of P100. SMDCi was incorporated primarily to engage in, conduct, and carry on the business of distribution and logistic managements. SMDCi aims to provide dynamic cost effective services to clients within and outside the Group. SMDCi started commercial operations on August 1, 2007.

d. Bank of Commerce (BOC)

In October 2007, the Parent Company, through its real estate subsidiary, SMPI and SMCRP entered into a subscription agreement pursuant to which SMPI and SMCRP agreed to subscribe, subject to certain terms and conditions, to the 10,000,000 unissued and unsubscribed common shares of capital stock of BOC, equivalent to at least 34% of the total outstanding capital stock of BOC for P2,000, with SMPI holding approximately 30% and SMCRP at approximately 4%. Payment of the subscription shall be made in accordance with provisions of the subscription agreement.

As of December 31, 2007, SMPI have paid P500 to BOC and this is presented as part of noncurrent receivables and deposits under “Other noncurrent assets” account (Note 15).

In 2008, SMPI and SMCRP paid the remaining subscription amounting to P1,500 of which P1,249 and P251 were paid by SMPI and SMCRP, respectively. Stock certificates were issued on April 21, 2008.

e. CCBPI

On December 13, 2006, the BOD approved the Share Purchase Agreement (SPA) with Coca-Cola South Asia Holdings, Inc. (the “Purchaser”) for the sale of 65% equity in CCBPI.

On December 23, 2006, the Parent Company together with its two wholly-owned subsidiaries, SMBPL and San Miguel Holdings Limited (SMHL), (collectively referred to as the “Sellers”) entered into an SPA with the Purchaser for the sale of their combined 65% equity in CCBPI for a total consideration of US\$590. The agreement provides that the closing of the sale transaction shall be subject to the completion of all the pre-closing conditions stipulated in the SPA. The closing date shall take place 3 business days after the satisfaction of all the pre-closing conditions or such other date that may be mutually agreed in writing by all parties, provided that the closing date shall not be later than March 31, 2007 without the mutual written agreement of all parties.

On February 20, 2007, SMBPL and SMHL sold to the Parent Company their respective equity in CCBPI consisting of 726,291 common shares for P11,559 and 119,477 Class A preferred shares for P9,175, respectively.

On February 21, 2007, the Sellers entered into an Amendment to the SPA with the Purchaser amending certain provisions of the SPA executed on December 23, 2006. The amendments include, among others, a clarification that the closing accounts defined in the SPA shall mean the consolidated balance sheet of CCBPI as at February 23, 2007 and the requirement for the delivery, on closing date, by the Sellers to the Purchaser of certain documents.

As discussed in Note 6, on February 22, 2007, the Parent Company and the Purchaser executed a Deed of Sale of Shares of Stock covering the Parent Company’s 65% equity in CCBPI consisting of 766,121 common shares and 172,942 Class A preferred shares for US\$590. The payments to the Parent Company are scheduled on various dates over a five year period subject to fulfillment of specific conditions attached to each and every payment due.

On August 23, 2007, the closing audit for the sale transaction was completed and the selling price was adjusted to US\$520. The gain realized from the sale amounted to P824, net of P376 net loss of CCBPI (from January 1 to February 22, 2007).

The adjustment in selling price from US\$590 to US\$520 (net of the assigned receivables amounting to US\$17) is a result of a compromise agreement between the Parent Company and Coca-Cola South Asia Holdings, Inc.

f. Australian businesses

NFL and Lactos

In June 2005, the Parent Company, through SMFAH, a wholly-owned subsidiary, acquired 95.77% stake in NFL for A\$1,834 (P76,986) or A\$6.40 per share. In July 2005, the remaining shares were acquired for A\$81 (P3,399) or A\$6.40 per share, making NFL a wholly-owned subsidiary. Goodwill amounting to P51,703 was recognized upon acquisition.

On May 1, 2006, the King's Island Company Ltd., a wholly-owned subsidiary of NFL, acquired 100% of the share capital of Lactos for A\$129 (P5,079).

Berri

In August 2004, the Parent Company, through SMAH, acquired 50% stake in Berri for A\$134.5 (P5,394). In November 2004, an additional 1% stake was acquired for A\$2.7 (P120) giving the Parent Company a total of 51% ownership. This enabled the Parent Company to fully consolidate Berri starting November 2004.

In December 2005, the Parent Company, through wholly-owned subsidiary, National Holdings Ltd., fully acquired Berri for A\$170 (P6,622). Goodwill amounting to P3,769 was recognized upon acquisition.

King's

In March 2005, the Parent Company, through SMFBIL, a wholly-owned subsidiary, acquired 76.38% stake in King's, an ice cream business based in Malaysia and Singapore, for Singapore Dollar 9.40 (P313). Goodwill amounting to P145 was recognized upon acquisition.

On October 1, 2006, SMFAH acquired King's from SMFBIL.

As discussed in Note 6, on November 8, 2007, the Parent Company through SMFL had reached an agreement with Kirin Holdings (Australia) Pty. Ltd. to sell its Australian dairy and juice business, SMFAH, for a purchase price of A\$752 (net of external debt and shareholder loans) subject to adjustments at completion of closing audit. The sale also includes NFL's shares in Berri, King's and Lactos.

On December 27, 2007, the Parent Company received A\$2,090 representing payment of the purchase price and settlement of shareholder loans.

Based on the results of the closing audit on April 30, 2008, an adjustment in the purchase price of A\$28 will be received within five business days after completion of the closing audit. The loss realized from the sale amounted to P513, net of P1,922 net income of SMFAH for the year.

J. Boag

On November 8, 2007, the Parent Company through SMBPL, has signed a definitive agreement to sell its SMAH shares including its premium Tasmanian brewer, J. Boag, to Lion Nathan Australia Pty. Ltd., an Australian alcoholic beverages company, for a purchase price of A\$325 (Note 6).

The closing audit was completed on January 2, 2008 and SMBPL received A\$277 as payment of purchase price, net of adjustments.

g. Packaging businesses

In December 2005, the Parent Company started the consolidation of its packaging business through SMPSI. The Parent Company assigned to SMPSI the property, plant and equipment of its Packaging Division, under a tax-free asset-for-share arrangement, with fair value totaling P1,633 and its shares of stock in Primepak, Rightpak and SMYBC, in a tax-free equity-for-share basis, totaling P1,250. Advances of the Parent Company to SMPSI amounting to P2,250 were converted to equity in October 2005.

Starting January 1, 2006, SMPSI assumed the operations of the Packaging Division of the Parent Company, particularly the seven plants engaged in the businesses of metal closures and lithography, plastic crates and pallets, and glass manufacturing. Employees of the seven plants were formally transferred and recognized as employees of SMPSI on July 15, 2006.

On April 1, 2006, SMPSI also assumed the operations of SMC's contract packaging and trading business.

On May 3, 2006, the SEC approved the merger of Primepak, Rightpak, SMYBC and SMPSI effective June 1, 2006, with SMPSI as the surviving entity. The tax-free merger was confirmed by the BIR. Consequently, in accordance with the terms of the plan of merger, all the assets and liabilities of Primepak, Rightpak and SMYBC as at December 31, 2005 were absorbed, at book values, by SMPSI. There was no issuance of shares by SMPSI pursuant to the tax-free merger since Primepak, Rightpak and SMYBC were already wholly-owned subsidiaries of SMPSI at the time of the merger.

On April 12, 2007, the BOD approved the sale of up to 40% of the Parent Company's interests in its domestic packaging businesses under SMPSI and in its regional packaging businesses under SMPIL.

On April 27, 2007, the Parent Company executed the SMPSI Stock Purchase Agreement (SMPSI SPA) with Nihon Yamamura Glass Co., Ltd. (NYG), a leading Japanese manufacturer of glass and plastics packaging, for the sale of SMC's 35% stake in its domestic packaging businesses, subject to the completion of the closing terms and conditions under the SMPSI SPA. On the same date, the Parent Company and its wholly-owned foreign subsidiary, SMHL, also executed the SMPIL Stock Purchase Agreement (SMPIL SPA) with NYG for the sale of SMHL's 35% stake in its regional packaging businesses, subject to the completion of the closing terms and conditions under the SMPIL SPA.

On November 16, 2007, the Parent Company and NYG entered into the SMPSI Shareholder's Agreement and, together with SMHL, also entered into the SMPIL Shareholder's Agreement, in compliance with the requirements of the SMPSI SPA and the SMPIL SPA. The shareholders' agreements provide the terms and conditions that will govern the relationship among the Parent Company, SMHL and NYG as shareholders.

Also on the same date, the authorized capital stock of SMPIL was increased from US\$0.001 to US\$100. And pursuant to a written resolution of the BOD of SMPIL dated November 23, 2007, SMPIL approved, among others, the conversion of SMHL's shareholder advances in the amount of US\$64.3 into 64,281,176 fully paid shares in SMPIL.

On November 29, 2007, the Parent Company and SMHL received P626 and US\$4 as down payment for their 35% interest in SMPSI and SMPIL, respectively. The P626 payment received by the Parent Company is presented as part of others under "Accounts payable and accrued expenses" account (Note 17).

On December 18, 2007, the Parent Company entered into several deeds of assignment with SMPSI for the following assignments by the Parent Company in favor of SMPSI: (i) its receivables of P187.5 as full payment of the Parent Company's incorporation subscription payables, (ii) its receivables of P6,083 as full payment of the Parent Company's additional subscription of 5,294,180 SMPSI shares, (iii) effective January 1, 2008, its 60% equity in SYFMC with an aggregate book value of P68 as full payment of the Parent Company's additional subscription of 58,977 SMPSI shares, and (iv) certain fixed assets with an aggregate carrying value of P123 as full payment of the Parent Company's additional subscription of 106,627 SMPSI shares, subject to the approval by the SEC of SMPSI's applications for confirmation of valuation in respect of the issuances of shares from its existing unissued capital stock and the increase in its authorized capital stock.

On January 21, 2008, the SEC approved the increase in the authorized capital stock of SMPSI from P10,000 divided into 10 million shares to P11,000 divided into 11 million shares with the same par value of P1,000 each and the valuation of the assets assigned by the Parent Company in favor of SMPSI as consideration for the issuance by SMPSI of shares from its existing unissued capital stock.

On January 30, 2008, effective on the closing of the SMPSI SPA on January 31, 2008, the Parent Company and NYG entered into a deed of assignment of shares of stock pursuant to which the Parent Company assigned, transferred and ceded all its rights, interest and/or title over the Parent Company's 3,756,501 shares in SMPSI for P4,317. On the same date, and effective on the closing of the SMPIL SPA on January 31, 2008, SMHL and NYG entered into a deed of assignment of shares of stock pursuant to which SMHL assigned, transferred and ceded all its rights, interest and/or title over SMHL's 20,726,119 shares in SMPIL for US\$21.

Also on January 30, 2008, effective on the closing of the SMPSI SPA on January 31, 2008, SMPSI and NYG entered into a deed of assignment of shares pursuant to which NYG assigned its 20% stake in SYFMC with an aggregate book value of P23 as full payment for its subscription of 19,659 SMPSI shares. On March 14, 2008, the SEC approved the valuation of NYG's shares in SYFMC.

On the closing of the SMPSI SPA and the SMPIL SPA both on January 31, 2008, the Parent Company and SMHL received P3,691 and US\$17, respectively, from NYG.

h. SMFBIL

In December 2006, the Parent Company through SMFBIL sold to Hormel Netherlands B.V. 17,395,000 shares in SMPFI, representing 49% of the total outstanding and issued shares of SMPFI, for US\$20.5. As a result of the transaction, SMFBIL now holds 18,105,000 shares in SMPFI, representing 51% of the total outstanding and issued shares of SMPFI. SMPFI owns 100% of SMPFVN, the hogs and feeds business undertaking in Vietnam.

i. SMPFC

In December 2005, the Parent Company subscribed to an additional 13,879,434 shares of stock of SMPFC. The consideration paid by the Parent Company amounting to P850 was initially recognized as deposit for future stock subscription, pending the SEC approval to the amendment of SMPFC's Articles of Incorporation to include a provision on the denial of preemptive rights to minority stockholders with respect to the issuance of shares of stock to the Parent Company. The SEC approved the said amendment on February 9, 2006.

In December 2006, the Parent Company's BOD approved the transfer to SMPFC, effective January 1, 2007, of its share interest in SMFI, Magnolia and MFC at respective book values as of September 30, 2006 totaling P4,591. In exchange, SMPFC issued to the Parent Company its equivalent shares valued at the latest traded price as of September 30, 2006.

In September 2007, the application for the approval of the transaction was approved by the SEC. Following SEC's approval, SMPFC issued 70.9 million shares to the Parent Company in November 2007 out of its unissued shares and increase in authorized capital stock. This resulted to an increase in the Parent Company's ownership from 99.83% to 99.92%.

On February 1, 2008, the BIR confirmed the tax-free exchange between SMPFC and the Parent Company.

j. Magnolia

In November 2006, Magnolia and SDI executed a Deed of Assignment pursuant to which SDI assigned in favor of Magnolia, certain machinery and equipment with an appraised value of P19.8 as of November 27, 2006. In exchange, Magnolia agreed to issue 11.1 million shares of its stock valued at net book value as of May 31, 2006. SDI then declared the said Magnolia shares as property dividend to the Parent Company.

Magnolia issued the shares to SDI on February 5, 2007. The issuance of shares of stock to SDI in exchange of machinery and equipment and the declaration of the shares as property dividend by SDI to the Parent Company were approved by the SEC in February and March 2007, respectively.

k. SMPFVN

In October 2006, the Parent Company through SMPFVN entered into a Sale and Purchase Agreement (the “SPA”) with Le Gourmet Company Limited (“Le Gourmet”), for the purchase of certain tangible assets, trademarks, processes and information, as well as the take over of the land use rights of Le Gourmet for the purchase price of US\$2.1. These assets are used by Le Gourmet in relation to the processing and sale of its meat products in Vietnam. The completion of the transaction was subject to the terms and conditions specified in the SPA, including the relevant governmental approvals of the transaction in Vietnam. The transaction has been completed on December 12, 2007.

l. SMYAC

On April 7, 2006, the SEC approved the P1,200 increase in capital of SMYAC. The Parent Company and its Japanese partner, Nihon Yamamura Glass Company, Limited invested P720 and P480, respectively. The additional capital was used for the expansion of its glass plant in Imus, Cavite to keep up with the expected rise in demand of its glass exports.

m. SMMI

On September 6, 2005, SMMI, a wholly-owned subsidiary of SMFI, was incorporated with an initial capital of P0.25.

On December 22, 2005, SMFI and SMMI executed a Deed of Assignment transferring certain assets and liabilities (at historical book value) of the former’s Flour Division in exchange for the latter’s shares effective January 1, 2006. The transfer of the net assets at historical book value amounting to P1,646 was the full payment for SMFI’s subscription to 16.4 million common shares of SMMI issued out of the increase in its authorized capital stock.

On March 27, 2007, the SEC approved SMMI’s application for the increase in its authorized capital stock. Subsequently thereafter, SMMI issued 16.4 million shares to SMFI on April 10, 2007.

In January 2008, SMFI, which became a wholly-owned subsidiary of SMPFC following the Parent Company’s transfer of its interest, executed a Deed of Assignment assigning its 16.4 million shares in SMMI to SMPFC effective December 28, 2007. The assignment is in accordance with SMFI’s property dividend declaration of its SMMI shares in favor of the Parent Company.

As of December 31, 2007, the declaration of the SMFI’s shares in SMMI as property dividend in favor of the Parent Company is still pending approval with the SEC.

n. RealSnacks

In April 2004, the Parent Company, through SMPFC, incorporated RealSnacks.

On April 19, 2006, the BOD of RealSnacks approved the reduction in its authorized capital stock and the return of paid-up capital to SMPFC amounting to P24.8. The reduction is a result of management’s decision to defer the commercial operations of RealSnacks. As of December 31, 2007, RealSnacks has not yet started commercial operations.

Investments in Shares of Stock of and Advances to Associates and Other Investments

Investments in shares of stock of and advances to associates and other investments consist of:

	<i>Note</i>	2007	2006
Investments in associates - at equity:			
Acquisition cost			
Balance at beginning of year		P4,319	P4,521
Disposals		(3,851)	(25)
Cumulative translation adjustment and others		(206)	(177)
Transfer to assets held for sale		(30)	-
		232	4,319
Accumulated equity in net earnings:			
Balance at beginning of year		212	418
Equity in net earnings during the year		246	170
Accumulated equity on investments disposed of and others		(32)	(376)
Accumulated equity of investment transferred to assets held for sale		(438)	-
Balance at end of year		(12)	212
		220	4,531
Advances	28	-	1,250
Other investments	8, 35, 36	551	208
		P771	P5,989

The carrying values of investments in shares of stock of associates are as follows:

	Percentage of Ownership	2007	2006
Northpine Land, Inc. (Northpine) [formerly Jardine]	20.00	P220	P205
NutriAsia San Miguel Holdings Ltd. (NSMH)	42.22	-	3,719
KSA*	29.38	-	306
Vitasoy Australia Products Pty. Ltd.	49.00	-	300
Philippine Nutrition Technologies, Inc. (PNTI)	50.00	-	1
		P220	P4,531

* Transferred to "Assets Held for Sale" account in the 2007 consolidated balance sheet.

Following are the unaudited condensed and combined financial information of the associates:

	2007	2006	2005
Current assets	P2,296	P12,817	P1,911
Current liabilities	1,014	7,182	1,146
Noncurrent assets	10,389	24,046	18,566
Noncurrent liabilities	4,215	11,690	3,550
Revenue	737	14,662	692
Net income	434	665	152

a. KSA

On December 14, 2007, the Parent Company through SMPI entered into a Share Purchase Agreement (SPA) to sell its 354,862 common shares (equivalent to 29.38% ownership) in KSA with carrying amount equivalent to its acquisition cost plus accumulated equity in net earnings of P468 to Shang Properties, Inc. (SPI) for a total consideration of P1,811.

SPI paid 10% downpayment equivalent to P181 upon execution of SPA and paid the remaining balance on January 14, 2008, the completion date of the transaction. As of the balance sheet date, the investment in KSA shares of stock is presented under “Assets held for sale” account in the 2007 consolidated balance sheet since the investment is readily available for immediate sale and the sale is highly probable. The 10% down payment received was recorded as due to SPI presented as part of non-trade under “Accounts payable and accrued expenses” account (Note 17).

On August 5, 2005, KSA declared a 37.80% stock dividend, taken from its additional paid-in capital, to all its shareholders of record as of August 15, 2005 in the form of 500,000 Series “A” and 500,000 Series “B” redeemable preferred shares with a par value of P1,000 per share. The preferred shares were redeemed at par, amounting to P294, by KSA in 2006. In 2007 and 2006, SMPI received cash dividend from KSA amounting to P59 and P73, respectively.

b. NSMH

In December 2005, the Parent Company, through San Miguel Foods Asia Limited (SMFAL), together with NutriAsia, Inc., incorporated NSMH, which then holds 100% equity interest in NutriAsia Pacific Limited (NPL). In January 2006, NPL acquired 84.5% of Del Monte Pacific Ltd., a Singapore-based listed company involved in the manufacturing of canned fruits, juice drinks, concentrates, tomato-based sauces and condiments. Total investment of SMFAL in NSMH as of December 31, 2005 amounted to US\$76 (P4,035), representing the acquisition cost of 42.22% equity interest in NSMH.

In April 2007, the Parent Company, through SMFAL, entered into a Share Purchase Agreement with Well Grounded Limited for the sale of SMFAL’s 42.22% equity and other interest in NSMH for US\$150. NSMH is the holding company of NPL, which in turn is the parent company of Del Monte Pacific Ltd. The amount of US\$130 was received on April 25, 2007 as partial payment for the transaction. The balance of US\$20 shall be subject to interest of 7.2% per annum. The principal amount and all interest accrued shall be due and payable on April 24, 2009. The unpaid balance is presented as part of noncurrent receivables and deposits under “Other noncurrent

assets” account (Note 15). The gain recognized from the said transaction amounted to US\$46 (P2,149).

- c. Thai San Miguel Liquor Co. Ltd. [formerly C.N.T. Wine and Liquor Company Limited (CNT)]

On November 23, 2004, the Parent Company, through GSMIL, a wholly-owned subsidiary of GSMI, entered into a Share Purchase Agreement (SPA) with Thai Life Companies (Seller) for the purchase of 4 million shares, representing 40% ownership of the outstanding shares of CNT, a limited company organized under the laws of Thailand. CNT holds a license to manufacture and sell liquor. The total consideration of Thailand Baht (THB)128.9 (P185) is based on the adjusted net assets value of CNT as of June 30, 2004.

Also, on the same date, GSMI and the Seller entered into a Joint Venture Agreement (JVA) covering the ownership and operation of CNT and the joint control rights, obligations and responsibilities of GSMI and the Seller, as stockholders, of the joint venture.

Subsequently, GSMI assigned its rights to purchase the 40% ownership of the outstanding shares of CNT to GSMIL. On December 15, 2004, all the closing conditions for the execution of the SPA were satisfied and the purchase was effected.

At the time of acquisition, the Group recognized a provisional goodwill of P51 million based on the underlying book values of identifiable assets and liabilities as the fair values to be assigned to the identifiable assets and liabilities have not yet been obtained. In 2005, the Group has determined the fair value of identifiable assets and liabilities, including intangible asset, at the time of acquisition. Accordingly, the purchase price was re-allocated to the identifiable assets and liabilities of CNT based on the fair values at the time of acquisition.

On August 9, 2005, the BOD of CNT called for additional capital contribution totaling THB297 (P406) to finance the purchase of additional parcels of land required for the production facility of CNT. GSMI’s share on the capital infusion is THB119 (P162) for 3,959,998 shares representing 40% ownership. Additional investments to the joint venture were remitted on October 13, 2005 through GSMIL.

On April 10, 2006, the BOD of CNT called for the 45% unpaid portion of the capital, with a total amount of THB446. A total amount of THB178 (P245) for 3,959,998 shares at THB45.00 per share (representing 40% ownership) was remitted to CNT on April 28, 2006.

On June 29, 2007, GSMI incorporated Ginebra San Miguel International Holdings Ltd., as a wholly-owned subsidiary, and subscribed to 60,000 shares at par value of US\$1.00 per share for a total subscription value of US\$0.06 (P3).

On August 7, 2007, CNT changed its business name to Thai San Miguel Liquor Co., Ltd. (TSML) to reflect in the name of the joint venture the partnership between Thai Life Group and GSMI.

In 2007, GSMI formed another joint venture with its Thai counterparty and incorporated Thai Ginebra Trading Co. Ltd. (TGT) which will serve as the selling and distribution arm of TSML. GSMI, through its holding company, acquired 20,000 shares which represents 40% share in the ownership of TGT.

TSML is currently completing the construction of its production facility and is performing initial test runs of products, which will be marketed by TGT. TSML and TGT are expected to start commercial operations in 2008.

d. PNTI

On August 19, 2005, the BOD of PNTI approved the filing of dissolution of the joint venture company with SEC. PNTI ceased commercial operations in September 2005. In October 2005, SMPFC discontinued the use of equity method for its joint venture with PNTI. Both parties to the joint venture ceased to have joint control over PNTI.

In 2007, a full allowance was provided for the impairment in value of its investment in PNTI.

As of May 13, 2008 application for the dissolution of PNTI is yet to be filed with the SEC, pending the receipt of clearance from the BIR.

e. Other investments include available-for-sale investments as of December 31, 2007 and 2006 amounting to P551 and P208, respectively.

Available-for-sale investments pertain to various investments in shares of stock carried at fair value.

11. Property, Plant and Equipment

Property, plant and equipment consist of:

	<i>Note</i>	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Tools and Small Equipment	Office Equipment, Furniture and Fixtures	Molds	Leasehold Improvements	Construction in Progress	Total
Gross carrying amount:											
December 31, 2005		P16,116	P30,046	P81,853	P5,205	P17,640	P4,337	P1,799	P709	P14,414	P172,119
Additions for the year		500	2,824	9,629	320	1,387	243	129	116	(2,555)	12,593
Disposals/reclassifications		(7)	(1,228)	(4,858)	(462)	668	(288)	(1,045)	(25)	(1,344)	(8,589)
Acquisition of subsidiaries		17	207	639	52	-	4	-	-	14	933
Currency translation adjustments		(138)	(638)	(1,051)	(22)	(83)	(26)	(4)	-	34	(1,928)
December 31, 2006		16,488	31,211	86,212	5,093	19,612	4,270	879	800	10,563	175,128
Additions for the year		573	1,572	7,430	119	314	218	130	79	(1,125)	9,310
Disposals/reclassifications		(6,685)	(7,918)	(17,960)	(2,122)	(15,273)	(1,696)	(596)	(54)	(1,641)	(53,945)
Transfer to assets held for sale	6	(86)	(734)	(1,261)	-	-	-	-	-	-	(2,081)
Currency translation adjustments		(1,409)	(2,917)	(5,725)	(389)	(2,721)	(341)	(18)	-	(336)	(13,856)
December 31, 2007		8,881	21,214	68,696	2,701	1,932	2,451	395	825	7,461	114,556
Accumulated depreciation and amortization:											
December 31, 2005		1,548	6,694	46,793	4,283	8,635	3,905	1,459	570	-	73,887
Additions for the year		206	1,032	4,266	218	1,293	204	187	32	-	7,438
Disposals/reclassifications		(87)	(796)	(3,913)	(463)	(54)	(307)	(933)	(320)	-	(6,873)
Currency translation adjustments		(6)	(147)	(395)	(16)	(7)	(18)	(1)	-	-	(590)
December 31, 2006		1,661	6,783	46,751	4,022	9,867	3,784	712	282	-	73,862
Additions for the year		174	841	3,448	268	1,162	319	106	45	-	6,363
Disposals/reclassifications		(628)	(1,723)	(12,854)	(2,051)	(8,119)	(1,834)	(517)	(18)	-	(27,744)
Transfer to assets held for sale	6	(5)	(69)	(435)	-	-	-	-	-	-	(509)
Currency translation adjustments		(128)	(553)	(2,933)	(351)	(1,351)	(264)	(13)	-	-	(5,593)
December 31, 2007		1,074	5,279	33,977	1,888	1,559	2,005	288	309	-	46,379

Forward

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Tools and Small Equipment	Office Equipment, Furniture and Fixtures	Molds	Leasehold Improvements	Construction in Progress	Total
Accumulated impairment losses:										
December 31, 2005	P185	P444	P2,756	P -	P234	P10	P -	P -	P -	P3,629
Additions for the year	-	(6)	79	-	-	-	-	-	-	73
Disposals/reclassifications	-	42	(70)	-	(350)	(1)	2	-	-	(377)
Currency translation adjustments	-	23	(55)	-	(13)	-	-	-	-	(45)
December 31, 2006	185	503	2,710	-	(129)	9	2	-	-	3,280
Additions for the year	-	510	950	1	-	-	-	-	-	1,461
Disposals/reclassifications	(157)	(35)	(482)	-	119	(2)	-	-	-	(557)
Currency translation adjustments	(28)	(60)	(294)	-	21	(1)	-	-	-	(362)
December 31, 2007	-	918	2,884	1	11	6	2	-	-	3,822
Net book value:										
December 31, 2006	P14,642	P23,925	P36,751	P1,071	P9,874	P477	P165	P518	P10,563	P97,986
December 31, 2007	P7,807	P15,017	P31,835	P812	P362	P440	P105	P516	P7,461	P64,355

Depreciation, amortization and impairment losses charged to operations amounted to P7,824, P7,511 and P8,282 in 2007, 2006 and 2005, respectively. Of the said amounts, P1,640, P2,460 and P3,070, respectively, were presented as part of discontinued operations and P1,461 was presented as part of loss on impairment of property, plant and equipment and idle assets under “Other income (charges)” account in 2007 (Notes 6, 24 and 27). These amounts include annual amortizations of capitalized interest amounting to P23, P90 and P122 in 2007, 2006 and 2005, respectively.

Land and land improvements include a property in Sumilao, Bukidnon, acquired by SMFI in 2002, that had been the subject of a dispute between the Philippine government (Government) and the Sumilao farmers (Note 38). Total acquisition and development costs included in the account as of December 31, 2007 amounted to P37. A portion of the said property is leased to MFC for its hog farm expansion.

Construction in Progress (CIP) includes MFC’s hog farm expansion project known as Integrated Agro-Industrial Zone Project in Sumilao. Total costs incurred for farm improvements, production buildings, and machinery and equipment as of December 31, 2007 amounted to P313..

Interest capitalized in 2007 amounted to P41.

12. Investment Properties

The movements in investment properties, including the effects of currency translation adjustments are as follow:

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Tools and Small Equipment	Total
Cost:					
December 31, 2005	P1,601	P515	P -	P -	P2,116
Addition/reclassifications	129	87	-	-	216
Currency translation adjustments	22	(28)	-	-	(6)
December 31, 2006	1,752	574	-	-	2,326
Additions/reclassifications	88	(33)	633	9	697
Currency translation adjustments	(249)	(4)	-	-	(253)
December 31, 2007	1,591	537	633	9	2,770
Accumulated depreciation :					
December 31, 2005	26	140	-	-	166
Additions	24	18	-	-	42
Currency translation adjustments	-	(6)	-	-	(6)
December 31, 2006	50	152	-	-	202
Additions/reclassifications	15	(9)	541	9	556
Currency translation adjustments	(9)	-	-	-	(9)
December 31, 2007	56	143	541	9	749
Accumulated impairment losses :					
December 31, 2005	289	-	-	-	289
Additions/reclassifications	38	39	-	-	77
Currency translation adjustments	14	-	-	-	14
December 31, 2006	341	39	-	-	380
Additions/reclassifications	36	-	-	-	36
Currency translation adjustments	(42)	(1)	-	-	(43)
December 31, 2007	335	38	-	-	373
Net book value:					
December 31, 2006	P1,361	P383	P -	P -	P1,744
December 31, 2007	P1,200	P356	P92	P -	P1,648

The fair value of investment properties as of December 31, 2007 and 2006 amounted to P2,067 and P2,198, respectively, which were determined based on valuations performed by independent appraisers.

13. Biological Assets

This account consists of poultry, hogs and cattle as follows:

	2007	2006 (As Restated - Note 37)
Current:		
Growing stocks	P2,165	P1,726
Goods in process	159	153
Total Current	2,324	1,879
Noncurrent breeding stocks - net	1,319	1,260
	P3,643	P3,139

The amortization of breeding stocks charged to operations amounted to P687 in 2007, P614 in 2006 and P805 in 2005.

Goods in process pertain to hatching eggs.

The movements in biological assets, including the effects of foreign exchange adjustments are as follows:

	2007	2006 (As Restated - Note 37)
Gross:		
Balance at beginning of year	P3,863	P3,162
Increase (decrease) due to:		
Purchases	10,084	11,672
Production	5,908	8,819
Mortality	(31)	(14)
Sales	(207)	(4,855)
Harvest	(14,604)	(14,903)
Currency translation adjustments	41	(27)
Incremental gain on fair valuation	-	9
Balance at end of year	5,054	3,863
Accumulated amortization:		
Balance at beginning of year	724	110
Additions	687	614
Balance at end of year	1,411	724
Net book value	P3,643	P3,139

The Group harvested approximately 298.2 million kgs. and 277.9 million kgs. of grown broilers, in 2007 and 2006, respectively, and 752,879 and 598,041 heads of marketable hogs and cattle, in 2007 and 2006, respectively. The fair value less estimated point-of-sale costs at the date of harvest of grown boilers amounted to P879 and P13,076 in 2007 and 2006, respectively, while that of hogs and cattle amounted to P1,552 and P4,584, in 2007 and 2006, respectively.

14. Goodwill and Other Intangible Assets

The movements in goodwill, including effects of currency translation adjustments are as follows:

	Note	2007	2006
Balance at beginning of year		P72,899	P69,615
Additions	10	30	2,500
Disposals	6	(62,061)	-
Charged to other accounts		-	1,489
Transfer to assets held for sale	6	(864)	-
Currency translation adjustments		(4,656)	(705)
Balance at end of year		P5,348	P72,899

The movements in other intangible assets, including the effects of currency translation adjustments are as follows:

	Trademarks and Brands	Others	Total
Cost:			
December 31, 2005	P26,670	P2,230	P28,900
Additions	1,002	421	1,423
Reclassifications	-	151	151
Currency translation adjustments	(1,482)	(90)	(1,572)
December 31, 2006	26,190	2,712	28,902
Additions	-	254	254
Disposals and reclassifications	(23,177)	(626)	(20,885)
Currency translation adjustments	(1,051)	(313)	(4,282)
December 31, 2007	1,962	2,027	3,989
Accumulated amortization and impairment losses:			
December 31, 2005	-	571	571
Additions	-	112	112
Disposals and reclassifications	-	134	134
Currency translation adjustments	-	(30)	(30)
December 31, 2006	-	787	787
Additions	-	200	200
Disposals and reclassifications	-	(136)	(136)
Currency translation adjustments	-	(64)	(64)
December 31, 2007	-	787	787
Net book value:			
December 31, 2006	P26,190	P1,925	P28,115
December 31, 2007	P1,962	P1,240	P3,202

Goodwill acquired through business combinations and trademarks and brands with indefinite lives have been allocated to individual cash-generating units, which are also reportable segments, for impairment testing as follows:

	2007		2006	
	Goodwill	Trade Mark and Brands	Goodwill	Trade Mark and Brands
Beverage	P1,230	P1,801	P7,292	P2,818
Food	4,019	161	65,501	23,372
Packaging	39	-	47	-
Others	60	-	59	-
Total	P5,348	P1,962	P72,899	P26,190

The recoverable amount of goodwill has been determined based on a valuation using cash flow projections covering a five year period based on long range plans approved by management. Cash flows beyond the five year period are extrapolated using a constant growth rate determined per individual cash-generating unit. This growth rate is consistent with the long-term average growth rate for the industry. The discount rate applied to after tax cash flow projections ranged from 6% to 14% in December 31, 2007 and 2006. The discount rates also impute the risk of the cash-generating units compare to the respective risk of the overall market and equity risk premium.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

The calculations of value in use are most sensitive to the following assumptions:

Gross Margins. Gross margins are based on average values achieved in period immediately before the budget period. These are increased over the budget period for anticipated efficiency improvements. Values assigned to key assumptions reflect past experience, except for efficiency improvement.

Discount Rates. The Group uses the weighted average cost of capital as the discount rates, which reflect management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investments proposals.

Raw Material Price Inflation. Forecast consumer price are obtained from indices during the budget period from which raw materials are purchased. Value assigned to key assumption is consistent with external sources of information.

Management assessed that there is no impairment loss in value of goodwill in 2007 and 2006.

15. Other Noncurrent Assets

	<i>Note</i>	2007	2006
Noncurrent receivables and deposits - net	10, 29, 34, 35, 36	P7,437	P903
Deferred containers - net	4	3,187	11,613
Others	27, 30, 35, 36	3,064	3,436
		P13,688	P15,952

Idle assets included under others amounted to P122 as of December 31, 2007 (Note 27).

Derivative assets included under others amounted to P19 and P26 as of December 31, 2007 and 2006, respectively (Note 36).

16. Drafts and Loans Payable

This account consists of:

	2007	2006
Parent Company		
Peso-denominated	P28,662	P21,072
Foreign currency-denominated	2,229	686
Subsidiaries		
Peso-denominated	11,895	18,063
Foreign currency-denominated	1,445	2,533
	P44,231	P42,354

Drafts and loans payable mainly represent unsecured peso and foreign currency-denominated amounts payable to local and foreign banks. Interest for peso-denominated loans range from 4.375% to 8.50% and 4.75% to 8% in 2007 and 2006, respectively. Interest rate for foreign currency-denominated loans was at 5.35% to 6.65% and 5.75% in 2007 and 2006, respectively.

17. Accounts Payable and Accrued Expenses

	<i>Note</i>	2007	2006 (As Restated - Note 37)
Trade	28, 35, 36	P7,746	P20,474
Non-trade	10, 35, 36	9,183	11,751
Amounts owed to related parties	28, 35, 36	-	592
Others	10, 18, 30, 35, 36	3,382	6,685
		P20,311	P39,502

Derivative liabilities included under others amounted to P892 and P177 as of December 31, 2007 and 2006, respectively (Note 36).

18. Redeemable Preferred Shares

As of December 31, 2006, the Group's redeemable preferred shares representing Class "A" and Class "B" preferred shares of CCBPI, are mandatorily redeemable on March 31, 2007. Such preferred shares, are initially classified as debt due to its mandatory redemption feature which signifies a contractual obligation on the part of CCBPI to settle an obligation.

On November 22, 2006, CCBPI's BOD approved an amendment to its Articles of Incorporation to add a convertibility feature to CCBPI's Class "A" and "B" preferred shares. The Amended Articles of Incorporation of CCBPI was approved by the SEC on December 19, 2006. Due to the convertibility feature, CCBPI's redeemable preferred stock was reclassified as equity as of December 31, 2006.

On February 22, 2007, prior to the date of redemption, the preferred shares were disposed of (Note 6).

Cumulative dividends in arrears as of December 31, 2006 amounted to P1,172. The unpaid dividends are included as part of others under "Accounts payable and accrued expenses" account (Note 17).

19. Long-term Debt

	2007	2006
Parent Company		
Unsecured term notes:		
Peso-denominated:		
Fixed interest rate of 11.25% [see (b) below];	P -	P3,110
Fixed interest rate of 7.75% [see (c) below];	-	2,853
Floating interest rate based on Mart 1 plus an agreed margin [see (b) below]	-	870
Foreign currency-denominated:		
Floating interest rate based on LIBOR plus an agreed margin, with maturities up to 2012 in 2007 [see (a) below] and 2011 in 2006 [see (d) below]	48,758	43,492
	48,758	50,325
Subsidiaries		
Unsecured term notes:		
Peso-denominated:		
Floating interest rate based on 91-day Philippine treasury bill rate and Mart1 [see (h) below];	-	4,476
Fixed interest rate of 6.50% and 7.25% maturing in 2012 and 2014, respectively [see (e) below]	2,209	-
Foreign currency-denominated:		
Floating interest rate based on THBFIX, VNIBOR, HIBOR and discount from PBOC lending rate, [see (f) and (g) below] for 2007 and [see (i) below] for 2006 with maturities up to 2014	4,867	41,114
	7,076	45,590
	55,834	95,915
Less current maturities	1,222	11,007
	P54,612	P84,908

- a. The amount represents drawdown by the Parent Company from the US\$1,200 unsecured term loan facility to refinance a portion of its short-term loans and the remaining balance of its long-term loans. Unamortized debt issue cost related to this unsecured term loan facility amounted to P778 as of December 31, 2007.
- b. The amount represents unsecured loans obtained by the Parent Company from the P4,000 multi-tranche corporate notes facility to finance general corporate requirements. Of the amount, P3,125 had a fixed interest rate and P875 had floating interest rate. Unamortized debt issue cost related to these loans amounted to P19 as of December 31, 2006. In 2007, the Parent Company refinanced this loan (Note 19a) as part of the US\$1,200 unsecured term loan facility.

- c. The amount represents loan obtained by the Parent Company from the P5,000 unsecured syndicated term loan facility agreement entered into in 2003. The loan was used to finance the construction of certain plants and facilities and the acquisition of certain machinery and equipment to be used for the manufacturing and recycling of PET bottles by SMPSI. As of December 31, 2006, unamortized debt issue cost related to this loan amounted to P16. In 2007, the Parent Company refinanced the outstanding balance of the loan (Note 19a) as part of the US\$1,200 unsecured term loan facility.
- d. The amount represents loans obtained by the Parent Company from a US\$650 and US\$250 unsecured term loan facility to partially pay-off the Bridge Facility which was used to acquire NFL and to finance general corporate requirements, respectively. In 2006, the Parent Company refinanced the remaining balance of the US\$300 unsecured term loan facility amounting to US\$257 with a US\$250 unsecured term loan facility. As of December 31, 2006, unamortized debt issue cost related to these loans amounted to P635. In 2007, the Parent Company refinanced the outstanding balance of the loans (Note 19a) as part of the US\$1,200 unsecured term loan facility.
- e. The amount represents unsecured syndicated loans obtained by SMYAC which were used for capital expenditure. Unamortized debt issue cost related to these loans amounted to P16 as of December 31, 2007.
- f. The amount represents 40% of the long-term, interest-bearing loan, incurred by TSML to finance its plant constructions and start up operations. Unamortized debt issue cost related to these loans amounted to P3 as of December 31, 2007.
- g. The amount represents unsecured loan obtained by SMFBIL's subsidiaries which was used to finance its plant constructions and start-up operations.
- h. Unamortized debt issue cost related to these loans amounted to P17 as of December 31, 2006.
- i. Unamortized debt issue cost related to these loans amounted to P109 as of December 31, 2006.

The debt agreements contain, among others, covenants relating to merger and consolidation, maintenance of certain financial ratios, working capital requirements, restrictions on loans and guarantees, disposal of a substantial portion of assets, significant changes in the ownership or control of subsidiaries, payments of dividends and redemption of capital stock.

As of December 31, 2007, the Group is in compliance with the covenants of the debt agreements.

The movements in debt issue cost are as follows:

	<i>Note</i>	2007	2006
Balance at beginning of year		P796	P1,057
Additions		864	138
Amortization	26	(904)	(478)
Cumulative translation adjustment and others		41	79
Balance at end of year		P797	P796

Repayment Schedule

As of December 31, 2007, the annual maturities of long-term debt are as follows:

Year	Gross Amount	Debt Issue Cost	Net
2008	P1,225	P3	P1,222
2009	8,012	456	7,556
2010	15,165	183	14,982
2011	15,124	114	15,010
2012	15,676	38	15,638
2013	106	2	104
2014	1,323	1	1,322
	P56,631	P797	P55,834

20. Income Taxes

Deferred tax assets and liabilities arise from the following:

	2007	2006 (As Restated - Note 37)
NOLCO	P2,304	P967
Allowance for doubtful accounts and inventory losses	1,282	2,169
MCIT	473	97
Fair market value adjustments on business combinations	-	(686)
Cumulative translation adjustments	753	(751)
Unrealized intercompany charges and others	(618)	(1,145)
Undistributed net earnings of foreign subsidiaries	(11,942)	(7,214)
	(P7,748)	(P6,563)

The above amounts are reported in the consolidated balance sheets as follows:

	Note	2007	2006 (As Restated - Note 37)
Deferred tax assets	4	P4,973	P6,871
Deferred tax liabilities		(12,721)	(13,434)
		(P7,748)	(P6,563)

The undistributed earnings of foreign subsidiaries and cumulative translation adjustments for which deferred tax liabilities have not been recognized totaled P21,725 and P18,801 as of December 31, 2007 and 2006, respectively.

As of December 31, 2007, the NOLCO and MCIT of certain subsidiaries that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred/Paid	Carryforward Benefits Up To	NOLCO	MCIT
2005	December 31, 2008	P505	P26
2006	December 31, 2009	20	5
2007	December 31, 2010	6,058	442
		P6,583	P473

The components of the income tax expense are shown below:

	<i>Note</i>	2007	2006 (As Restated - Note 37)	2005 (As Restated - Note 37)
Current		P314	P8,545	P3,434
Deferred		4,275	(4,575)	(2,314)
Income tax from continuing operations		4,589	3,970	1,120
Income tax from ordinary activities of discontinued operations	6	1,105	990	1,140
Income tax from gain on disposal of discontinued operations	6	4,596	-	-
		P10,290	P4,960	P2,260

The reconciliation between the statutory income tax rate on income from continuing operations before income tax and minority interests and the Group's effective income tax rates are as follows:

	2007	2006	2005
Statutory income tax rate	35.00%	35.00%	32.50%
Increase (decrease) in income tax rate resulting from:			
Interest income subjected to final tax	(5.71)	(7.96)	(7.53)
Equity in net earnings of associates	(0.45)	(0.16)	(0.32)
Others, mainly income subjected to different tax rates and change in tax rate - net	7.02	5.74	(3.71)
Effective income tax rates	35.86%	32.62%	20.94%

The aggregate current and deferred tax relating to items that are credited (charged) to equity amounted to P753, (P751) and (P1,157) in 2007, 2006 and 2005, respectively.

21. Stockholders' Equity

- On July 24, 2007, the stockholders of the Parent Company approved the increase in SMC's authorized capital stock from P22,500 to P37,500, which will be made up of 3,600 million Class "A" common shares, 2,400 million Class "B" common shares and 1,500 million preferred shares, all with a par value of P5.00 per share.

- b. On May 17, 2005, the stockholders of the Parent Company approved the amendment of Article VII of the Articles of Incorporation providing for the reclassification of the authorized capital stock from 3,150 million Class "A" common shares and 1,350 million Class "B" common shares to 2,700 million Class "A" common shares and 1,800 million Class "B" common shares. The SEC approved the amendment on July 27, 2005.
- c. The Parent Company's authorized capital stock has a par value of P5.00 per share. Class "A" common shares and Class "B" common shares have the same rights and privileges. Only Philippine citizens or corporations or associations that are at least 60% owned by Filipino citizens can own Class "A" common shares.

The movements in the number of issued shares of capital stock are as follows:

	2007	2006
Class "A"		
Balance at beginning of year	1,970,380,027	1,965,575,160
Issuances during the year	4,912,218	4,804,867
Balance at end of year	1,975,292,245	1,970,380,027
Class "B"		
Balance at beginning of year	1,243,040,673	1,240,687,701
Issuances during the year	3,487,160	2,352,972
Balance at end of year	1,246,527,833	1,243,040,673

- d. Treasury shares, totaling 65,475,371 Class "A" and "B" common shares, are stated at acquisition cost.

Out of the total treasury shares, 25.45 million common shares (15.27 million Class "A" common shares and 10.18 million Class "B" common shares), with an acquisition cost of P481, [net of the cost of the one million shares paid to Presidential Commission on Good Government (PCGG) as arbitral fee pursuant to the Compromise Agreement, as herein defined] were reverted to treasury in 1991 upon implementation of the Compromise Agreement and Amicable Settlement (Compromise Agreement) executed by the Parent Company with the United Coconut Planters Bank (UCPB) and the Coconut Industry Investment Fund (CIIF) Holding Companies in connection with the purchase of the Parent Company shares under an agreement executed on March 26, 1986.

Certain parties have opposed the Compromise Agreement. The right of such parties to oppose, as well as the propriety of their opposition, has been the subject matters of cases pending before the Sandiganbayan and the Supreme Court.

On September 14, 2000, the Supreme Court upheld a Sandiganbayan resolution requiring the Parent Company to deliver the 25.45 million common shares that were reverted to treasury in 1991 to the PCGG and to pay the corresponding dividends on the said shares.

On October 10, 2000, the Parent Company filed a motion for reconsideration with the Supreme Court to be allowed to comply with the delivery and payment of the dividends on the treasury shares only in the event that another party, other than the Parent Company, is declared owner of the said shares in the case for forfeiture (Civil Case) filed by the Government.

On April 21, 2001, the Supreme Court denied the motion for reconsideration.

On September 19, 2003, the PCGG wrote the Parent Company to deliver to the PCGG the stock certificates and cash and stock dividends under the Sandiganbayan resolution upheld by the Supreme Court. The Parent Company referred the matter to its external financial advisor and external legal counsel for due diligence and advice. The external financial advisor presented to the BOD on December 4, 2003 the financial impact of compliance with the resolution considering “with and without due compensation” scenarios, and applying different rates of return to the original amount paid by the Parent Company. The financial advisor stated that if the Parent Company is not compensated for the conversion of the treasury shares, there will be: (a) a negative one-off EPS impact in 2003 of approximately 17.5%; (b) net debt increase of approximately P2,100; and (c) a negative EPS impact of 6.9% in 2004. The external legal counsel at the same meeting advised the BOD that, among others, the facts reviewed showed that (a) the compromised shares had not been validly sequestered, (b) no timely direct action was filed to nullify the transaction, (c) no rescission can be effected without a return of consideration, (d) more importantly, requiring the Parent Company to deliver what it acquired from the sellers without a substantive ground to justify it, and a direct action in which the Parent Company is accorded full opportunity to defend its rights, would appear contrary to its basic property and due process rights. The external legal counsel concluded that the Parent Company has “legal and equitable grounds to challenge the enforcement” of the Sandiganbayan resolution.

On January 29, 2004, the external legal counsel made the additional recommendation that the Parent Company should file a Complaint-in-Intervention in the Civil Case (now particularly identified as SB Case No. 033-F), the forfeiture case brought by the Government involving the so-called CIIF block of the Parent Company shares of stock of which the treasury shares are a portion. The Complaint-in-Intervention would pray that any judgment in the Civil Case forfeiting the CIIF block of the Parent Company shares of stock should exclude the treasury shares.

At its January 29, 2004 meeting, the BOD of the Parent Company unanimously decided to (a) deny the PCGG demand of September 19, 2003, and (b) authorize the filing of the Complaint-in-Intervention. Accordingly, the external legal counsel informed the PCGG of the decision of the Parent Company and the Complaint-in-Intervention was filed in the Civil Case.

In a Resolution dated May 7, 2004, the Sandiganbayan denied the Complaint-in-Intervention. The external legal counsel filed a Motion for Reconsideration, which was denied by the Sandiganbayan in its Resolution dated May 11, 2007.

The external legal counsel advised that because the Sandiganbayan had disallowed the Parent Company’s intervention, the Sandiganbayan’s disposition of the so-called CIIF block of SMC shares in favor of the Government cannot bind the Parent Company, and that the Parent Company remains entitled to seek the nullity of that disposition should it be claimed to include the treasury shares.

The external legal counsel also advised that the Government has, in its own court submissions, (i) recognized the Parent Company’s right to the treasury shares on the basis that the Compromise Agreement is valid and binding on the parties thereto; and (ii) taken the position that SMC and UCPB had already implemented the Compromise Agreement voluntarily, and that the PCGG had conformed to the Agreement and its implementation. The Executive Committee of the Parent

Company approved the recommendation of external counsel on January 18, 2008 which was ratified by the Board on March 6, 2008.

In the meantime, the Parent Company has available cash and shares of stock for the dividends payable on the treasury shares.

- e. The Group's unappropriated retained earnings include its accumulated equity in net earnings of subsidiaries and associates amounting to P44,208, P40,299 and P33,565 in 2007, 2006 and 2005, respectively. Such amounts are not available for declaration as dividends until declared by the respective investees.

The Parent Company's unappropriated retained earnings as of December 31, 2007 and 2006 is restricted in the amount of P4,053 representing the cost of shares held in treasury.

- f. On February 10, 2005, the Parent Company's BOD approved the terms and conditions of the 1 for 10 preemptive rights offering of approximately 173.4 million Class "A" and 111.2 million Class "B" common shares (the "Rights Shares") from treasury. The Rights Shares were issued at a price equivalent to 5% discount to the 20-day average trading price of the Parent Company's shares for the period January 28, 2005 to February 24, 2005 per Rights Share (the "Rights Offer"). The Rights Offer commenced on March 10, 2005 and ended on March 31, 2005.
- g. The BOD of the Parent Company and certain subsidiaries approved additional appropriations amounting to P273, P5 and P779 in 2007, 2006 and 2005, respectively, to finance future capital expenditure projects. Reversal of appropriations in 2007, 2006 and 2005 amounted to P275, P56 and P479, respectively.

22. Cost of Sales

Cost of sales consists of:

			2006 (As Restated - Notes 6 and 37)	2005 (As Restated - Notes 6 and 37)
	<i>Note</i>	2007		
Inventories		P74,731	P62,032	P60,889
Taxes and licenses		18,878	17,822	17,582
Personnel expenses	25	5,815	6,282	4,570
Repairs and maintenance		4,660	4,776	4,012
Depreciation, amortization and impairment losses	24	4,472	5,471	4,863
Communications, light and water		4,284	4,016	3,969
Fuel and oil		2,193	3,022	3,112
Rent	4	648	919	875
Others		514	78	108
		P116,195	P104,418	P99,980

23. Selling and Administrative Expenses

Selling and administrative expenses consist of:

		2006 (As Restated - Note 6)	2005 (As Restated - Note 6)
	2007		
Selling	P10,563	P9,811	P12,525
Administrative	16,081	13,297	12,123
	P26,644	P23,108	P24,648

Selling expenses consist of:

		2006 (As Restated - Note 6)	2005 (As Restated - Note 6)
	Note	2007	
Advertising and promotions		P4,260	P4,125
Personnel expenses	25	2,601	2,450
Repairs and maintenance		1,128	861
Communications, light and water		536	496
Supplies		447	230
Rent	4	446	413
Freight, trucking and handling		435	664
Depreciation, amortization and impairment losses	24	306	233
Taxes and licenses		214	114
Others		190	225
		P10,563	P9,811
			P12,525

Administrative expenses consist of:

		2006 (As Restated - Note 6)	2005 (As Restated - Note 6)
	Note	2007	
Personnel expenses	25	P5,919	P6,209
Advertising and promotion		2,073	931
Repairs and maintenance		1,842	1,660
Depreciation, amortization and impairment losses	24	1,757	1,044
Professional fees		1,153	1,044
Communications, light and water		707	575
Taxes and licenses		614	516
Supplies		440	418
Rent	4	189	133
Others		1,387	767
		P16,081	P13,297
			P12,123

24. Depreciation, Amortization and Impairment Losses

Depreciation, amortization and impairment losses are distributed as follows:

	2007	2006 (As Restated - Note 6)	2005 (As Restated - Note 6)
Cost of sales:			
Property, plant and equipment	P3,445	P3,946	P4,048
Deferred containers, biological assets and others	1,027	1,525	815
	4,472	5,471	4,863
Selling and administrative expenses:			
Property, plant and equipment	1,278	1,105	1,164
Deferred containers and others	785	172	1,505
	2,063	1,277	2,669
	P6,535	P6,748	P7,532

Others include depreciation and amortization of computer software, land use rights, licenses and investment properties.

25. Personnel Expenses

	Note	2007	2006 (As Restated - Note 6)	2005 (As Restated - Note 6)
Salaries and wages		P7,429	P8,726	P5,737
Retirement costs	30	1,237	718	847
Other employee benefits		5,669	5,497	5,812
		P14,335	P14,941	P12,396

Personnel expenses are distributed as follows:

	Note	2007	2006 (As Restated - Note 6)	2005 (As Restated - Note 6)
Cost of sales	22	P5,815	P6,282	P4,570
Selling expenses	23	2,601	2,450	2,854
Administrative expenses	23	5,919	6,209	4,972
		P14,335	P14,941	P12,396

26. Interest Expense and Other Financing Charges

	2007	2006 (As Restated - Note 6)	2005 (As Restated - Note 6)
Interest expense	P5,726	P6,490	P8,281
Other financing charges	1,401	611	976
	P7,127	P7,101	P9,257

Swap costs from a long-term cross currency swap included under interest expense amounted to P105 and P42 in 2006 and 2005, respectively (Note 35).

Amortization of debt issue costs in 2007, 2006 and 2005 included in other financing charges amounted to P904, P478 and P205, respectively (Note 19).

Interest expense from borrowings amounted to P5,726, P9,625 and P10,384 in 2007, 2006 and 2005, respectively, of which P3,572 in 2006 and P2,502 in 2005 pertains to discontinued operations (Note 6).

Interest expense from short-term borrowings included in interest expense amounted to P2,165, P2,588 and P3,698 in 2007, 2006 and 2005, respectively.

27. Other Income (Charges)

	2007	2006 (As Restated - Note 6)	2005 (As Restated - Note 6)
Gain on sale of investments and property and equipment [see (a) below]	P2,224	P245	P20
Loss on impairment of property, plant and equipment and idle assets [see (b) and (c) below]	(1,744)	-	-
Gain (loss) on derivatives - net	(1,767)	68	902
Others - net	329	271	(463)
	(P958)	P584	P459

a. Gain (loss) on sale of investments and property and equipment included in “Income After Income Tax from Discontinued Operations” amounted to (P5), P27 and P43 in 2007, 2006 and 2005, respectively.

b. On September 30, 2007, the Yuen Long plant of SMBHK has temporarily ceased operations. SMBHK reviewed the recoverable amount of the fixed assets of its plant and the carrying amount of such assets was written down by P1,461 to the value in use (Note 11). Value in use was calculated using the discounted value of the projected future cash flows to be generated over the remaining useful life of the plant. A pre-tax discount rate of 9.91% was applied to the projected future cash flows of the plant.

- c. In 2007, SMPSI ceased operating two of its plants and one of its furnace. The corresponding building, machinery and equipment with an aggregate net book value of P405 have been reclassified from “Property, plant and equipment” account to “Other noncurrent asset” account (Note 15). These assets have been written down to their net realizable value based on reports by qualified property appraisers. The impairment charges relating to these assets amounted to P283.

28. Related Party Disclosures

Transactions with related parties are made at normal market prices. For the periods ended December 31, 2007, 2006 and 2005, the Group did not make any provision for doubtful accounts relating to amounts owed by related parties. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

- a. The Parent Company has advances to SMCRP which amounted to P35,721 included as part of “Trade and other receivables” account (Note 8).
- b. In 2006 and 2005, CCBPI and its subsidiaries, PhilBev and CBC, purchase raw materials from The Coca-Cola Export Company (TCCEC), a wholly-owned subsidiary of The Coca-Cola Company (TCCC), at market prices in the normal course of business. TCCC owns 35% of CCBPI.

The significant transactions of CCBPI, PhilBev and CBC with TCCEC include the following:

Year	Purchases of Raw Materials	Included under “Trade and other receivables” account	Included under “Accounts payable and accrued expenses” account
2006	P5,711	P393	P592
2005	6,136	171	867

CCBPI and its subsidiaries were sold by the Parent Company to Coca-Cola South Asia Holdings, Inc. on February 22, 2007 (Note 6).

- c. As of December 31, 2006, advances to NSMH amounted to P1,250. The Parent Company through SMFAL, sold its equity and other interest in NSMH in April 2007 (Note 10).
- d. The compensation of key management personnel of the Group, by benefit type, follows:

	2007	2006	2005
Short-term employee benefits	P262	P237	P226
Retirement costs	49	28	41
Share-based payments	58	39	32
	P369	P304	P299

Some of the personnel performing key management functions in certain subsidiaries are employed by the Parent Company. This is covered by a management agreement executed by and between the Parent Company and the subsidiaries. The salaries and benefits of these personnel are billed to the subsidiaries through management fees, with details as follows:

	2007	2006	2005
Short-term employee benefits	P259	P271	P180
Retirement costs	87	83	7
Share-based payments	23	22	6
	P369	P376	P193

29. Leasing Agreements

Finance Leases

Leases as Lessee

The Group's finance leases cover office and factory equipment. There is no subleasing. Some leases provide the Group with the option to purchase the equipment at a beneficial price. As of December 31, 2006, the net carrying amount of leased office and factory equipment was P923. These were part of discontinued operations disposed as of December 31, 2007.

Finance lease liabilities as of December 31, 2006 are payable as follows:

	Minimum lease payable	Interest	Principal
Within one year	P172	P9	P163
After one year but not more than five years	533	81	452
More than five years	551	179	372
	P1,256	P269	P987

Leases as Lessor

The Group's lease receivable under finance lease as of December 31, 2007 and 2006 are as follows:

	Minimum lease receivable	Interest	Principal
2007			
Less than one year	P75	P18	P57
Between one and five years	57	11	46
	P132	P29	P103
2006			
Less than one year	P57	P28	P29
Between one and five years	124	33	91
	P181	P61	P120

Operating Leases

Leases as Lessor

The Group has entered into various property leases. These non-cancelable leases will expire up to year 2010. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

As of December 31, 2007, 2006 and 2005, the future minimum lease receipts under non-cancelable operating leases are as follows:

	2007	2006	2005
Within one year	P278	P195	P161
After one year but not more than five years	280	309	418
	P558	P504	P579

Rent income recognized in the consolidated statements of income under "Other income (charges)" account in 2007, 2006 and 2005 amounted to P246, P240 and P170, respectively.

Leases as Lessee

The Group leases a number of office, warehouse and factory facilities under operating leases. The leases typically run for a period of two to seven years. Some leases provide an option to renew the lease after that date and are being subjected to reviews to reflect current market rentals.

As of December 31, 2007, 2006 and 2005, non-cancellable operating lease rentals are payable as follows:

	2007	2006	2005
Within one year	P118	P69	P105
After one year but not more than five years	151	159	149
More than five years	124	82	79
	P393	P310	P333

30. Retirement Plans

The Parent Company and majority of its subsidiaries have funded, noncontributory retirement plans covering all of their permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plans. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2007. Valuations are obtained on a periodic basis.

Retirement costs charged by the Parent Company to operations amounted to P975, P471 and P736 in 2007, 2006 and 2005, respectively, while those charged by the subsidiaries amounted to P383, P979 and P1,024 in 2007, 2006 and 2005, respectively. The Group's annual contribution to the retirement plans consists of payments covering the current service cost and amortization of past service liability.

The components of retirement cost recognized in the consolidated statements of income in 2007, 2006 and 2005 and the amounts recognized in the consolidated balance sheets as of December 31, 2007 and 2006 are as follows:

	2007	2006	2005
Current service cost	P493	P548	P528
Interest cost	796	1,542	1,906
Expected return on plan assets	(894)	(1,256)	(1,244)
Effect of curtailment	772	-	-
Net actuarial loss	397	124	-
Effect of asset limit	(102)	(60)	-
Amortization of transitional liability	120	552	570
Others	(224)	-	-
Net retirement cost	P1,358	P1,450	P1,760
Actual return on plan assets	P17,761	P1,649	P1,903

The retirement cost is recognized in the following line items in the consolidated statements of income:

		2007	2006 (As Restated - Note 6)	2005 (As Restated - Note 6)
Cost of sales	25	P120	P148	P92
Selling and administrative expenses	25	1,117	570	755
Retirement cost of continuing operations		1,237	718	847
Reclassified to discontinued operations		121	732	913
		P1,358	P1,450	P1,760

The reconciliation of the assets and liabilities recognized in the consolidated balance sheets is as follows:

	Note	2007	2006
Present value of defined benefit obligation		P11,332	P14,236
Fair value of plan assets		24,873	10,241
		(13,541)	3,995
Unrecognized actuarial gain (loss)	4	13,963	(1,840)
Unrecognized net transitional liability		(241)	(1,650)
Effect of asset limit		-	57
Net retirement liabilities		P181	P562

Retirement assets are included under “Prepaid expenses and other current assets” and as part of others under “Other noncurrent assets” accounts amounting to P1 and P11 in 2007 and P23 and P245 in 2006, respectively (Note 15).

Retirement liabilities are presented as part of others under “Accounts payable and accrued expenses” and “Other noncurrent liabilities” accounts amounting to P129 and P64 in 2007, and P15 and P815 in 2006, respectively (Note 17).

The movements in the present value of defined benefit obligation are as follows:

	2007	2006
Balance at beginning of year	P14,236	P15,045
Actuarial losses	2,556	1,952
Interest cost	796	1,542
Current service cost	493	548
Effect of curtailment	(845)	-
Benefits paid	(2,946)	(4,851)
Benefit obligation associated with discontinued operations	(2,958)	-
Balance at end of year	P11,332	P14,236

The movements in the fair value of the plan assets are as follows:

	2007	2006
Balance at beginning of year	P10,241	P11,873
Expected return	894	1,256
Contributions by employer	1,120	1,570
Benefits paid	(2,946)	(4,851)
Actuarial gains	16,867	393
Plan assets associated with discontinued operations	(1,303)	-
Balance at end of year	P24,873	P10,241

Plan assets consist of the following:

	In Percentages	
	2007	2006
Stock trading portfolio	25	47
Fixed income portfolio	75	53

The plan assets include 408 and 19 million Class “A” common shares and 112 and 24 million Class “B” common shares of the Parent Company with fair values amounting to P24,068 and P1,264 as of December 31, 2007 and P6,662 and P532 as of December 31, 2006, respectively.

The overall expected rate of return is determined based on historical performance of investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	In Percentages	
	2007	2006
Discount rate	7 - 8	6 - 8
Salary increase rate	6	6
Expected return on plan assets	10	10

The historical information for the current and previous three annual periods is as follows:

	2007	2006	2005	2004
Present value of the defined benefit obligation	P11,332	P14,236	P15,045	P13,617
Fair value of plan assets	24,873	10,241	11,873	10,768
Surplus (deficit) in the plan	13,541	(3,995)	(3,172)	(2,849)
Experience adjustments on plan liabilities	-	(188)	-	-

The Group expects to pay P398 in contributions to defined benefit plans in 2008.

31. Cash Dividends

Cash dividends declared amounted to P1.40, P1.05 and P1.40 per share in 2007, 2006 and 2005, respectively.

32. Basic and Diluted Earnings Per Share

Basic and Diluted EPS is computed as follows:

	Note	2007	2006 (As Restated - Note 37)	2005 (As Restated - Note 37)
Net income from continuing operations attributable to equity holders of the Parent Company (a)		P8,287	P7,969	P3,990
Net income from discontinued operations attributable to equity holders of the Parent Company (b)	6	343	2,337	4,738
Net income attributable to equity holders of the Parent Company		P8,630	P10,306	P8,728
Weighted average number of shares outstanding (in millions) - basic (c)		3,153	3,143	3,065
Effect of dilution		7	6	4
Weighted average number of shares outstanding (in millions) - diluted (d)		3,160	3,149	3,069
Basic EPS from continuing operations (a/c)		P2.63	P2.54	P1.30
Basic EPS from discontinued operations (b/c)		0.11	0.74	1.55
		P2.74	P3.28	P2.85
Diluted EPS from continuing operations (a/d)		P2.62	P2.53	P1.30
Diluted EPS from discontinued operations (b/d)		0.11	0.74	1.54
		P2.73	P3.27	P2.84

33. Supplemental Cash Flow Information

Supplemental information with respect to the consolidated statements of cash flows is presented below:

- a. Changes in noncash current assets and certain current liabilities and others are as follows (amounts reflect actual cash flows rather than increases/decreases in the consolidated balance sheets):

	2007	2006 (As Restated - Note 37)	2005 (As Restated - Note 37)
Accounts payable and accrued expenses	P23,341	P6,586	P2,957
Inventories	3,001	(1,757)	(4,639)
Drafts and loans payable	(134)	59	(289)
Prepaid expenses and other current assets	(2,550)	(335)	184
Trade and other receivables	(4,389)	363	1,568
Income and other taxes payable and others	(4,064)	(4,094)	(14,314)
	P15,205	P822	(P14,533)

- b. Acquisitions of subsidiaries (Note 10):

	2006	2005
Cash and cash equivalents	P1	P816
Trade and other receivables and other current assets - net	820	7,272
Inventories - net	903	3,515
Property, plant and equipment - net	933	14,104
Other noncurrent assets - net	1,025	24,675
Accounts payable, accrued expenses and other current liabilities	(993)	(8,107)
Short-term and long-term debt	-	(5,629)
Other noncurrent liabilities	(207)	(56)
Deferred tax liability on fair value adjustments	-	(6,619)
Minority interests	-	2,852
	2,482	32,823
Less minority interests - balance sheet	-	141
Net assets	2,482	32,682
Cash and cash equivalents	(1)	(816)
Goodwill in subsidiaries	2,500	56,625
Prior year investment/deposit	-	(579)
Net cash flows	P4,981	P87,912

34. Share-Based Transactions

ESPP

Under the ESPP, 80.40 million shares (inclusive of stock dividends declared) of the Parent Company's unissued shares have been reserved for the employees of the Group until 2009 (as amended and approved by the SEC in 2001 and 2003, respectively). A participating employee may acquire at least 100 shares of stock through payroll deductions.

On December 5, 2002, the Parent Company's BOD approved amendments to the ESPP. Under the amended ESPP, all permanent Philippine-based employees of the Group, who have been employed for a continuous period of one year prior to the subscription period, will be allowed to subscribe at 15% discount to the market price equal to the weighted average of the daily closing prices for three months prior to the offer period. The amendments to the ESPP are prospective in application. Existing subscriptions shall not be entitled to the rights granted under the amendments. The amendments of the ESPP were approved by the SEC on February 20, 2003.

The ESPP requires the subscribed shares and stock dividends accruing thereto to be pledged to the Parent Company until the subscription is fully paid. The right to subscribe under the ESPP cannot be assigned or transferred. A participant may sell his shares after the second year from the exercise date. The current portion of subscriptions receivable as of December 31, 2007 and 2006 amounted to P150 and P165, respectively, presented as part of others under "Trade and other receivables" account (Note 8). The noncurrent portion of P483 and P563 as of December 31, 2007 and 2006, respectively, is reported as part of noncurrent receivables and deposits under "Other noncurrent assets" account (Note 15).

The number of subscribed shares under the ESPP as of December 31, 2007 and 2006 are as follows:

	2007	2006
Class "A"		
Paid subscribed shares	40,160,922	33,052,072
Unpaid subscriptions	4,799,817	9,424,767
Class "B"		
Paid subscribed shares	15,030,570	7,664,170
Unpaid subscriptions	962,651	6,080,151
Total shares subscribed	60,953,960	56,221,160

The ESPP also allows subsequent withdrawal and cancellation of participants' subscriptions under certain terms and conditions. The shares pertaining to withdrawn or cancelled subscriptions shall remain issued shares and shall revert to the pool of shares available under the ESPP.

The table below shows the number and weighted average exercise prices of grants:

	2007		2006		2005	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Class "A"						
Granted during year	4,045,100	P56.14	4,039,850	P53.89	2,420,850	P51.74
Cancelled during year	(876,750)	(55.71)	(89,650)	(52.64)	(144,200)	(47.63)
Class "B"						
Granted during year	3,970,300	63.26	2,368,050	64.99	6,068,300	67.00
Cancelled during year	(1,010,650)	(67.06)	(238,150)	(70.52)	(135,000)	(56.49)

The average market price of the shares granted was P70.40, P65.30 and P62.21 per share in 2007, 2006 and 2005, respectively, for Class "A" common shares and P74.14, P76.84 and P88.83 per share in 2007, 2006 and 2005 respectively, for Class "B" common shares.

The average remaining contractual life of the ESPP was 1.06, 1.28 and 1.02 years as of December 31, 2007, 2006 and 2005, respectively, for Class "A" common shares and 1.06 and 0.82 and 1.19 years as of December 31, 2007, 2006 and 2005, respectively, for Class "B" common shares.

LTIP

The Parent Company also maintains LTIP for executives of the Group. The options are exercisable at the fair market value of the Parent Company shares as of date of grant, with adjustments depending on the average stock prices of the prior three months. A total of 54.25 million shares, inclusive of stock dividends declared, are reserved for the LTIP over its 10-year life. The LTIP is administered by the Executive Compensation Committee of the Parent Company's BOD.

On November 10, 2005, the Parent Company approved the grant of stock options to 1,096 executives consisting of 4.43 million shares based on the closing price of the Parent Company's share, computed in accordance with the provisions of LTIP. Also on March 1, 2007, the Parent Company approved the grant of stock options to 822 executives consisting of 18.27 million shares.

Options to purchase 6.65 million shares and 5.97 million shares in 2007 and 2006, respectively were outstanding at the end of each year. Options which were exercised and cancelled totaled about 2.27 million shares and 1.08 million shares in 2007 and 2006, respectively.

The stock options granted under the LTIP cannot be assigned or transferred by a participant and are subject to a vesting schedule. After one complete year from the date of the grant, 33% of the stock option becomes vested. Another 33% is vested on the second year and the remaining option lot is fully vested on the third year.

Vested stock options may be exercised at any time, up to a maximum of eight years from the date of grant. All unexercised stock options after this period are considered forfeited.

A summary of the status of the outstanding share stock options and the related weighted average exercise price under the LTIP is shown below:

	2007		2006		2005	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Class "A"						
Balance at beginning of year	6,917,048	P59.69	8,313,402	P57.53	6,988,042	P53.24
Granted during year	10,987,673	63.50	-	-	2,660,522	65.00
Exercised during year	(1,743,868)	(58.93)	(854,667)	(54.55)	(938,812)	(53.95)
Expired during year	(104,419)	(62.97)	(541,687)	(34.71)	(396,350)	(40.57)
Balance at end of year	16,056,434	P62.36	6,917,048	P59.69	8,313,402	P57.53
Class "B"						
Balance at beginning of year	3,663,962	P78.39	4,267,317	P75.13	3,666,173	P65.80
Granted during year	7,325,109	75.50	-	-	1,773,694	89.50
Exercised during year	(527,510)	(68.42)	(223,072)	(64.73)	(595,500)	(65.21)
Expired during year	(101,708)	(84.97)	(380,283)	(49.83)	(577,050)	(70.25)
Balance at end of year	10,359,853	P76.79	3,663,962	P78.39	4,267,317	P75.13

The shares covered by the LTIP are offered for subscription to the participants for three years from approval of the LTIP by the SEC.

The fair value of equity-settled share options granted is estimated as at the date of grant using Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted.

The inputs to the model used to measure the fair value of the shares granted in 2007 and 2005 are as follows:

	2007 grant		2005 grant	
	Class "A"	Class "B"	Class "A"	Class "B"
Dividend yield	2.20%	1.85%	2.15%	1.56%
Expected volatility	52%	40%	60%	70%
Historical volatility	52%	40%	60%	70%
Risk-free interest rate	4.48% to 6.47%	4.48% to 6.47%	8.11% to 11.35%	11.35%
Expected life option	1 to 8 years	1 to 8 years	1 to 8 years	1 to 8 years
Weighted average share price	63.50	75.50	P65.00	P89.50

The weighted average fair value of options granted in 2007 and 2005 was P18.91 and P33.10, respectively for Class "A" common shares and P19.37 and P54.43, respectively, for Class "B" common shares.

The range of exercise prices for options outstanding was P54.50 to P65.00 and P34.71 to P65.00 as of December 31, 2007 and 2006, respectively, for Class "A" common shares and P62.50 to P89.50 and P49.83 to P89.50, as of December 31, 2007 and 2006, respectively for Class "B" common shares.

The average remaining contractual life of the LTIP was 1.99, 0.93 and 1.78 years as of December 31, 2007, 2006 and 2005, respectively, for Class “A” common shares and 1.99, 2.63 and 1.95 years as of December 31, 2007, 2006 and 2005, respectively, for Class “B” common shares.

Share-based payment charged to operations amounted to P271, P193 and P181 in 2007, 2006 and 2005, respectively.

35. Financial Risk Management Objectives and Policies

Objectives and Policies

The Group’s principal financial instruments other than derivatives include cash and cash equivalents, investments in shares of stock, short-term and long-term loans. The main purpose of these financial instruments is to raise financing for the Group’s operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions such as commodity and currency options, forwards and swaps. The Group uses derivatives to manage its exposures to foreign currency, interest and commodity price risks arising from the Group’s operations and financing activities.

The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risk - interest rate risk, foreign currency risk and commodity price risk. The BOD has the overall responsibility for the establishment and oversight of the Group’s risk management framework. The Group’s risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities.

The Group’s accounting policies in relation to derivatives are set out in Note 3.

Interest Rate Risk

The Group’s exposure to changes in interest rates relates primarily to the Group’s short-term and long-term debt obligations.

The Group’s policy is to manage its interest cost using a mix of fixed and variable rate debts.

In managing interest rate, the Group aims to reduce the impact of short-term fluctuations on the Group’s earnings. Over the longer term, however, permanent changes in interest rates would have an impact on consolidated earnings.

The sensitivity to reasonably possible 1% increase in the interest rates, with all other variables held constant, would have increased the Group’s profit before tax (through the impact on floating rate borrowings) by P539 as of December 31, 2007. A 1% decrease in the interest rate would have had the equal but opposite effect. There is no impact on the Group’s equity.

As at December 31, 2007 and 2006, the Group's long-term debt, presented by maturity profile, are as follows:

2007	<1 year	1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	>5 years	Total
Fixed rate							
Philippine peso Interest rate	P -	P -	P -	P -	P955 6.50%	P1,270 7.25%	P2,225
Floating rate							
Foreign currency-denominated notes (expressed in Philippine peso)	P1,225	P8,012	P15,165	P15,124	P14,721	P159	54,406
Interest rate	HIBOR, THBFIX, VNIBOR +margin; and discount from PBOC lending rate	THBFIX, VNIBOR +margin; and discount from PBOC lending rate	THBFIX, VNIBOR +margin; and discount from PBOC lending rate	THBFIX, VNIBOR +margin; and discount from PBOC lending rate	THBFIX, VNIBOR +margin; and discount from PBOC lending rate	THBFIX, VNIBOR +margin; and discount from PBOC lending rate	
							P56,631
2006	<1 year	1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	>5 years	Total
Fixed rate							
Philippine peso Interest rate	P1,639 7.75%-11.25%	P1,229 7.75%-11.25%	P3,125 7.75%-11.25%	P -	P -	P -	P5,993
Floating rate							
Foreign currency-denominated notes (expressed in Philippine peso)	P8,393	P23,161	P13,357	P31,850	P8,589	P -	85,350
Interest rate	Libor+margin	Libor+margin	Libor+margin	Libor+margin	Libor+margin		
Philippine peso Interest rate	P1,239	P1,376	P1,789	P964	P -	P -	5,368
Interest rate	Mart1+margin; T-bill+margin; LBP pass on rate+margin	T-bill+ margin%	T-bill+ margin%	T-bill+ margin%; Mart 1+margin			
							P96,711

Foreign Currency Risk

The Group's exposure to foreign currency risk results from its business transactions and financing arrangements denominated in foreign currency. The Group uses a combination of natural hedges and derivative hedges to manage its foreign currency exposure. It uses currency derivatives to reduce earnings volatility related to foreign exchange movements.

Short-term currency forward contracts (deliverable and non-deliverable) are entered into to manage foreign currency risks arising from importations, revenue and expense transactions, and other foreign currency-denominated obligations. Currency swaps are entered into to manage foreign currency risks relating to long-term foreign currency-denominated debts.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents are as follows:

	December 31			
	2007		2006	
	U.S. Dollar	Peso Equivalent	U.S. Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	US\$1,978	P81,649	US\$292	P14,329
Accounts receivable	119	4,930	323	15,851
Noncurrent receivables	20	826	3	146
	2,117	87,405	618	30,326
Liabilities				
Accounts payable and accrued expenses	105	4,315	448	21,964
Loans payable and current maturities of long-term debt	121	5,002	66	3,219
Long-term debt - net of current maturities	1,273	52,550	1,741	85,350
	1,499	61,867	2,255	110,533
Net foreign currency-denominated monetary assets (liabilities)	US\$618	P25,538	(US\$1,637)	(P80,207)

With the translation of these foreign currency-denominated assets and liabilities, the Group reported net foreign exchange gains amounting to P4,683, P2,804 and P1,930 in 2007, 2006 and 2005, respectively. These resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	Peso to US Dollar
December 31, 2005	53.09
December 31, 2006	49.03
December 31, 2007	41.28

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to translation of results and financial position of a foreign operations) as of December 31, 2007.

	P1 decrease in the US dollar exchange rate		P1 increase in the US dollar exchange rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P1,861)	(P117)	P1,861	P117
Trade and other receivables	(50)	(89)	50	89
Derivative assets	175	-	(298)	-
Noncurrent receivables	(100)	(20)	100	20
	(1,836)	(226)	1,713	226
Drafts and loans payable	54	67	(54)	(67)
Accounts payable and accrued expenses	11	94	(11)	(94)
Derivative liabilities	(543)	-	592	-
Long-term debt (including current maturities)	1,200	73	(1,200)	(73)
	722	234	(673)	(234)
	(P1,114)	P8	P1,040	(P8)

Commodity Price Risk

The Group enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market positions is offset by the resulting lower physical raw material cost.

Commodity Swaps, Futures and Options. Commodity swaps, futures and options are used to manage the Group's exposures to volatility in prices of certain commodities such as fuel oil, aluminum, soybean meal, wheat, kraft paper and freight.

Commodity Forwards. The Group enters into forward purchases of various commodities. The prices of the commodity forwards are fixed either through direct agreement with suppliers or by reference to a relevant commodity price index.

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments or that a market for derivatives may not exist in some circumstances.

The Group's objectives to manage its liquidity profile are: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, as of December 31, 2007:

Non-derivative financial liabilities	Carrying Amount	Contractual cash flow	1year or less	> 1 year - 2 years	>2 years - 5 years	Over 5 years
Drafts and loans payable including accrued interest payable	P44,611	P44,642	P44,642	-	-	-
Accounts payable and accrued expenses	19,931	19,931	19,931	-	-	-
Dividends payable	1,494	1,494	1,494	-	-	-
Long-term debt (including current maturities)	56,631	83,326	4,582	11,187	34,121	33,436

Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products are made to customers with appropriate credit history and has internal mechanism to monitor the granting of credit and management of credit exposures. The Group has made provisions, where necessary, for potential losses on credits extended. Where appropriate, the Group obtains collateral or arranges master netting agreements.

With respect to credit risk arising from the other financial assets of the Group, which comprise of cash and cash equivalents and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments, net of the value of collaterals, if any. Financial information on the Group's maximum exposure to credit risk as of December 31, 2007, without considering the effects of collaterals and other risk mitigation techniques is presented below.

	<i>Note</i>	
Cash and cash equivalents	7	P93,281
Trade and other receivables - net	8	61,879
Derivative assets	36	921
Other noncurrent assets		
Available-for-sale investments	10	551
Noncurrent receivables	15	7,437
		P164,069

The Group has no significant concentration of credit risk with any counterparty.

Financial and Other Risks Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling prices of chicken and the related products, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases for which the Group has little control. The mitigating factors are listed below.

The Group is subject to risks affecting the food industry, generally, including risks posed by food spoilage and contamination. Specifically, the fresh meat industry is regulated by environmental, health and food safety organizations and regulatory sanctions. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks. Furthermore, representatives from the government regulatory agencies are present at all times during the processing of dressed chicken in all dressing plants and issue certificates accordingly. The authorities, however, may impose additional regulatory requirements that may require significant capital investment at short notice.

The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.

The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase the Group's production cost. If necessary, the Group enters into forward contracts to secure the supply of raw materials at reasonable price.

Capital Management

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

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group defines capital as paid-in capital stock, additional paid-in capital, retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock and translation are excluded from capital for purposes of capital management.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business, operation and industry.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is equivalent to notes payable, long-term debt and other liabilities. Total equity comprises of equity including capital stock, additional paid-in capital, cumulative translation adjustments and retained earnings.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

36. Financial Assets and Liabilities

The table below presents a comparison by category of carrying amounts and fair values of all of the Group's financial instruments as of December 31, 2007 and 2006:

	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	P93,281	P93,281	P24,280	P24,280
Trade and other receivables - net	61,879	61,879	43,034	43,034
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts in the consolidated balance sheets amounting to P902 and P19, respectively in 2007 and P492 and P26, respectively in 2006.)	921	921	518	518
Available-for-sale investments (included under "Investments and advances" account in the consolidated balance sheets)	551	551	208	208
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account in the consolidated balance sheets)	7,437	7,437	903	903
Financial Liabilities				
Drafts and loans payable	44,231	44,231	42,354	42,354
Accounts payable and accrued expenses	19,419	19,419	39,325	39,325
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts in the consolidated balance sheets amounting to P892 and P3, respectively in 2007 and "Accounts payable and accrued expenses" account amounting to P177 in 2006)	895	895	177	177
Long-term debt (including current maturities)	55,834	56,005	95,915	96,181

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Trade and Other Receivables and Noncurrent Receivables and Deposits. The carrying amount of cash and cash equivalents and receivables approximates fair value primarily due to the relatively short-term maturity of these financial instruments. In the case of long-term receivables, the fair value is based on the present value of expected future cash flows using the applicable discount rates.

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates.

The fair values of commodity derivatives are determined based on prices obtained from the market and counterparties. Fair values are also based on standard valuation models.

Available-for-Sale Investments. The fair values of publicly traded instruments and similar investments are estimated based on the quoted market prices. For all other instruments with no quoted market prices, a reasonable estimate of fair value has been calculated based on the expected cash flows or the underlying net asset base for each investment.

Accounts Payable and Accrued Expenses and Drafts and Loans Payable. The carrying amount of accounts payable and drafts and loans payable approximates fair value due to the relatively short-term maturity of these financial instruments.

Long-term Debt. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable rates for similar types of loans as of balance sheet date. As of December 31, 2007 and 2006, discount rates used are from 4.8% to 6.6% and 6.2% to 7.0%, respectively. The carrying values of floating rate loans with quarterly repricing approximate fair value.

Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments that are categorized into those accounted for as hedges and those that are not designated as hedges are discussed below.

The Group enters into various commodity derivative contracts to manage its exposure on commodity price risk. The portfolio is a mixture of instruments including forwards, swaps and options covering the Group's requirements on fuel oil, aluminum, soybean meal, wheat, coconut oil, kraft paper and freight.

Derivative Instruments Accounted for as Hedges

Cash Flow Hedges

Long-term Interest Rate Swaps

As of December 31, 2006, the Group has outstanding interest rate swaps with an aggregate amount of US\$150. Under the agreement, the Group receives quarterly floating interest rate based on BBSY and pays quarterly fixed interest rate. The Group effectively swaps the principal amount of certain A\$-denominated debts into A\$-denominated debts with principal payments in December 2008 and December 2010. As of December 31, 2006, the net positive fair value amounted to A\$0.9. These were part of discontinued operations disposed as of December 31, 2007.

Currency Options

As of December 31, 2006, the Group has outstanding interest rate collars to manage its interest rate exposure on its foreign currency-denominated obligations. These collars have an aggregate notional amount of US\$691 and a net positive fair value of A\$1.7. These options were part of discontinued operations disposed as of December 31, 2007.

Currency Forwards

The Group enters into forward buy US\$ and Danish Krone (DKK) contracts with aggregate notional amounts of US\$54.5 and DKK28.0, respectively, to hedge existing and anticipated foreign currency-denominated purchases. The Group also enters into forward sell US\$ and New Zealand Dollar (NZ\$) contracts with an aggregate notional amounts of US\$1.2 and NZ\$2.3, respectively, to hedge existing and anticipated foreign currency-denominated sales. These forward contracts matured in various dates in 2007. As of December 31, 2006, the net negative fair value of these freestanding currency

forwards amounted to A\$1.9. These were part of discontinued operations disposed as of December 31, 2007.

Commodity Options

As of December 31, 2006, the Group has outstanding bought and sold options covering its fuel oil requirements with a notional quantity of 11,600 metric tons. The call and put options were exercised at various calculation dates in 2007 with specified quantities on each calculation date. The net unrealized fair value change (after tax) deferred under “Cumulative translation adjustments” account on these call options as of December 31, 2006 amounted to P9.

As of December 31, 2007, the Group has no outstanding options designated as hedge on the purchase of commodity.

Other Derivative Instruments Not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding and embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the 2007 and 2006 consolidated statements of income. Details are as follows:

Freestanding Derivatives

Freestanding derivatives consist of commodity derivatives and currency derivatives entered into by the Group.

Currency Forwards

As of December 31, 2007, the Group has outstanding forward contracts to sell US\$ and buy PhP to hedge existing and anticipated US\$-denominated receivables. The Group also has outstanding forward contracts to sell A\$ and buy US\$ to hedge existing and anticipated A\$-denominated receivables. These forwards have an aggregate notional amount of US\$196 to mature in 2008. As of December 31, 2007, the net positive fair value of these currency forwards amounted to P211.

As of December 31, 2007 and 2006, the Group has outstanding structured forward contracts to buy PhP and sell US\$ to manage its foreign currency exposure on US\$-denominated receivables. These forwards have an aggregate notional amount of US\$63 and US\$2 in 2007 and 2006, respectively. The net positive fair value of these structured forwards amounted to P81 as of December 31, 2007 and P4 as of December 31, 2006.

As of December 31, 2007, the Group has outstanding structured forward contract to buy US\$ and sell A\$ to manage its foreign currency exposure on A\$-denominated receivables. This forward amounted to US\$54 and has a positive fair value of P37 as of December 31, 2007.

As of December 31, 2006, the Group has outstanding forward sell US\$ contracts to hedge existing and anticipated US\$-denominated receivables. These forwards have an aggregate notional amount of US\$3. These forward contracts matured in January 2007. As of December 31, 2006, the net positive fair value of these freestanding currency forwards amounted to P4.

Short-term Currency Swaps

As of December 31, 2007 and 2006, the Group has outstanding short-term currency swap agreements with an aggregate notional amount of US\$560 and US\$16, respectively. The net negative fair value of this currency swap as of December 31, 2007 was P764 and P10 as of December 31, 2006.

Currency Options

As of December 31, 2006, the Group has outstanding sold US\$ call options to manage its foreign currency exposure on US\$-denominated receivables. As of December 31, 2007 and 2006, these options have an aggregate notional amount of US\$79 and US\$1, respectively. As of December 31, 2007, the net positive fair value of these options amounted to P27 while as of December 31, 2006, the net positive fair value of these options is immaterial.

Commodity Swaps

As of December 31, 2007, the Group has outstanding swap agreement, combined with bought and sold options, covering its aluminum requirements, maturing in 2008. Under the agreement, payment is made either by the Group or its counterparty for the difference between the agreed fixed price of aluminum and the price based on the relevant price index. The outstanding equivalent notional quantity covered by the commodity swaps and options as of December 31, 2007 is 4,800 metric tons, which has various maturities up to August 2008. As of December 31, 2007, the negative fair value of these swaps and options amounted to P10.

Commodity Options

As of December 31, 2007 and 2006, the Group has outstanding bought and sold options covering its fuel oil requirements with notional quantities of 28,800 and 17,100 metric tons, respectively. These options can be exercised at various calculation dates in 2009, 2008 and 2007 with specified quantities on each calculation date. The net positive fair value of these options as of December 31, 2007 and 2006 amounted to P34 and P1, respectively.

The Group has outstanding bought and sold options covering its wheat requirements with notional quantities as of December 31, 2007 and 2006 of 76,748 and 32,659 metric tons, respectively. These options can be exercised at various calculation dates in 2008 and 2007 with specified quantities on each calculation date. As of December 31, 2007 and 2006, the net positive fair value of these options amounted to P132 and P5, respectively.

In 2007, the Group entered into digital path dependent options covering its soybean meal requirements with a total notional quantity of 45,723 metric tons. As of December 31, 2006, the outstanding notional quantity was 30,482 metric tons. These options were already exercised in 2007. As of December 31, 2007 and 2006, the net positive fair value of these options amounted to P64 and P58, respectively.

Commodity Forwards

As of December 31, 2006, the Group has outstanding forward contracts to buy and sell coconut oil with an aggregate notional quantity of 9,000 metric tons which mature in 2007. The net positive fair value of these commodity forwards amounted to P0.14 as of December 31, 2006.

As of December 31, 2007, the Group has no outstanding commodity forwards.

Embedded Derivatives

The Group's embedded derivatives include currency and commodity derivatives (forwards and options) embedded in non-financial contracts.

Embedded Currency Forwards

As of December 31, 2007 and 2006, the total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US\$102 and US\$113, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. As of December 31, 2007 and 2006, the net positive fair value of these embedded currency forwards amounted to P443 and P320, respectively.

Embedded Currency Options

As of December 31, 2006, the total outstanding notional amount of currency options embedded in non-financial contracts amounted to US\$2. These non-financial contracts consist mainly of materials purchase and sale agreements. As of December 31, 2006, the negative fair value of these embedded currency options amounted to P2. These contracts matured in 2007.

As of December 31, 2007, the Group has no outstanding embedded currency options.

Embedded Commodity Option

The Group entered into an agreement to purchase certain commodities which contain embedded call or put options. The put options were exercised at various maturity dates in 2007 and 2006, while the call options matured in February and March 2006. As of December 31, 2006, the Group has outstanding notional quantities of 5,000 metric tons. The negative fair value of the outstanding embedded commodity option amounted to P14 as of December 31, 2006.

Fair Value Changes on Derivatives

The net movements in fair value changes of all derivative instruments for the years ended December 31, 2007 and 2006 are as follows:

	2007	2006
Balance at beginning of year	P335	P650
Net changes in fair value of derivatives:		
Designated as accounting hedges	47	71
Not designated as accounting hedges	(1,670)	(312)
	(1,288)	409
Less fair value of settled instruments	(1,314)	74
Balance at end of year	P26	P335

Hedge Effectiveness Results

The effective fair value changes, net of tax, on the Group's cash flow hedges that were deferred in equity as of December 31, 2006 amounted to P5. As of December 31, 2007, the Group has no outstanding derivatives designated as hedge.

37. Prior Period Adjustments

In 2007, MFC aligned its business systems with other subsidiaries of its parent company, SMPFC. In the course of such alignment, certain asset accounts consisting of trade receivables, inventories and biological assets were adjusted to reflect their net realizable values. Other related accounts such as trade payables, deferred tax assets and liabilities were likewise adjusted. These resulted to the reduction of P262 and P316 (net of tax) in the consolidated net income for the years ended December 31, 2006 and 2005, respectively, and reduction of P1,114 and P811 in the consolidated retained earnings balance as of January 1, 2006 and 2005, respectively.

The table below shows the effects on the assets, liabilities, equity, income and expenses as a result of the prior period adjustments:

a. Assets and liabilities as at December 31, 2006

	As Previously Stated	Effect of Prior Period Adjustments	As Restated
Assets			
Current Assets			
Trade and other receivables - net	P43,275	(P241)	P43,034
Inventories - net	42,627	(77)	42,550
Current portion of biological assets - net	3,570	(1,691)	1,879
Noncurrent Asset			
Deferred tax assets	6,653	218	6,871
	P96,125	(P1,791)	P94,334
Liabilities			
Current Liability			
Accounts payable and accrued expenses	P39,321	P181	P39,502
Noncurrent Liability			
Deferred tax liabilities	13,974	(540)	13,434
	P53,295	(P359)	P52,936

b. Equity as at December 31, 2006 and 2005

	As Previously Stated	Effect of Prior Period Adjustments	As Restated
2006			
Retained earnings - Unappropriated			
At January 1, 2006	P70,695	(P1,114)	P69,581
Net income attributable to equity holders of the Parent Company	10,566	(260)	10,306
Appropriations and cash dividends	(3,250)	-	(3,250)
At December 31, 2006	P78,011	(P1,374)	P76,637

Forward

	As Previously Stated	Effect of Prior Period Adjustments	As Restated
Minority Interests			
At January 1, 2006	P14,060	(P47)	P14,013
Net income attributable to minority interests	(396)	(11)	(407)
Reduction in minority interests, dividends and others	7,998	-	7,998
At December 31, 2006	P21,662	(P58)	P21,604

	As Previously Stated	Effect of Prior Period Adjustments	As Restated
2005			
Retained earnings - Unappropriated			
At January 1, 2005	P66,355	(P811)	P65,544
Net income attributable to equity holders of the Parent Company	9,031	(303)	8,728
Appropriations and cash dividends	(4,691)	-	(4,691)
At December 31, 2005	P70,695	(P1,114)	P69,581
Minority Interests			
At January 1, 2005	P17,332	(P34)	P17,298
Net income attributable to minority interests	(58)	(13)	(71)
Reduction in minority interests, dividends and others	(3,214)	-	(3,214)
At December 31, 2005	P14,060	(P47)	P14,013

c. Income and expenses for the years ended December 31, 2006 and 2005

	As Previously Stated	Effect of Discontinued Operations (Note 6)	Effect of Prior Period Adjustments	As Restated
2006				
Revenue	P249,650	(P108,909)	(P143)	P140,598
Cost of sales	(172,834)	68,676	(260)	(104,418)
Income tax expense	(5,092)	990	132	(3,970)
Minority interests	(396)	-	(11)	(407)

	As Previously Stated	Effect of Discontinued Operations (Note 6)	Effect of Prior Period Adjustments	As Restated
2005				
Revenue	P226,737	(P91,364)	(P43)	P135,330
Cost of sales	(161,206)	61,669	(443)	(99,980)
Income tax expense	(2,430)	1,140	170	(1,120)
Minority interests	(58)	-	(13)	(71)

- d. Basic and Diluted EPS for the years ended December 31, 2006 and 2005

2006	As Previously Stated	Effect of Discontinued Operations (Note 6)	Effect of Prior Period Adjustments	As Restated
Basic	P3.36	(P0.74)	(P0.08)	P2.54
Diluted	3.36	(P0.74)	(P0.09)	P2.53

2005	As Previously Stated	Effect of Discontinued Operations (Note 6)	Effect of Prior Period Adjustments	As Restated
Basic	P2.95	(P1.55)	(P0.10)	P1.30
Diluted	2.95	(P1.55)	(P0.10)	P1.30

38. Subsequent Event

On March 29, 2008, SMFI and the Sumilao farmers entered into a Memorandum of Agreement (MOA) in connection with the latter's claim on the property referred to in Note 11. The MOA includes a provision for the turn over of 50 hectares out of total 144 hectares acquired by SMFI, to the Sumilao farmers through a property donation, subject to certain restrictions imposed by SMFI. In consideration for such conveyance, SMFI shall retain ownership and title to the remaining portion of the property for the completion and pursuit of the hog farm expansion. The preparation of the documents for the implementation of the said conveyance is still on going.

39. Other Matters

a. Contingencies

The Group is a party to certain lawsuits or claims (mostly labor related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements.

On April 12, 2004 and May 26, 2004, the Parent Company was assessed by the BIR for deficiency excise tax on one of its beer products. The Parent Company contested the assessments before the Court of Tax Appeals (CTA) under CTA case numbers 7052 and 7053. In the opinion of management and its legal counsel, the Parent Company has strong legal grounds to contest the assessments.

In relation to the aforesaid contested assessments, the Parent Company, on January 31, 2006, filed with the CTA, under CTA case number 7405, a claim for refund of taxes paid in excess of what it believes to be the excise tax rate applicable to it. An independent Certified Public Accountant commissioned by the CTA to conduct examination, verification and audit to validate the documents supporting the claim for refund has recently submitted report stating, among other things, that the claim is properly supported by the relevant documents.

On November 27, 2007, the Parent Company filed with the CTA, under CTA case number 7708, second claim for refund, also in relation to the contested assessments, as it was obliged to continue paying excise taxes in excess of what it believes to be the applicable excise tax rate.

On January 11, 2008, the BIR addressed a letter to the Parent Company, appealing to the Parent Company to settle its alleged tax liabilities subject of CTA case numbers 7052 and 7053 “in order to obviate the necessity of issuing a Warrant of Distrainment and Garnishment and/or Levy”. The Parent Company’s external counsel responded to the aforesaid letter and met with appropriate officials of the BIR and explained to the latter the unfairness of the issuance of a Warrant of Distrainment and Garnishment and/or Levy against the Parent Company, especially in view of the Parent Company’s pending claims for refund. As of May 13, 2008, the BIR has taken no further action on the matter.

b. *Commitments*

The outstanding purchase commitments of the Group as of December 31, 2007 amounted to P48,337.

Amount authorized but not yet disbursed for capital projects as of December 31, 2007 is approximately P23.

c. *Foreign Exchange Rates*

The foreign exchange rates used in translating the U.S. dollar accounts of foreign subsidiaries and associates to Philippine peso were closing rates of P41.28 in 2007 and P49.03 in 2006 for balance sheet accounts; and average rates of P46.18 in 2007, P51.32 in 2006 and P55.07 in 2005 for income and expense accounts.

d. *Amendments to Articles of Incorporation*

On July 24, 2007, the shareholders authorized the Parent Company to invest corporate funds and/or engage in new businesses like power generation or transmission, water, other utilities, mining and infrastructure. Together with the core business of food, beverage and packaging - which will form the bulk of the portfolio - these new businesses aim to provide better aggregate growth margins and a stronger growth platform moving forward. In relation to this, the Parent Company’s Articles of Incorporation was amended to also engage in these new businesses.



Manabat Sanagustin & Co.
Certified Public Accountants
22/F, Philamlife Tower, 8767 Paseo de Roxas
Makati City 1226, Metro Manila, Philippines

Telephone +63 (2) 885 7000
+63 (2) 893 8507
Fax +63 (2) 894 1985
+63 (2) 816 6595
e-Mail manila@kpmg.com.ph

PRC-BOA Registration No. 0003
SEC Accreditation No. 0004-FR-1
BSP Accredited

The Stockholders and the Board of Directors
San Miguel Corporation
No. 40 San Miguel Avenue
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Corporation and Subsidiaries included in this Form 17-A and have issued our report thereon dated May 13, 2008. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the financial statements data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

MANABAT SANAGUSTIN & CO.

JORGE MA. S. SANAGUSTIN

Partner

CPA License No. 0030399

SEC Accreditation No. 0026-AR-1

Tax Identification No. 124-282-616

BIR Accreditation No. 08-001987-7-2007

Issued July 10, 2007; Valid until July 9, 2010

PTR No. 0988757 J

Issued January 7, 2008 at Makati City

May 13, 2008
Makati City, Metro Manila

Manabat Sanagustin & Co.,
certified public accountants,
a professional partnership established
under Philippine law, is a member of the
KPMG network of independent member
firms affiliated with KPMG International, a
Swiss cooperative.

Units 142/144 & 146/148
Ground Floor, Alpha Building
Subic International Hotel Compound
Rizal corner Sta. Rita Roads
Subic Bay Freeport Zone 2222
Philippines

Telephone +63 (47) 252 2825
Fax +63 (47) 252 2826
e-Mail subic@kpmg.com.ph

Unit 503, 5th Floor, Keppel Center
Samar Loop corner
Cardinal Rosales Avenue
Cebu Business Park
Cebu City 6000
Philippines

Telephone +63 (32) 233 9337
+63 (32) 233 9339
Fax +63 (32) 233 9327
e-Mail cebu@kpmg.com.ph

2nd Floor, Uy Building
Sen. B. Aquino Avenue
Mandurriao
Iloilo City 5000
Philippines

Telephone +63 (33) 321 3821
+63 (33) 321 3822
Fax +63 (33) 321 3823
e-Mail iloilo@kpmg.com.ph

Suite 3, Doll Building
6th Street
Bacolod City 6100
Philippines

Telephone +63 (34) 434 9225
Fax +63 (34) 434 8015
e-Mail bacolod@kpmg.com.ph

SAN MIGUEL CORPORATION AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2007

A	- MARKETABLE SECURITIES (CURRENT MARKETABLE EQUITY SECURITIES AND OTHER SHORT-TERM CASH INVESTMENTS)	NOT APPLICABLE
B	- AMOUNT RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES AND PRINCIPAL STOCKHOLDERS (OTHER THAN ASSOCIATES)	NOT APPLICABLE
C	- NONCURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENT IN STOCKS AND OTHER INVESTMENTS	
D	- INDEBTEDNESS OF UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATES	NOT APPLICABLE
E	- PROPERTY, PLANT AND EQUIPMENT	
F	- ACCUMULATED DEPRECIATION	
G	- INTANGIBLE ASSETS AND OTHER ASSETS	
H	- LONG -TERM DEBT	
I	- INDEBTEDNESS TO RELATED PARTIES	NOT APPLICABLE
J	- GUARANTEES OF SECURITIES OF OTHER ISSUERS	NOT APPLICABLE
K	- CAPITAL STOCK	

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C: NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN STOCKS AND OTHER INVESTMENTS
DECEMBER 31, 2007
(Amounts in Millions, Except No. of Shares Data)

Beginning Balance						Ending Balance		
No. of Shares or Principal Amount of Bonds and Notes	Amount	No. of Shares or Principal Amount of Bonds and Notes	Additions/ Disposals/ Valuation/CTA/ Reclassification	Equity in net earnings during the year	Dividends received	No. of Shares or Principal Amount of Bonds and Notes	Amount	Percentage of Ownership
<hr/>								
A. UNCONSOLIDATED SUBSIDIARIES - not applicable								
B. OTHER RELATED PARTIES								
<u>INVESTMENTS IN ASSOCIATES</u>								
Investments in associates - at equity:								
<u>Acquisition Cost</u>								
San Miguel Properties Inc.								
KSA Realty Corp.	354,862 P	30	(354,862) P	(30) P	- P	- P	-	
Northpine Land Inc. (formerly Jardine Land Inc.)	2,320,000	235		(3)	-	-	2,320,000	232 20.00%
San Miguel Pure Foods Company, Inc.								
Philippine Nutrition Technologies Inc.	12,000,000	12		(12)	-	-	12,000,000	-
San Miguel International Ltd.								
National Food Limited - Vita Soy		316		(316)	-	-		-
NutriAsia San Miguel Holdings Ltd.	7,600	3,726	(7,600)	(3,726)	-	-		-
	P	4,319	P	(4,087)	- P	-	P	232

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C: NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN STOCKS AND OTHER INVESTMENTS
DECEMBER 31, 2007
(Amounts in Millions, Except No. of Shares Data)

	Beginning Balance						Ending Balance		
	No. of Shares or Principal Amount of Bonds and Notes	Amount	No. of Shares or Principal Amount of Bonds and Notes	Additions/ Disposals/ Valuation/CTA/ Reclassification	Equity in net earnings during the year	Dividends received	No. of Shares or Principal Amount of Bonds and Notes	Amount	Percentage of Ownership
<u>Accumulated Equity in Earnings</u>									
Purefoods									
Philippine Nutrition Technologies Inc.		P (11)		P 11	P -	P -		P -	
SMPI									
KSA Realty		299		(375)	135	(59)		-	
Northpine Land Inc. (formerly Jardine Land Inc.)		(30)		3	15	-		(12)	20.00%
San Miguel International Ltd.									
National Food Limited - Vita Soy		(16)		(66)	82	-		-	
NutriAsia San Miguel Holdings Ltd.		(7)		(7)	14	-		-	
Total		<u>235</u>		<u>(434)</u>	<u>246</u>	<u>(59)</u>		<u>(12)</u>	
<u>Unrealized Gain</u>		<u>(23)</u>		<u>23</u>	<u>-</u>	<u>-</u>		<u>-</u>	
Total Accumulated Equity in Earnings		<u>212</u>		<u>(411)</u>	<u>246</u>	<u>(59)</u>		<u>(12)</u>	
Total Investments in Associates		<u>P 4,531</u>		<u>P (4,498)</u>	<u>P 246</u>	<u>P (59)</u>		<u>P 220</u>	
<u>ADVANCES</u>		<u>P 1,250</u>		<u>P (1,250)</u>	<u>P -</u>	<u>P -</u>		<u>P -</u>	

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C: NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN STOCKS AND OTHER INVESTMENTS
DECEMBER 31, 2007
(Amounts in Millions, Except No. of Shares Data)

Beginning Balance				Ending Balance					
No. of Shares or Principal Amount of Bonds and Notes	Amount	No. of Shares or Principal Amount of Bonds and Notes	Additions/ Disposals/ Valuation/CTA/ Reclassification	Equity in net earnings during the year	Dividends received	No. of Shares or Principal Amount of Bonds and Notes	Amount	Percentage of Ownership	
8	P	7	(1)	P	-	7	P	7	b
3,334		3	-		-	3,334		3	-do-
3	-	-	-	-	-	3	-	-	-do-
13,400	1	(13,400)	(1)	-	-	-	-	-	-do-
1	-	-	1	-	-	1	1	-	-do-
999,546	5	-	-	-	-	999,546	5	-	-do-
1	-	-	-	-	-	1	-	-	-do-
1	-	-	-	-	-	1	-	-	-do-
2	3	-	-	-	-	2	3	-	-do-
3	1	-	1	-	-	3	2	-	-do-
1	-	-	-	-	-	1	-	-	-do-
2	-	-	-	-	-	2	-	-	-do-
1	-	-	2	-	-	1	2	-	-do-
3	-	-	-	-	-	3	-	-	-do-
8	-	-	1	-	-	8	1	-	-do-
7,909	-	-	-	-	-	7,909	-	-	-do-
2	2	-	-	-	-	2	2	-	-do-
		940,560,000	357	-	-	940,560,000	357	-	-do-
1	-	-	-	-	-	1	-	-	-do-
3	-	-	-	-	-	3	-	-	-do-
1	-	-	-	-	-	1	-	-	-do-
4,458,928	3	-	-	-	-	4,458,928	3	-	-do-
2	-	-	-	-	-	2	-	-	-do-
1	-	-	-	-	-	1	-	-	-do-
11	1	-	1	-	-	11	2	-	-do-
250,000	1	-	-	-	-	250,000	1	-	-do-
100,331	1	-	-	-	-	100,331	1	-	-do-
3	29	-	31	-	-	3	60	-	-do-
2	3	-	6	-	-	2	9	-	-do-
1	2	-	-	-	-	1	2	-	-do-
72,600	1	-	-	-	-	72,600	1	-	-do-
41,660	4	-	-	-	-	41,660	4	-	-do-
2	-	-	-	-	-	2	-	-	-do-
198	-	-	-	-	-	198	-	-	-do-
3	2	-	2	-	-	3	4	-	-do-

(a) if the cost of investment is less than P500,000, the amount column will show zero.

(b) percentage of ownership in negligible

(c) no percentage of ownership as this represents investment in bonds

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C: NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN STOCKS AND OTHER INVESTMENTS
DECEMBER 31, 2007
(Amounts in Millions, Except No. of Shares Data)

	Beginning Balance			Ending Balance					
	No. of Shares or Principal Amount of Bonds and Notes	Amount	No. of Shares or Principal Amount of Bonds and Notes	Additions/ Disposals/ Valuation/CTA/ Reclassification	Equity in net earnings during the year	Dividends received	No. of Shares or Principal Amount of Bonds and Notes	Amount	Percentage of Ownership
Monserrat Trading	1,000	-	-	-	-	-	1,000	-	-do-
Motor Services	52,500	-	-	-	-	-	52,500	-	-do-
Naga Telephone Co.	220	-	-	-	-	-	220	-	-do-
Negros Occidental Golf club	6	P -	-	P -	P -	P -	6	P -	-do-
Norcem Philippines	80,000	1	-	-	-	-	80,000	1	-do-
Orchard Golf & Country Club	5	10	-	-	-	-	5	10	-do-
Pacific Club Corporate	1	1	-	-	-	-	1	1	-do-
Pantranco South Express	340,992	-	-	-	-	-	340,992	-	-do-
People's Press	1,500	-	-	-	-	-	1,500	-	-do-
Phil. Columbian Club	3	-	-	-	-	-	3	-	-do-
Phil. Dealing Sytem Holding Corp.	250,000	25	-	-	-	-	250,000	25	-do-
Phil. International Fair	500	-	-	-	-	-	500	-	-do-
Phil. Long Distance Tel. Co	230,594	2	-	-	-	-	230,594	2	-do-
Phil. Overseas Resources	10,000	-	-	-	-	-	10,000	-	-do-
Pilipino Telephone	600	-	-	-	-	-	600	-	-do-
Professional Services Inc	11,250	5	-	-	-	-	11,250	5	-do-
Puerto Azul Golf Club	3	-	-	-	-	-	3	-	-do-
Quezon City Sports Club	1	-	-	-	-	-	1	-	-do-
Sta Elena Properties	7	5	-	-	-	-	7	5	-do-
Sta Elena Golf Club	1	6	-	(1)	-	-	1	5	-do-
Sta Lucia Realty Golf Club	2	1	-	-	-	-	2	1	-do-
Subic Bay Yacht Club	1	1	-	-	-	-	1	1	-do-
Tagaytay Highland Golf and Country Club	2	2	-	-	-	-	2	2	-do-
Tagaytay Midlands Country Club	1	2	-	-	-	-	1	2	-do-
The Country Club - Canlubang	2	30	-	-	-	-	2	30	-do-
Universal Leisure Club	1	1	-	-	-	-	1	1	-do-
Valle Verde Golf Club	53	5	-	-	-	-	53	5	-do-
Valley Golf Club Inc.	2	3	-	-	-	-	2	3	-do-
Victorias Country Club	1	-	-	-	-	-	1	-	-do-
San Miguel International Ltd.									
Others	-	119	-	(67)	-	-	-	52	100
San Miguel Properties Inc.									
Apo Golf & Country Club	1	1	-	-	-	-	1	1	
Mimosa Golf & Country Club	4	2	-	-	-	-	4	2	
Sta. Elena Golf & Country Club	1	1	-	-	-	-	1	1	
Metro Club	1	-	-	-	-	-	1	-	
Phil. Long Distance Tel Co	12,200	1	-	-	-	-	12,200	1	
Meralco	271,118	1	2,000	7	-	-	273,118	8	
Italia Country Club	89	5	-	-	-	-	89	5	
Tagaytay Midlands Country Club	1	2	-	-	-	-	1	2	

(a) if the cost of investment is less than P500,000, the amount column will show zero.

(b) percentage of ownership in negligible

(c) no percentage of ownership as this represents investment in bonds

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C: NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN STOCKS AND OTHER INVESTMENTS
DECEMBER 31, 2007
(Amounts in Millions, Except No. of Shares Data)

	Beginning Balance										Ending Balance		
	No. of Shares or Principal Amount of Bonds and Notes	Amount									No. of Shares or Principal Amount of Bonds and Notes	Amount	
Pacific Central Properties, Inc.													
Corporate Investment Phils Inc	200,000	-	-	-	-	-	-	-	-	-	200,000	-	-
Herald Publications	410	-	-	-	-	-	-	-	-	-	410	-	-
San Miguel Rengo Packaging Corp													
Phil Long Distance Tel.	5,200	P -	-	P -	-	P -	-	P -	-	-	5,200	P -	-
Evercrest Golf & Country Club	1	-	-	-	-	-	-	-	-	-	1	-	-
Orchard Golf & Country Club	1	1	-	-	-	-	-	-	-	-	1	1	-
Apo Golf & Country Club	1	-	-	-	-	-	-	-	-	-	1	-	-
Anchor Brokerage Corporation													
Phil. Long Distance Tel. Co.	10,400	-	-	-	-	-	-	-	-	-	10,400	-	-
Export & Industry Bank	766,000	-	-	1	-	-	-	-	-	-	766,000	1	-
San Miguel Yamamura Asia													
Manila Southwoods Golf & Country Club	1	-	-	-	-	-	-	-	-	-	1	-	-
Orchard Golf and Country Club	1	-	-	-	-	-	-	-	-	-	1	-	-
Evercrest Golf & Country Club	1	1	-	-	-	-	-	-	-	-	1	1	-
San Miguel Packaging Specialist Inc.													
Canlubang Golf & Country Club	1	1	-	-	-	-	-	-	-	-	1	1	-
Manila Southwoods	1	-	-	-	-	-	-	-	-	-	1	-	-
Orchard Golf & Country Club	1	-	-	-	-	-	-	-	-	-	1	-	-
Puerto Azul	1	1	-	-	-	-	-	-	-	-	1	1	-
Orchard Golf & Country Club	-	-	-	-	-	-	-	-	-	-	-	-	-
Manila Southwoods Golf and Country Club	1	1	-	-	-	-	-	-	-	-	1	1	-
Orchard Golf and Country Club	1	-	-	-	-	-	-	-	-	-	1	-	-
San Miguel Purefoods Company, Inc.													
Club Filipino	1	-	-	-	-	-	-	-	-	-	1	-	-
Club Strata, Inc.	1	-	-	-	-	-	-	-	-	-	1	-	-
Makati Sports Club, Inc.	1	-	-	-	-	-	-	-	-	-	1	-	-
Philippine Long Distance Tel. Co.	1	1	-	-	-	-	-	-	-	-	1	1	-
Valle Verde Country Club	1	-	-	-	-	-	-	-	-	-	1	-	-
Capitol Hills Golf and Country Club, Inc.	1	-	-	-	-	-	-	-	-	-	1	-	-
Alabang Country Club	1	1	-	-	-	-	-	-	-	-	1	1	-
Golf Club Bogor Raya	1	-	-	-	-	-	-	-	-	-	1	-	-
Insta Food	1	1	-	-	-	-	-	-	-	-	1	1	-
Manila Southwoods Golf & Country Club	1	1	-	-	-	-	-	-	-	-	1	1	-
Sta Elena Golf Club	1	1	-	1	-	-	-	-	-	-	1	2	-
Manila Electric Co	1	-	-	2	-	-	-	-	-	-	1	2	-
Tagaytay Highland Golf and Country Club	1	1	-	-	-	-	-	-	-	-	1	1	-

(a) if the cost of investment is less than P500,000, the amount column will show zero.

(b) percentage of ownership in negligible

(c) no percentage of ownership as this represents investment in bonds

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C: NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN STOCKS AND OTHER INVESTMENTS
DECEMBER 31, 2007
(Amounts in Millions, Except No. of Shares Data)

	Beginning Balance								Ending Balance		
	No. of Shares or Principal Amount of Bonds and Notes	Amount							No. of Shares or Principal Amount of Bonds and Notes	Amount	Percentage of Ownership
Club Filipino	1	-	-	-	-	-	-	1	-		
Pittel	11,100	-	-	-	-	-	-	11,100	-		
Royal Tagaytay Country Club	1	-	-	-	-	-	-	1	-		
Orchard Golf and Country Club	1	1	-	(1)	-	-	-	1	-		
Endless Vacation Club Phils. Inc.	2	-	-	-	-	-	-	2	-		
Phil. Assoc. of Hog Raisers	14,388	-	-	-	-	-	-	14,388	-		
Phil. Long Distance Tel. Co.	9,290	-	-	-	-	-	-	9,290	-		
Makati Sports Club	1	-	-	-	-	-	-	1	-		
Casino Espanol	1	-	-	-	-	-	-	1	-		
SMC Fuso Mold											
Philippine Longdistance Tel. Co.	600	P -	-	P -	-	P -	-	600	P -	-	
Riviera Golf Club	1	-	-	-	-	-	-	1	-		
Total Other Investments - at cost		<u>313</u>		<u>343</u>	<u>-</u>	<u>-</u>			<u>656</u>		
<u>Advances</u>											
SMC (Inter-Island Broadcasting)		P 41		P -	P -	P -	-		P 41		
<u>Reserve for Loss</u>											
San Miguel Corporation		(146)		-	-	-	-		(146)		
Total Other Investments - at cost - net		<u>208</u>		<u>343</u>	<u>-</u>	<u>-</u>			<u>551</u>		
 GRAND TOTAL		 <u>P 5,989</u>		 <u>(5,405)</u>	 <u>P 246</u>	 <u>P (59)</u>			 <u>P 771</u>		

(a) if the cost of investment is less than P500,000, the amount column will show zero.

(b) percentage of ownership in negligible

(c) no percentage of ownership as this represents investment in bonds

See Notes 4, 10, 35 and 36 of the Notes to Consolidated Financial Statements

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE E - PROPERTY, PLANT AND EQUIPMENT - COST
DECEMBER 31, 2007
(Amounts in Millions)

Classification	Beginning Balance	Additions	Disposals / Reclass	Transfer to Asset Held For Sale	Currency Translation Differences	Ending Balance
Land and improvements	P 16,488	P 573	P (6,685)	P (86)	P (1,409)	P 8,881
Buildings and improvements	31,211	1,572	(7,918)	(734)	(2,917)	21,214
Machinery and equipment	86,212	7,430	(17,960)	(1,261)	(5,725)	68,696
Transportation equipment	5,093	119	(2,122)	-	(389)	2,701
Tools and small equipment	19,612	314	(15,273)	-	(2,721)	1,932
Office equipment, furniture and fixtures	4,270	218	(1,696)	-	(341)	2,451
Moulds	879	130	(596)	-	(18)	395
Leasehold improvements	800	79	(54)	-	-	825
Construction in Progress	10,563	(1,125)	(1,641)	-	(336)	7,461
	<u>P 175,128</u>	<u>P 9,310</u>	<u>P (53,945)</u>	<u>P (2,081)</u>	<u>P (13,856)</u>	<u>P 114,556</u>

See Notes 4 and 11 of the Notes to Consolidated Financial Statements

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE F - ACCUMULATED DEPRECIATION AND AMORTIZATION OF PPE
DECEMBER 31, 2007
(Amounts in Millions)

Classification	Beginning Balance	Additions	Disposals / Reclass	Transfer to Asset Held For Sale	Currency Translation Differences	Ending Balance
Land and improvements	P 1,661	P 174	P (628)	P (5)	P (128)	P 1,074
Buildings and improvements	6,783	841	(1,723)	(69)	(553)	5,279
Machinery and equipment	46,751	3,448	(12,854)	(435)	(2,933)	33,977
Transportation equipment	4,022	268	(2,051)	-	(351)	1,888
Tools and small equipment	9,867	1,162	(8,119)	-	(1,351)	1,559
Office equipment, furniture and fixtures	3,784	319	(1,834)	-	(264)	2,005
Moulds	712	106	(517)	-	(13)	288
Leasehold improvements	282	45	(18)	-	-	309
	<u>P 73,862</u>	<u>P 6,363</u>	<u>P (27,744)</u>	<u>P (509)</u>	<u>P (5,593)</u>	<u>P 46,379</u>

See Notes 4 and 11 of the Notes to Consolidated Financial Statements

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE - IMPAIRMENT ON PPE
DECEMBER 31, 2007
(Amounts in Millions)

Classification	Beginning Balance	Additions	Disposals/ Reclassifications	Currency Translation Differences	Ending Balance
Land and improvements	P 185	P -	P (157)	P (28)	P -
Buildings and improvements	503	510	(35)	(60)	918
Machinery and equipment	2,710	950	(482)	(294)	2,884
Transportation equipment	-	1	-	-	1
Tools and small equipment	(129)	-	119	21	11
Office equipment, furniture and fixtures	9	-	(2)	(1)	6
Moulds	2	-	-	-	2
Leasehold improvements	-	-	-	-	-
	<u>P 3,280</u>	<u>P 1,461</u>	<u>P (557)</u>	<u>P (362)</u>	<u>P 3,822</u>

See Notes 4 and 11 of the Notes to Consolidated Financial Statements

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE G - INTANGIBLE AND OTHER ASSETS
DECEMBER 31, 2007
(Amounts in Millions)

Part A - INTANGIBLE ASSETS

Description	Beginning Balance	Additions	Disposal / Reclass to other Accounts	Transfer to assets held for sale	Currency Translation Adjustment	Ending Balance
<u>Goodwill</u>	<u>P 72,899</u>	<u>P 30</u>	<u>P (62,061)</u>	<u>P (864)</u>	<u>P (4,656)</u>	<u>P 5,348</u>
<u>Trademarks and Other Intangibles</u>						
Cost:						
Trademarks and brands	P 26,190	P -	P (22,510)	P (667)	P (1,051)	P 1,962
Other Intangibles	2,712	254	(626)	-	(313)	2,027
	28,902	254	(23,136)	(667)	(1,364)	3,989
Accumulated Amortization						
Other Intangibles	787	200	(136)		(64)	787
Net Book Value	<u>P 28,115</u>	<u>P 54</u>	<u>P (23,000)</u>	<u>P (667)</u>	<u>P (1,300)</u>	<u>P 3,202</u>

See Notes 4 and 14 of Notes to Consolidated Financial Statements

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE H - LONG-TERM DEBT
DECEMBER 31, 2007
(Amounts in Millions)

TITLE OF ISSUE	ISSUER	Amount Authorized by Indenture	Current Portion of Debt	Transaction Cost Current	Amount Shown as Current	Long-term Noncurrent Portion Debt	Non Current Transaction Cost	Amount Shown as Long-term	Current and Long-term	INTEREST RATES	Number of Periodic Installments	Interest Payments	Final Maturity
Parent Company													
Unsecured term notes:													
<i>Foreign currency - denominated</i>													
Floating	Mizuho Corporate Bank Ltd.	P 49,536	P -	P -	P -	49,536	P (778)	P 48,758	P 48,758	LIBOR plus agreed margin	Amortized	Monthly	19-Sep-12
		49,536	-	-	-	49,536	(778)	48,758	48,758				
Subsidiaries													
Unsecured term notes:													
<i>Peso denominated</i>													
Fixed	HSBC	955	-	(2)	(2)	955	(5)	950	948	6.50%	Bullet	quarterly	March-12
Fixed	HSBC	1,270	-	(1)	(1)	1,270	(8)	1,262	1,261	7.25%	Bullet	quarterly	March-14
		2,225	-	(3)	(3)	2,225	(13)	2,212	2,209				
<i>Foreign currency - denominated</i>													
<i>Domestic Subsidiary</i>													
Floating	ABN AMRO												
Floating	United Overseas Bank	264	-	-	-	264	(2)	262	262	THBFIX + agreed margin	Amortized	quarterly	February-14
		264	-	-	-	264	(1)	263	263	THBFIX + agreed margin	Amortized	quarterly	February-14
		528	-	-	-	528	(3)	525	525				
<i>International Subsidiaries</i>													
Floating	HSBC	503	503		503			-	503	HIBOR + agreed margin	Amortized	quarterly	February-08
Floating	HSBC	774	155		155	619		619	774	THBFIX + agreed margin	Amortized	Semi-annual	29-Sep-12
Floating	BTM	774	155		155	619		619	774	THBFIX + agreed margin	Amortized	Semi-annual	29-Sep-12
Floating	HSBC	386	77		77	309		309	386	VNIVOR + agreed margin	Amortized	quarterly	August-13
Floating	BTM	388	78		78	310		310	388	VNIVOR + agreed margin	Amortized	quarterly	December-12
Floating	SCB	1,328	190		190	1,138		1,138	1,328	discount from PBOC lending rate	Amortized	quarterly	December-11
Floating	HSBC	189	67		67	122		122	189	HIBOR + agreed margin	Amortized	quarterly	December-12
		4,342	1,225	-	1,225	3,117	-	3,117	4,342				
		4,870	1,225	-	1,225	3,645	(3)	3,642	4,867				
Total Long-term Debt		P 56,631	P 1,225	P (3)	P 1,222	P 55,406	P (794)	P 54,612	P 55,834				

See Notes 19, 35 and 36 of the Notes to Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE K - CAPITAL STOCK
DECEMBER 31, 2007

DESCRIPTION	NUMBER OF SHARES AUTHORIZED	NUMBER OF SHARES ISSUED	TREASURY SHARES	NUMBER OF SHARES OUTSTANDING	NUMBER OF SHARES RESERVED FOR OPTIONS	NUMBER OF SHARES HELD BY: AFFILIATES	DIRECTORS, OFFICERS AND EMPLOYEES
COMMON STOCK "A"	2,700,000,000	1,975,292,245	54,662,760	1,920,629,485	94,249,095	-	11,754,701
COMMON STOCK "B"	1,800,000,000	1,246,527,833	10,812,611	1,235,715,222	40,392,469	-	10,058,800
	<u>4,500,000,000</u>	<u>3,221,820,078</u>	<u>65,475,371</u>	<u>3,156,344,707</u>	<u>134,641,564</u>	<u>-</u>	<u>21,813,501</u>

See Note 21 and 34 of the Consolidated Financial Statements.

SAN MIGUEL CORPORATION (Parent Only)
ACCOUNTS RECEIVABLE - TRADE
AS OF DECEMBER 31, 2007

		TOTAL	CURRENT	1-30 DAYS	31-60 DAYS	OVER 60 DAYS
ACCOUNTS RECEIVABLE-TRADE	P	4,998,229,698.93	1,791,449,067.48	1,848,297,682.43	595,129,027.79	763,353,921.23
ALLOW. FOR DOUBTFUL ACCOUNTS		(279,052,291.09)				
NET	P	4,719,177,407.84				



SAN MIGUEL CORPORATION

ANNEX “F”

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

This discussion summarizes the significant factors affecting the consolidated financial performance, financial position and cash flows of San Miguel Corporation (the Parent Company) and its subsidiaries (collectively referred to as the “Group”) for the three-year period ended December 31, 2007. The following discussion should be read in conjunction with the attached audited consolidated balance sheets of the Group as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in equity and cash flows for each of the three years in the period ended December 31, 2007. All necessary adjustments to present fairly the Group’s consolidated financial position as of December 31, 2007 and the results of operations and cash flows for the year ended December 31, 2007 and for all the other periods presented, have been made.

I. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for the following:

- derivative financial instruments are measured at fair value;
- available-for-sale financial assets are measured at fair value; and
- agricultural produce are measured at fair value less estimated point-of-sale costs.

The consolidated financial statements are presented in Philippine peso, which is the Group’s functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest million, except when otherwise indicated.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with PFRS. PFRS includes statements named PFRS and Philippine Accounting Standards (PAS), including Philippine interpretations issued by the Financial Reporting Standards Council (FRSC).

Significant Accounting Policies

The accounting policies presented in Note 3 of the attached Notes to the Consolidated Financial Statements have been applied consistently to all periods presented except for the following new and amended PAS and Philippine Interpretation from International Financial Reporting Interpretation Committee (IFRIC), which were adopted starting January 1, 2007:

- PFRS 7, *Financial Instruments: Disclosures*, requires disclosures about the significance of financial instruments relative to an entity’s financial position and performance, and quantitative and qualitative disclosures on the nature and extent of risks. Adoption of this Standard resulted in the inclusion of additional disclosures such as aging analysis of receivables, credit risk concentrations, contractual maturity analysis of financial liabilities and market sensitivity analysis.

The Group has made use of the transitional relief available under the FRSC approved Amendment to PFRS 7 with respect to the presentation of comparative information for the new risk disclosures about the nature and extent of risks arising from financial instruments in paragraphs 31-42 of PFRS 7. Accordingly, the Group did not present comparative information for the disclosures required by paragraphs 31-42, unless the disclosure was previously required under PAS 32.

- Amendment to PAS 1, *Presentation of Financial Statements - Capital Disclosures*, requires additional disclosures regarding the entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and if it has not complied, the consequences of such non-compliance. Adoption of this Standard resulted in the inclusion of additional disclosures in the consolidated financial statements, where applicable.
- Philippine Interpretation IFRIC 8, *Scope of PFRS 2 Share-based Payment*, addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified. The interpretation did not have an impact on the consolidated financial statements.
- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*, requires that a reassessment of whether embedded derivative should be separated from the underlying host contract to be made only when there are changes to the contract that significantly modifies the cash flows. The Group assessed that the adoption of this interpretation did not have a significant impact on the consolidated financial statements.
- Philippine Interpretation IFRIC 10, *Interim Financial Reporting and Impairment*, prohibits the reversal of impairment losses on goodwill and available-for-sale investments recognized in interim financial reports even if the impairment is no longer present at the balance sheet date. This interpretation has no impact on the consolidated financial statements.

II. RESULTS OF OPERATIONS

The line by line consolidation of San Miguel Foods Australia Holdings Pty Ltd. (SMFAH) and subsidiaries (including National Foods Limited, King's Creameries (S) Pte. Ltd., Berri Ltd. and Lactos Pty. Ltd.), San Miguel Australia Holdings (SMAH), including J. Boag & Son Limited and Coca-Cola Bottlers Philippines, Inc. and subsidiaries (CCBG) were excluded in the consolidated statements of income and presented under "Income after Income Tax from Discontinued Operations" as a result of completion of the sale of SMFAH and subsidiaries and CCBG in December 2007 and SMAH in January 2008. Accordingly, the comparable 2006 and 2005 consolidated statements of income were restated. In addition, the 2006 and 2005 consolidated financial statements were adjusted to reflect the prior period adjustments in Monterey Foods Corporation.

Comparisons of key operating results for the last three years are summarized in the following tables.

	Years Ended December 31		
	2007	2006 (As restated)	2005 (As restated)
		(In Millions)	
Sales	₱154,880	₱140,598	₱135,330
Gross Profit	38,685	36,180	35,350
Selling and Administrative Expenses	(26,644)	(23,108)	(24,648)
Financing Charges - net	1,548	(1,570)	(5,865)
Other Income (Charges)	(794)	640	512
Income before Income Tax from Continuing Operations	12,795	12,142	5,349
Income after Income Tax from Discontinued Operations	145	1,727	4,428
Net Income Attributable to Equity Holders of the Parent Company	8,630	10,306	8,728

2007 vs. 2006

Consolidated sales revenue grew 10% to ₱154,880 million. Operating income was down 8% to ₱12,041 million over the prior year due to several factors — our having to absorb an 8% increase in excise tax on the liquor business implemented in January, 2007; the cyclical downtrend for glass bottle requirements; significant increases in raw materials and fuel costs that affected the food businesses; and, increase in ad and promo expenses for new products launched during the year.

With the strengthening of Philippine peso and other Asian currencies versus the United States dollar (USD), foreign exchange gain in 2007 reached ₱ 6,587 million, a significant increase from ₱ 2,768 million in 2006. Thus, consolidated net financing charges turned around to an income of ₱1,548 million.

Other income (charges) mainly represents losses on foreign exchange swaps and impairment losses of the Yuen Long plant of SMB Hong Kong and of certain idle assets of San Miguel Packaging Specialists, Inc. (SMPSI), net of the gain on the sale of Del Monte Pacific Ltd.

Profit from continuing operations ended slightly higher at ₱8,206 million.

The gain from discontinued operations amounted to ₱145 million. This includes the income and losses recognized from the sale of CCBG and SMFAH and subsidiaries, and the net consolidated losses of CCBG, SMFAH and SMAH in 2007.

Thus, net income attributable to equity holders of the Parent Company ended at ₱8,630 million, 16% lower than last year.

CONTINUING OPERATIONS

2007 vs. 2006

BEVERAGE

Beer Domestic

Since March 2007, San Miguel Brewery Inc. (SMB) chalked up consecutive months of sustained volume and revenue growth. Volume grew by almost 8% while proforma revenue and operating income posted a parallel growth of 9% at ₱44,139 million and ₱12,273 million, respectively. Volume expansion was driven by SMB's intensified marketing and sales programs which were helped along by a more robust Philippine economy and greater consumer confidence.

SMB undertook various brand activation and marketing initiatives such as the Jet Li campaign and the highly popular Manny Pacquiao-Erik Morales TVCs. Beer also sponsored the 2007 World Pool Championships, and co-sponsored concerts by internationally renowned music acts. Our National Beer Drinking Contest likewise strengthened SMB Pale Pilsen's equity among local drinkers.

The 632-BEER delivery project was also introduced in selected upscale areas to address consumer preference for convenience.

On top of the other sales, marketing, and cost-management initiatives, outlet-based programs aimed at increasing consumer off take, brand-building and penetration will be sustained to further expand coverage, volumes and maintain strong profitability.

Beer International

Beer International operations continued to post improved profitability with revenue of \$229 million, higher by 5% versus 2006 despite lower volumes in several key markets.

Operating loss of US\$4 million ended significantly lower than 2006 as almost all operating units registered growth improvements – a result of sustained programs in improving sales, operational efficiencies and continued vigilance in costs.

The rationalization of the Group's operations in Hong Kong and the former Guangzhou brewery will significantly streamline costs and improve the long-term overall profitability of the business. The decision to restructure operations came as a result of relatively higher production and operating costs in these locations as compared to San Miguel Brewery Hongkong's (SMBHK) other South China brewery, San Miguel Guangdong Brewery (SMGB).

Hong Kong saw further recovery in the economy and implemented a reduction of excise duty tax from 40% to 20% during the year. SMBHK's domestic volume grew 2% over the previous year and gained significant growth rate in the high-priced brands as the consumer preferences have slightly shifted out of economy brands.

In South China, profit significantly improved resulting from the shift to higher growth markets and categories.

SMGB continued to register strong growth in 2007 led by domestic sales and tolled volumes, mainly on the strength of Dragon brand. The continued airing of the "Refreshing to Fly" TVC and presence of effective brand signage in outlets in Shunde and nearby countries have further improved the brand equity of Dragon and reinforced its market leadership. The steady volume growth significantly contributed to the improvement of its operating income over 2006.

SMGB completed Phase 1 of its expansion program last year and has moved to the next stage to support the growing requirements of SMBHK, GSMB, domestic and toll-packed volumes.

Guangzhou San Miguel Brewery (GSMB) achieved profitability gains following the restructuring and streamlining of operations in South China. This was further boosted by the modest growth of San Miguel brands driven by San Mig Light's strong performance through continuous effort to reinforce the brand value.

In North China, overall volumes grew for the 6th consecutive year bannered by Blue Star brands. Volumes increased 7% year-on-year despite flat beer-industry growth and intensified competition in the Hebei province.

Volumes in Indonesia declined slightly resulting from confluence of different factors – a price adjustment in late 2006, an increase in the excise tax and an ongoing inventory and receivable management program.

In Vietnam, volume expansion was accelerated in 2007 propelled by continued growth of W1N Bia and tolled volumes for Hue Brewery. Total volumes improved by 21% in 2007 which resulted to further reduction of operating loss.

In Thailand, volumes more than tripled, buoyed by exports and higher sales of San Mig Light. Expanded coverage and outlet-based initiatives for the brand, particularly in selected areas in Greater Bangkok and Central Thailand, pushed volumes higher.

Export volumes grew 8% due to higher Red Horse sales to the Middle East and bigger shipments of other San Miguel brands to Malaysia, South Korea, United Arab Emirates and Taiwan. Volume growth was likewise propelled by expansion to new markets and development of new products for selected areas.

Liquor and Spirits

Ginebra San Miguel, Inc. (GSMI) posted 8% higher volumes in 2007, lifted by its core brands, that in turn delivered ₱13,111 million, 5% higher revenues versus 2006.

Despite a slowdown in brandy's sales, the strong performance of GSM Blue, which almost doubled from 2006, and the resurgence of Ginebra San Miguel Bilog offset the decline in Gran Matador volumes.

Sustained efforts at reinforcing core brand equity proved effective as sales of flagship gin products responded positively, even without a commensurate price increase. These included the sponsorship of high-profile sporting events.

Lower operating costs were achieved through a bottle retrieval system that brought down costs for packaging materials. The use of imported alcohol and favorable molasses prices also helped keep costs in check.

These initiatives in all paved the way for a steadily improving operating performance. Although operating income of ₱643 million fell short of 2006 levels, performance during the second half has showed significant improvements.

Effective working capital and inventory management system allowed GSMI to further strengthen its balance sheet and reduce dependence on debt – cutting down on interest and other expenses and boosting profitability in the process.

Overseas, the joint venture with the Thai Life Group completed construction of its production facilities in November and is primed for commercial run. This is expected to raise GSMI's profile as a regional total liquor company.

FOOD AND AGRI

The food business under San Miguel Pure Foods further reinforced its operational platform – both in terms of its value-added business proposition and pursuit of an integrated, efficient, and more profitable organization.

Consolidated revenue grew 9% to ₱63,778 million on account of higher volumes and favorable selling prices pushing operating income to ₱2,552 million, 12% higher year-on-year brought in by increased turnover from the businesses and effective cost reduction programs.

The drive towards improving efficiencies and lowering costs through raw material substitution has gathered pace. We have planted over 25,000 hectares of cassava which significantly reduced input costs.

A total of 146 new products across all businesses expanded our line up of high value, great tasting, and superior quality food products. In addition, the increase in retail channels, reaching nearly 900 from over 700 in 2006, provided adequate exposure and shelf-space to ensure availability of the Food Group's portfolio among a wider consumer base.

Agro-Industrial Cluster

Integrated Agro-Industrial Zone. Our agro-industrial business cluster did better than 2006 despite weaker basic meats volumes. New higher-value added and better margin variants were introduced to preserve profitability despite the dip in volumes.

Revenue of ₱42,285 million rose 13%, largely on improved selling prices and higher volumes from poultry and feeds, ushering in an operating income of ₱1,289 million.

Milling. Revenue of ₱6,699 million from the milling business sustained an impressive 12% growth with income from operation amounting to ₱502 million as volumes from new products, four variants of E-Aji Potato Chips launched in October 2007, combined with favorable selling prices for bagged and bulk flour offset rising raw material and freight costs.

Exports of customized flour to Thailand as well as shipments of Pancake Mix to the Middle East and Vietnam and E-Aji Dip Snacks to several markets around the world also added incremental sales.

Branded and Value Added Businesses

Processed Meats. Volumes of the value-added meats business improved with revenue of ₱10,449 million growing 6%. With better margins accruing to these new and existing products like Mom's Kitchen, Purefoods Ham Selections, and Purefoods Flavored Burgers in Cheese, Spicy and Chorizo variants, operating income ended 8% higher at ₱551 million.

Dairy, Oils & Fats. For the dairy, oils & fats segment, Magnolia, Inc. registered volume growth across all categories with revenue registering at ₱5,177 million, up by 8%. However, operating income of ₱57 million fell below last year as increasing cost of major imported raw materials and unfavorable mix of low margin products persisted.

Food Service. Great Food Solutions, our food service unit, added to its roster of institutional clients through sustained product innovation. Revenue of ₱5,512 million was up by 16% and operating income ending at ₱94 million.

Emerging Businesses. From the new businesses, total revenue reached ₱539 million, higher by 36% from previous year, mainly coming from higher coffee volume. Operating loss of ₱34 million significantly improved versus 2006.

In addition, 18 San Miguel Food Shops already in operation continue to provide additional distribution channels for the Food Group's growing portfolio.

Regional Operations

San Miguel Pure Foods Vietnam. San Miguel Pure Foods Vietnam (SMPFVN) continued its advance to a branded food platform generating revenue and income of US\$38 million and US\$1 million, respectively, significantly higher than the previous year. The acquisition of Le Gourmet and the opening of six Monterey Meat Shops in the country provided a vehicle for branded meat products and distribution system.

PT San Miguel Pure Foods Indonesia. PT San Miguel Pure Foods Indonesia however, reported revenue of US\$15 million, up by 14% but ended with an operating loss of US\$1 million as prevailing market conditions favored the cheaper and unbranded products available in the market.

PACKAGING

San Miguel Packaging Group's performance continued to lag as internal demand remained weak, with below break-even levels resulting in a corresponding drop in revenue by 3% at ₱18,778 million. While improvements were noted in the glass, plastics and metal segments, these still fell short to boost the weak performance from other segments with operating income of ₱288 million.

Expanded capacities in glass have already attracted large international customers, bringing in foreign revenues to augment domestic sales. The rehabilitation and upgrades in some of its key facilities have improved efficiencies – making it more equipped to meet the growing and diversifying demand for more sophisticated packaging solutions both here and abroad.

2006 vs. 2005

2006 was an eventful and challenging year for San Miguel. Substantial progress was made in focusing the Company's resources on areas of highest growth potential and best strategic fit, as we refined our portfolio of businesses by announcing plans to divest our soft beverage joint venture with The Coca-Cola Company and acquisitions such as Lactos Pty. Ltd., a specialty cheese maker with strong leadership positions in the Australian market; a minority stake in Del Monte Pacific Ltd. through a joint venture company, and a sale purchase agreement signed with Le Gourmet, an emerging player in Vietnam's processed meats segment, and with the National Foods-Berri integration and consolidation completed, we started a new program of reallocating resources against areas where we have the strongest competitive positions. Much of the efforts focused on integrating functions, streamlining the organization's operating structure and optimizing resources across the businesses to further deepen the Group's commercial capabilities.

With San Miguel now a more diverse conglomerate – in terms both of geography and portfolio – programs zeroed in on harnessing synergies available across the larger San Miguel Group.

Yet even as we enhance operational relationships among the different competencies and drive efficiencies higher, we also delivered on our commitments to shareholders as financial results continue to support a growing San Miguel. Consolidated net sales amounted to ₱140,598 million (as restated) - 4% higher than last year. Consolidated operating income, on the other hand, of ₱13,072 million (as restated) is 22% higher than 2005 level.

BEVERAGE

Beer Domestic

San Miguel Beer Domestic volume fell short of previous year's level as price adjustments on beer products, prompted by the implementation of additional value added tax early last year and increases in fuel and power costs, further dampened demand as consumers, faced with slower income growth, trimmed their spending. Revenue of ₱40,565 million nonetheless matched 2005 levels.

Cost-containment and efficiency-improvement programs kept overall expenses in check – delivering a new record operating income performance of ₱11,212 million – 21% higher than 2005.

Despite lower volumes, San Miguel nevertheless reinforced its domestic market position, hitting a record high in the last two decades--the result of continued enhancements to the SMBD distribution system and marketing programs.

Above-the-line initiatives, like the *Walang Katulad* campaign, combined with annual volume generating events like the *Sarap Mag Babad* summer program, the *Tambayang* SMB rainy season drive, Oktoberfest and Red Horse Muziklaban, among others, set the stage for year-round beer consumption.

Brand-specific bar tours like the Cerveza Negra Jazz Improv Tours, San Miguel Trend Spotting and San Mig Light Inmornings as well as sports sponsorships such as the San Mig Light Enduro Challenge, the San Miguel Asian 9-Ball Tour and the 2006 World Pool Championships further magnified exposure for San Miguel Beer brands.

Beer International

San Miguel Beer Division International embarked on an extensive market and product expansion drive to effectively deliver volumes – resulting in improved sales and profitability. Volumes grew 8% from the previous year with consolidated revenues reaching US\$218 million (as restated). Operating loss amounted to US\$7.5 million (as restated), on account of unfavorable sales mix, volume shortfall in Indonesia and Australia brought about by the price wars, and higher ad and promo spending.

In South China operations, San Miguel Guangdong Brewery (SMGB) posted hefty volume and income growth due to the strong performance of Valor and Dragon brands, complemented by rationalized discounts and reduced production costs particularly for the Valor brand. The launch of Dragon's TVC in Shunde and nearby counties, "Refreshing to Fly", and eye-catching outlet signage in key outlets in Greater Foshan, has further improved the brand's awareness. Meanwhile, the Valor brand was also rolled out in these regions to further expand availability and boost volumes.

Guangzhou San Miguel Brewery (GSMB) has shown strong recovery and progress after the handover of the factory and production assets to Guangzhou Brewery last year. The operations are expected to return to profitability this year following the restructuring of operations.

While GSMB sales volume declined, the strategic intent to push for higher-margin products drove revenue higher. Specifically, San Mig Light registered volume gains driven by integrated distribution and marketing programs – supported by television commercial and outdoor advertising in core markets.

To cater to the volume requirements of GSMB, SMGB embarked on an expansion program aimed at increasing the brewery's production capacity.

North China operations saw volumes rising 16% from the previous year, primarily buoyed by strong sales of Blue Star brands. Three new products along the Blue Star line were launched to expand the volume base, including the introduction of Super Cool and Valor Super Light that are designed to compete in the premium segment.

Volume growth in Hong Kong continued driven by the economy brands, where San Miguel enjoys a strong following. The Wild Day Out campaign, which was extended year round and held in more locations, proved effective in enhancing the image and driving sales of San Miguel Beer brands.

In Indonesia, higher fuel costs and increase in taxes on alcoholic beverages dampened consumer demand. Heavy discounting by major local competitor placed further pressure on volumes of P.T. Delta Djakarta. Nevertheless, sales of Anker Stout grew, slowly grabbing a bigger share in the stout market. The availability of San Mig Light, the first light beer in the market, was likewise expanded.

Meanwhile, strong sales of San Miguel Pale Pilsen and an own version of local favorite biahoi in Vietnam were responsible for driving the brewery's double-digit growth. The strong performance was attributed to rationalized channel sponsorships, improved outlet yield, and enhanced utilization and efficiency of promo merchandises.

In Thailand, revenue rose as the sales and distribution set up in Greater Bangkok and Central Thailand expanded availability and coverage of premium brands, particularly San Mig Light and Pale Pilsen. Strong contributions from tolling and exports likewise provided a significant boost in volumes.

Liquor and Spirits

The hard liquor business under Ginebra San Miguel, Inc. (GSMI) reported a 21% revenue growth to ₱12,435 million largely at the back of strong domestic sales. In particular, the impressive growth in relatively new offerings – Gran Matador Brandy and GSM Blue – and the recovery in the flagship GSM Red pushed consolidated volumes up 17% from the previous year despite the continued slack in exports.

However, a tighter cost environment induced by external and internal pressures – higher cost of molasses and the absorption of the incremental VAT early in the year, respectively – negated these gains and dragged operating income down to ₱733 million.

Despite these, efforts directed at reinforcing core brand equity and increasing product availability continued especially as market competition intensified further in 2006. GSMI embarked on strengthening brand Ginebra's image through tri-media campaigns that created broader awareness and boost consumption.

GSMI likewise worked on cementing its affinity with the Filipino drinker through massive barangay-based, consumer and outlet promotions and support for local celebrations and fiestas. This was complemented by a deliberate move to maintain prices, resulting in substantial volume gains for flagship GSM Bilog as volumes rose 9% year-on-year.

Gran Matador continued to fortify its position in the brandy market – substantially growing volumes from the previous year and become the second largest-selling local brandy in the market.

Buoyed by an effective series of campaigns over the last four years, G.S.M. Blue helped boost total gin volumes for the year, more than doubling its volumes from 2005 levels, at the same time creating a niche in the local gin market.

In terms of distribution, GSMI employed the dual functions of company-owned and third-party resources to tap previously underserved areas nationwide. A strategic collaboration with the logistics set-up of other San Miguel products was likewise initiated to improve product availability in key competitor-controlled areas.

Internally, GSMI re-doubled efforts to contain costs and manage funds to preserve gains in volume. Efficient working capital and inventory management freed up resources, amid tight cash flows, that were utilized for servicing debt, reducing interest payments and improving the company's financial health in general. GSMI also firmed its sights on the greater opportunities present in the regional markets as the joint venture with the Thai Life Group commenced operations by the last quarter of 2007.

FOOD AND AGRI

By realigning operations across the entire Food platform, San Miguel has taken major steps toward achieving a more efficient business model for its Food Group and building a stronger manufacturing base for growth, innovation and continued success.

Through a combination of an expanded product range, broadened distribution, and increased efficiencies, consolidated revenue totaled ₱58,325 million (as restated) – 8% higher than the previous year. Effective expense management and the growing share of branded food products in the portfolio pushed margins higher, enabling operating income to reach ₱2,284 million (as restated), 5% higher than 2005.

Apart from sustaining volume and revenue growth across most of the businesses, San Miguel Pure Foods Co., Inc. has also strengthened its organizational structure to preserve efficiencies in the Group's growing operations.

Domestically, SMPFC completed an internal restructuring and realignment program that optimizes the sharing of resources among the different units and reduces operating costs in general. Moreover, both the Board and its shareholders recently approved a restructuring exercise that consolidates the different food businesses' ownership under SMPFC.

Agro-Industrial Cluster

Integrated Agro-Industrial Zone. The Agro-industrial cluster benefited from stable pricing, improved capacities and wider distribution of products to sustain a robust performance. Increased presence in trade, especially through Monterey Supermarket and Neighborhood Meatshops – which now operates more than 300 outlets nationwide – Magnolia Chicken Stations, and San Miguel Food Shops enabled poultry and basic meat products to reach more consumers, driving a 5% growth in sales revenue as compared to last year, to ₱37,500 million (as restated). Operating income, likewise, posted a remarkable 70% increase, to ₱1,320 million (as restated).

Poultry Operations. In poultry operations, more contract growers embraced the concept of the climate-controlled system – a technological advancement in poultry farming that raises yields – leading to improved revenue of ₱16,891 million, 7% better than previous year. Operating income improved by 27% to ₱887 million.

Basic Meats. Basic meats competed with lower cost meat resulting in sluggish sales. Coupled with adjustment in certain accounts due to alignment of its business system, operating income was restated to ₱6 million, significantly lower than last year.

Feeds Business. In the feeds business, volume generating initiatives that produced contracts in both trade and farm levels and opening of new accounts complemented the strong demand and increased requirements from broiler and layer farms, ushering sales revenue of ₱14,669 million, 5% higher than 2005 level. An effective raw material substitution program, through the use of cassava and other cheaper alternatives, lifted operating income to ₱427 million, 72% better than 2005.

Milling. Increased capacity utilization of new plants to drive innovation allowed the flour business to grow sales revenue by 12% to ₱5,989 million. The launch of E-Aji Dip Snacks likewise provided incremental business to the flour operations as well as the introduction of new high-value added and ready-to-cook flour mixes Magnolia Waffle Mix and Magnolia Pancake Plus and institutional items like cookie and muffin mixes. Exports to Thailand likewise provided an extra push for the entire flour business.

Branded and Value-Added Businesses

Processed Meats. While the processed meat cluster contributed ₱9,870 million in sales revenue and ₱508 million in operating income, the entry of cheaper products, particularly in the hotdogs segment, affected volumes and market position of Purefoods Hormel Corp. (PHC). To compete with lower priced players and recoup market share, the business intensified the offering of longer shelf life and more affordable variants complemented by a rationalized distribution utilizing existing channels like the Monterey Meatshops, San Mig Food Shops and PureFoods Market shops to expand availability. Growing exports are also expected to provide fresh revenue streams.

A total of 39 new products were brought to the market last year to support a growing revenue base. Among these was Mom's Kitchen – a new line of innovative products targeting the growing ready-to-eat market – which easily beefs up PHC's branded portfolio and promotes the company's strategy of serving a wider consumer base – together with Vida Balls, Flavored Tocino, and Tender Juicy Footlong Hotdog.

Dairy, Oils & Fats. Magnolia Inc. recorded ₱4,782 million in revenue, 14% higher from the previous year, with stronger performances posted in all product lines. Volumes were likewise boosted by the distribution arrangement of NFL products, which enjoyed a wide reception among consumers. To further cultivate these gains, investments in cold-chain storages as well as enhanced outlet coverage will be implemented.

Food Service. Great Food Solutions continued to expand its presence among institutional clients through its own branded food service business. With sustained innovation and product customization complemented by an aggressive coverage of the domestic food service industry – particularly an increased support to the quick service restaurants' need for speed and variety – GFS recorded another robust performance, posting sales revenue of ₱4,739 million – 4% higher than 2005. Operating income stood at ₱28 million.

Riding high on the flourishing business process outsourcing business in the country, GFS grew its market by supplying the 24/7 convenience stores with ready-to-eat, home-cooked flavor meals. The company also took advantage of the emergence of food carts and kiosks by providing affordable yet nutritious offerings like cheese and meat fillings for waffle dogs, pizza and rice toppings. GFS likewise expanded its portfolio horizontally by grabbing market shares in the poultry, flour and oils segments.

Emerging Businesses. San Miguel Super Coffeemix Co. Inc. continued with its impressive performance in 2006 posting sales revenue of ₱376 million – 87% better than last year. Just three years into the market, the San Mig Coffee brand has gained considerable share of the instant coffee market. The introduction of Sugar Free variants in the 3-in-1 segment and the launch of San Mig Super Coffee Instant Black Coffee in the mainstream last year are expected to stir additional revenue and market share growth.

Furthermore, the debut of E-Aji Dip Snacks marked San Miguel's entry into the snacks industry. With the first of its kind dip-in-snack feature, sales are forecast to increase substantially this year to become a significant player in the domestic snacks industry. In fact, SM Supermarket cited E-Aji as the "Breakthrough Product of the Year" in 2006.

The introduction of Magnolia Pancake Plus and Magnolia Waffle Mix likewise strengthened the Food Group's position in the branded food category. These ready-to-cook specialty mixes not only boosts prospects for the flour operations but also drives the business higher along the value chain.

Regional Operations

San Miguel Pure Foods Vietnam. San Miguel Pure Foods Vietnam (SMPFV) feeds business continued to flourish although sales from the piggery operations remained muted. To address the situation, SMPFV advanced its move towards higher value added and branded products through the sale purchase agreement forged with Le Gourmet – a processed meats manufacturing outfit in that country with strong presence in modern retail and institutional channels. The transaction completes the desired business model of an integrated food manufacturing, selling and distribution platform. Together with Hormel Foods Company's additional investment, the deals strengthen SMPFV's branding power and commercial leverage in the country.

PT San Miguel Pure Foods Indonesia. The processed meats business in Indonesia continued to endure the prevailing preference for cheaper and unbranded products available in the market – aggravated by persistent price inflation that further eroded consumer incomes. While volumes and revenue were depressed posting a sales revenue of ₱634 million in 2006 as against ₱673 million in 2005, existing operational efficiencies delivered an operating income higher than the previous year.

PACKAGING

San Miguel Packaging Products' sales reeled from weak requirements from internal clients, adversely affecting volumes particularly of the more profitable businesses – glass, metal and plastics. While other operations – paper, composite, PET, and San Miguel Packaging Malaysia – sustained their strong performances, this failed to lift consolidated revenues, which fell 7% to ₱19,400 million. Operating income came in at ₱1,639 million.

SMPP also initiated several measures that will allow them to thrive under intense competition in the international market. Domestically, San Miguel Yamamura Asia Corp. unveiled its second furnace to serve a growing market – making it the largest glass manufacturing plant in the Philippines that also employs pioneering technology. In addition, three new injection machines were commissioned to upgrade its plastics business while printing and bag making capacities were also increased in its Paper and Composite businesses, respectively, to enable SMPP to meet the increasing needs for more sophisticated packaging solutions.

DISCONTINUED OPERATIONS

Coca-Cola Beverage Group

The growing segmentation in the local soft beverage industry, which has favored the non-carbonated sector, took its toll on the Coca-Cola Beverage Group (CCBG). As a result, the non-alcoholic beverage business as a whole failed to take-off in 2006. With consolidated volume of 14% below than last year, CCBG contributed ₱38,618 million in sales revenue, 3% lower than last year. Operating income stood at ₱575 million, 51% lower than 2005 level.

In February 2007, the partners The Coca-Cola Company (TCCC) and San Miguel Corporation completed the sale of the latter's 65% shareholding in Coca-Cola Bottlers Philippines, Inc. (CCBPI). With this sale, TCCC acquired full ownership of CCBPI, which includes subsidiaries Cosmos Bottling Corp. (manufacturer of Cosmos and Pop Cola) and Philippine Beverage Partners, Inc. (producer of water and juice), along with all voting and economic rights for a total consideration of US\$590 million.

Terms of the deal include a non-compete clause in carbonated soft drinks, flavored water, sports and energy drinks in the Philippines for five years. All other beverage formats such as water, juices, tea and coffee are open to San Miguel.

The sale of CCBPI supports San Miguel's more focused business model, emphasizing fully-owned branded positions. While it has relinquished control of CCBPI, San Miguel remains a key packaging supplier to the business.

The transaction also provides San Miguel the opportunity to focus on core business areas in the Philippines and its planned expansion throughout the region. The company is advancing its own regional beverage platform, already producing juice drinks and ready-to-drink tea in existing manufacturing facilities in the Philippines, Thailand and Indonesia.

National Foods Limited

A full year after its consolidation into San Miguel, NFL sustained a strong performance in 2006 that yielded solid financial results. Operating a bigger and highly integrated platform of dairy, milk, juice and specialty cheese businesses, NFL further strengthened its position in the Australian market amid aggressive competition. Consolidated revenues grew 8% from the previous year to reach AU\$1,836 million.

In May 2006, NFL finalized the acquisition of Lactos – a leading specialty cheese manufacturer in the continent – which it later folded into King Island's distribution system. Soon after, NFL successfully consolidated its juice (Berri), cheese (Lactos and King Island), milk, and dairy operations' – beefing up the group's product offering and widening its consumer base. NFL also merged King's Creameries operations – the Singapore and Malaysian based ice cream company 77% owned by San Miguel – to rationalize branding for San Miguel's regional dairy strategy. Operational efficiencies derived from these initiatives allowed NFL's operating income to increase 10% to AUS\$170 million.

While white milk contended with the growing preference for private labels, flavored milk performed strongly in both the grocery and route channels as a result of extensive above-the-line campaigns and the successful launches of new products. In the fresh dairy segment, NFL maintained its market leadership through focus, innovation and sustained marketing support for well known consumer brands.

In the juice industry, NFL reported healthy volume and revenue performances with timely execution of sales and marketing strategies that enabled the business to compete with new entrants. This included increased brand building investment on core brands that has, in fact, solidified NFL's leadership in the chilled juice market.

III. FINANCIAL CONDITIONS

2007 vs. 2006

The Group's consolidated total assets as of December 2007 amounted to ₱288,109 million, ₱ 59,684 million lower than 2006 basically due to the sale of investment in NFL.

Below were the major developments in 2007:

INVESTMENTS AND ACQUISITIONS

- a. Effective January 1, 2007, the Parent Company transferred its share interest in San Miguel Foods Inc. (SMFI), Magnolia Inc. (Magnolia) and Monterey Foods Corporation (Monterey) in exchange for equivalent shares in San Miguel Pure Foods Company, Inc. (SMPFC). The shares of SMFI, Magnolia and Monterey were valued using their respective book values as of September 30, 2006. SMPFC, in exchange, issued 70.9 million shares valued at the latest trading price as of September 30, 2006. This resulted to an increase in the Parent Company's ownership from 99.83% to 99.92%.
- b. In April 2007, the Parent Company, through San Miguel Foods Asia Limited, entered into a Share Purchase Agreement with Well Grounded Limited for the sale of the Company's 42.22% equity and other interest in NutriAsia San Miguel Holdings Limited (NSMH) for US\$150 million. The amount of US\$130 million was received on April 25, 2007 as partial payment for the transaction. The balance of US\$20 million, including interest of 7.2% p.a., is due and payable on April 24, 2009. The Group recognized a gain from the said transaction amounting to US\$46 million (₱2,149 million).
- c. In February 2007, the Parent Company, together with its two wholly-owned subsidiaries, sold its 65% ownership in Coca-Cola Bottlers Philippines, Inc. (CCBPI) to Coca-Cola South Asia Holdings, Inc. for a total consideration of US\$590 million, subject to the result of closing audit.

On August 23, 2007, the closing audit for the sale transaction was completed and the selling price was adjusted to US\$520 million. The gain realized from the sale amounted to ₱824 million, net of ₱376 million net loss of CCBPI (from January 1 to February 22, 2007).

- d. On November 8, 2007, the Parent Company, through San Miguel Foods (L) Pte. Limited has reached an agreement with Kirin Holdings (Australia) Pty Ltd. to sell its Australian dairy and juice business, SMFAH for a purchase price of A\$752 million, (net of external debt and shareholder loans), subject to adjustments at completion of closing audit. The sale includes NFL, Berri Ltd., Lactos Pty Ltd. and King's Creameries (S) Pte. Ltd.

On December 27, 2007, the Parent Company received A\$2,090 million representing payment of purchase price and settlement of shareholder loans.

Based on the results of the closing audit on April 30, 2008, an adjustment in the purchase price of A\$28 million will be received subsequently. The Company recognized a loss on the sale amounting to ₱513 million, net of ₱1,922 million net income in 2007.

- e. On November 8, 2007, the Parent Company, through San Miguel Beverage (L) Pte. Ltd. (SMBPL) has signed a definitive agreement to sell its SMAH shares including its premium Tasmanian brewer, J. Boag & Son Limited to Lion Nathan Australia Pty Limited, an Australian alcoholic beverages company, for a purchase price of A\$325 million, subject to adjustment at closing date.

The closing audit was completed on January 2, 2008 and SMBPL received A\$277 million as payment of purchase price, net of adjustments.

The assets, liabilities and equity of J. Boag were classified as items held for sale in the consolidated balance sheets as of December 31, 2007.

- f. Pursuant to the stockholders' approval obtained in July 24, 2007, the Parent Company transferred its domestic beer business net assets as of June 30, 2007, excluding land, brands and certain payables to its new wholly-owned subsidiary, San Miguel Brewery Inc. (SMBeer) in exchange for additional shares effective October 1, 2007. Equivalent to the net assets transferred, SMBeer issued the Parent Company 15.3 billion shares under a tax-free asset-for-share arrangement as confirmed by the BIR on October 9, 2007.
- g. On January 30, 2008, the Parent Company sold the 35% stake in its domestic packaging businesses to Nihon Yamamura Glass (NYG) for ₱4,317 million. Also, on the same day, San Miguel Holdings Ltd. (SMHL) sold the 35% stake in its regional packaging businesses to NYG for US\$21 million.

On November 29, 2007, the Parent Company and SMHL received ₱626 million and US\$4 million as down payment for their respective interests.

On January 31, 2008, the Parent Company and SMHL received the remaining balance of ₱3,691 million and US\$17 million from NYG.

- h. In October 2007, SMPI and San Miguel Corporation Retirement Plan (SMCRP) entered into a subscription agreement pursuant to which SMPI and SMCRP agreed to subscribe, subject to certain terms and conditions, to the unissued shares of capital stock of Bank of Commerce (BOC), equivalent to 34% stake for ₱2,000 million, with SMPI holding approximately 30% and SMCRP at approximately 4%. As of December 31, 2007, SMPI have paid ₱500 million to BOC.

In 2008, SMPI and SMCRP paid the remaining subscription amounting to ₱1,500 million, of which ₱1,249 million and ₱251 million were paid by SMPI and SMCRP, respectively. Stock certificates were issued on April 21, 2008.

Detailed discussion of developments relating to the Company's investments in shares of stock of subsidiaries is presented in Note 10 of the attached Notes to the Consolidated Financial Statements.

OTHER RECEIVABLES

The Parent Company has outstanding advances to SMCRP amounting to ₱35,721 million, (presented under "Trade and other receivables" in the consolidated balance sheets) subject to interest rate of 6.5% p.a. SMCRP used the proceeds of the advances mainly for the purchase of the Parent Company's common shares.

A more detailed discussion of this transaction is presented in Note 8 of the attached Notes to the Consolidated Financial Statements.

BORROWINGS

To have the needed flexibility in its financial ratio covenants, San Miguel Corporation refinanced a portion of its short-term loans and the remaining balance of its US\$ and Peso-denominated long-term loan with a new unsecured US\$1.2 billion term loan facility in September 2007.

PRIOR PERIOD ADJUSTMENTS

In 2007, MFC aligned its business systems with other subsidiaries of its parent company, SMPFC. In the course of such alignment, certain asset accounts consisting of trade receivables, inventories and biological assets were adjusted to reflect their net realizable values. Other related accounts such as trade payables, deferred tax assets and liabilities were likewise adjusted. These resulted to the reduction of ₱262 million and ₱316 million (net of tax) in the consolidated net income for the years ended December 31, 2006 and 2005, respectively, and reduction of ₱1,114 million and ₱811 million in the consolidated retained earnings balance as of January 1, 2006 and 2005, respectively.

The details of the effects of these adjustments on the consolidated assets, liabilities and equity as of December 31, 2006 and consolidated income and expenses for the years ended December 31, 2006 and 2005 are presented in Note 37 of the attached Notes to the Consolidated Financial Statements.

2006 vs. 2005

The Group's consolidated total assets as of December 31, 2006 amounted to ₱347,793 million (as restated), ₱10,565 million higher than December 2005. The increase was brought about by the increase in cash and cash equivalents, additional investments in property, plant and equipment and additional goodwill as a result of the acquisition made in 2006.

Below are the major developments in 2006:

INVESTMENTS AND ACQUISITIONS

- a. On April 27, 2006, the SEC approved the ₱1,200 million increase in capital of SMYAC. The Parent Company and its Japanese partner, Nihon Yamamura Glass Company, Limited invested ₱720 million and ₱480 million, respectively. The additional capital was used for the expansion of its glass plant in Imus, Cavite to keep up with the expected rise in demand of its glass exports.
- b. On May 11, 2006, the King's Island Company Ltd., a wholly-owned subsidiary of NFL, acquired 100% stake in Lactos Pty Ltd. from French company Bongrain International SAS for a consideration of AU\$129 million. Lactos is Australia's leading specialty cheese maker.
- c. On May 3, 2006, the SEC approved the merger of Primepak, Rightpak, SMYBC and SMPSI effective June 1, 2006, with SMPSI as the surviving entity. The tax-free merger was confirmed by the Bureau of Internal Revenue. Consequently, in accordance with the terms of the plan of merger, all the assets and liabilities of Primepak, Rightpak and SMYBC as at December 31, 2005 were absorbed, at book values, by SMPSI. There was no issuance of shares by SMPSI pursuant to the tax-free merger since Primepak, Rightpak and SMYBC were wholly-owned subsidiaries of SMPSI at the time of the merger.
- d. In October 2006, SMPFVN entered into a Sale and Purchase Agreement (the "SPA") with Le Gourmet Company Limited ("Le Gourmet"), for the purchase of certain tangible assets, trademarks, processes and information, as well as the take over of the land use rights of Le Gourmet for the purchase price of US\$2.1 million. These assets were used by Le Gourmet in relation to the processing and sale of its meat products in Vietnam. The completion of the transaction was subject to the terms and conditions specified in the SPA, including the relevant governmental approvals of the transaction in Vietnam. The transaction has been completed on December 12, 2007.
- e. In November 2006, Magnolia and Star Dari, Inc. (SDI) executed a Deed of Assignment pursuant to which SDI assigned in favor of Magnolia, certain machinery and equipment with an appraised value of ₱19.8 million as of November 27, 2006. In exchange, Magnolia agreed to issue 11.1 million shares of its stock valued at net book value as of May 31, 2006. SDI then declared the said Magnolia shares as property dividend to the Parent Company.
- f. In December 2006, SMFBIL sold to Hormel Netherlands B.V. 17,395,000 shares in SMPFI, amounting to 49% of the total outstanding and issued shares of SMPFI, for US\$20.5 million. As a result of the transaction, SMFBIL now holds 18,105,000 shares in SMPFI, representing 51% of the total outstanding and issued shares of SMPFI. SMPFI owns 100% of SMPFVN, the hogs and feeds business undertaking in Vietnam.
- g. On December 23, 2006, the Parent Company together with its two wholly owned subsidiaries, San Miguel Beverages (L) PTE Limited (SMBPL) and San Miguel Holdings Limited (SMHL), (collectively referred to as the "Sellers") entered into an SPA with Coca-Cola South Asia Holdings, Inc. (the "Purchaser") for the sale of their combined 65% equity in CCBPI for a total consideration of US\$590 million. The agreement provides that the closing of the sale transaction shall be subject to the completion of all the pre-closing conditions stipulated in the SPA. The closing date shall take place 3 business days after the

satisfaction of all the pre-closing conditions or such other date that may be mutually agreed in writing by all Parties, provided that the closing date shall not be later than March 31, 2007 without the mutual written agreement of all Parties.

BORROWING

In September 2006, the Parent Company refinanced the remaining balance of the US\$300 million unsecured term loan facility amounting to US\$257 million with a US\$250million unsecured term loan facility with a margin on interest from 1.55% to 0.65% over LIBOR. The loan was drawn on October 3, 2006.

IV. MATERIAL CHANGES PER LINE OF ACCOUNT

2007 vs. 2006

Cash and cash equivalents increased by ₱69,001 million mainly due to proceeds from sale of SMFAH, its Australian dairy and juice business.

Trade and other receivables increased by 44% due to the following: (a) increase in non-trade receivable mainly due to advances to the SMC Retirement Plan; (b) remaining balance of the proceeds from the sale of CCBG; (c) net of decrease in trade receivables due to the deconsolidation of CCBG and SMFAH balances and (d) reclassification of SMAH balances to assets held for sale..

Inventories decreased by ₱ 18,698 million from ₱ 42,550 million in 2006 due to the deconsolidation of CCBG and SMFAH, lower finished goods inventory of packaging group and lower alcohol inventories and packaging materials of GSMI.

Current biological assets increased by 24% to ₱2,324 million due to the increase in volume of livestock (poultry and hogs) and higher feed costs.

Prepaid expenses and other current assets increased by 8% to ₱5,677 million in 2007 due to increase in derivative assets and prepaid insurance, net of decrease due to the deconsolidation of CCBG and SMFAH balances and reclassification of J. Boag's prepaid expenses to assets held for sale.

Assets held for sale pertains to the total assets of J. Boag amounting to ₱5,324 million and carrying value of investment in shares of stock of KSA amounting to ₱468 million.

Investments and advances decreased by ₱5,218 million from ₱5,989 million in 2006 mainly due to the sale of the equity holdings and other interest in Del Monte Pacific, Ltd., and reclassification of investment in shares of stock of KSA to assets held for sale.

Property, plant and equipment decreased by ₱33,631 million from ₱97,986 million in 2006 as a result of the (a) deconsolidation of CCBG and SMFAH balances; (b) reclassification of ₱1,572 million J. Boag's properties to assets held for sale; (c) impairment of SMB Hong Kong's plant and equipment; and (d) reclassification of certain idle assets of SMPST.

Investment properties decreased by 6% mainly due to the lower value of properties in SMBIL as a result of changes in foreign exchange rates and amortizations for the year.

Noncurrent biological assets increased by 5% to ₱1,319 million in 2007 mainly due to the effect of changes in foreign exchange rate to the revaluation of San Miguel Pure Foods (VN) Co. Ltd.'s assets.

Goodwill decreased by 93% from ₱72,899 million in 2006 to ₱5,348 million in 2007 mainly due to deconsolidation of CCBPI and SMFAH balances and reclassification of SMAH balance to Assets held for sale.

Other intangible assets decreased by 89% mainly due to deconsolidation of the balances of CCBG and SMFAH amounting to ₱22,597 million and reclassification of J. Boag's intangible assets to assets held for sale.

Deferred tax assets decreased by 28% from ₱6,871 million in 2006 due to deconsolidation of CCBG and SMFAH balances net of Parent Company's deferred tax on its net operating loss carry over (NOLCO) for the year.

Other noncurrent assets decreased by 14% from ₱15,952 million in 2006 to ₱13,688 million in 2007 mainly due to deconsolidation of CCBG and SMFAH balances, net of the noncurrent receivables for the sale of CCBPI and NSMH shares.

Accounts payable and accrued expenses decreased by ₱19,191 million in 2007 due to deconsolidation of CCBG and SMFAH balances, net of increase in derivative liabilities.

Income and other taxes payable increased by ₱312 million to ₱3,327 million in 2007 mainly due to higher VAT and income tax payable of SMPFC.

Dividends payable increased by ₱1,176 million due to cash dividend declaration in the fourth quarter.

Liabilities directly associated with noncurrent assets classified as held for sale pertains to the total liabilities of J. Boag.

Long-term debt decreased by ₱40,081 million from ₱95,915 million in 2006 mainly due to deconsolidation of CCBG and SMFAH balances net of availments of the Parent Company, SMY Asia, SMFBIL, SMB Hong Kong and GSKI and the effect of the lower US dollar exchange rate.

Deferred tax liabilities decreased by 5% from ₱13,434 million in 2006 to ₱12,721 million in 2007 due to deconsolidation of CCBG and SMFAH balances.

Other noncurrent liabilities decreased by ₱1,701 million to ₱456 million in 2007 mainly due to deconsolidation of SMFAH balances.

Minority interests decreased by 48% mainly due to the deconsolidation of CCBG.

The decrease in stockholders' equity in 2007 is due to:

<i>(In millions)</i>	2007
Net income for the year	₱8,351
Issuance of capital stock	761
Effect of translation adjustments	257
Amount recognized directly in equity relating to asset held for sale	37
Minority interest associated with discontinued operations	(8,824)
Cash dividends	(4,528)
Reduction in minority interests	(1,058)
	<u>(₱5,004)</u>

2006 vs. 2005

Cash and cash equivalents increased by 16% from ₱20,876 million in 2005 to ₱24,280 million in 2006 mainly due to cash generated from operating and financing activities.

Prepaid expenses and other current assets increased by 6% from ₱4,953 million in 2005 to ₱5,234 million in 2006 due to increase in SMPFC's creditable input and withholding taxes, tax prepayments made by San Miguel Thailand Company Limited and increase in San Miguel Foods Australia Holdings Pty Ltd derivative assets, net of decrease in San Miguel Yamamura Asia Corporation derivative assets.

Investments and advances decreased by 18% from ₱7,305 million in 2005 to ₱5,989 million in 2006 due to the maturity of ROP treasury bonds and translation adjustments of foreign investment accounts.

Goodwill increased by 5% from ₱69,615 million in 2005 to ₱72,899 million in 2006 due to acquisition of Lactos and recognition of additional goodwill for Berri, net of cumulative translation adjustment.

Investment properties increased by 5% from ₱1,661 million in 2005 to ₱1,744 million in 2006 mainly due to additional properties booked by the Parent Company.

Noncurrent biological assets increased by 9% from ₱1,154 in 2005 to ₱1,260 in 2006 due to Monterey Foods Corporation's production for the year, net of sales.

Deferred tax assets increased by 4% from ₱6,610 million (as restated) in 2005 to ₱6,871 million (as restated) in 2006 mainly due to tax effect on the increase in unamortized past service cost and provisions of the non-alcoholic beverage group.

Drafts and loans payable increased by 29% from ₱32,879 million in 2005 to ₱42,354 million in 2006 due to additional loans for working capital requirements of the Company.

Income and other taxes payable increased by 22% from ₱2,472 million in 2005 to ₱3,016 million in 2006 mainly due to higher income tax due in 2006 particularly for the Parent Company.

Dividends payable decreased by 77% from ₱1,389 million in 2005 to ₱318 million in 2006 mainly due to the deferment of the cash dividends declaration by the Parent Company in the fourth quarter.

The decrease in redeemable preferred shares was due to the reclassification of the preferred shares to equity (minority interest) as a result of the amendment of CCBPI's articles of incorporation for the convertibility feature of CCBPI's Class A and B preferred shares.

Long Term Debt decreased by 6% from ₱101,912 million in 2005 to ₱95,915 million in 2006 mainly due to the effect of currency translation adjustments and net payments during the year.

Other noncurrent liabilities increased by 122% from ₱971 million in 2005 to ₱2,157 million in 2006 mainly due to increase in NFL's capital lease obligation.

The increase in stockholders' equity in 2006 is due to:

<i>(In millions)</i>	2006
Net income for the year	₱9,899
Reclassification of redeemable preferred shares to equity	6,917
Net addition in minority interests	1,234
Issuance of capital stock	600
Effect of translation adjustments	(1,042)
Cash dividends	(3,454)
	<u>₱ 14,154</u>

SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	December 31		
	2007	2006	2005
		<i>(In Millions)</i>	
Net cash flows from operating activities	₱30,303	₱17,289	₱3,425
Net cash flows provided by (used in)			
investing activities	39,535	(16,679)	(93,911)
Net cash flows provided by financing activities	1,472	3,537	84,856

Net cash from operations basically consists of income for the period and changes in noncash current assets, certain current liabilities and others.

Net cash used in investing activities included the following:

	December 31		
	2007	2006	2005
		<i>(In Millions)</i>	
Acquisitions of subsidiaries, net of cash acquired	P-	(P4,981)	(P87,912)
Proceeds from sale of discontinued operations, net of cash disposed of	90,684	-	-
Additions to property, plant and equipment	(9,310)	(12,593)	(11,901)
Additions to investments and advances	-	(3)	(5,566)
Advances to related parties	(35,721)	-	-
(Increase) decrease in other noncurrent assets and others	(6,118)	898	11,468

Major components of cash flow provided by financing activities are as follows:

	December 31		
	2007	2006	2005
		<i>(In Millions)</i>	
Proceeds from short-term borrowings	P345,789	P232,386	P221,404
Payments of short-term borrowings	(337,512)	(222,865)	(213,576)
Reissuance of treasury shares	-	-	17,799
Proceeds from long-term borrowings	84,398	17,354	71,741
Payments of long-term borrowings	(88,342)	(19,892)	(8,498)
Cash dividends paid	(3,228)	(4,369)	(4,267)
Others	367	923	253

The effect of exchange rate changes on cash and cash equivalents amounted to (P1,016 million), (P743 million) and (P494 million) in December 31, 2007, 2006 and 2005 respectively.

V. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The following items are not available for declaration as dividends:

	December 31	
	2007	2006
	<i>(In Millions)</i>	
Accumulated equity in net earnings of subsidiaries and associates (included in the unappropriated retained earnings balance)	P44,208	P40,299
Treasury stock	(4,053)	(4,053)

VI. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Company uses. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year. Please refer to Item II “Results of Operations” of the MD & A for the discussion of the computed certain Key Performance Indicators.

	December 31	
	2007	2006
Liquidity:		
Current Ratio	2.60	1.22
Solvency:		
Debt to Equity Ratio	0.97	1.30
Profitability:		
Return on Average Stockholders’ Equity Attributable to Equity Holders of the Company	6.53%	8.17%
Operating Efficiency:		
Volume Growth	5%	1%
Revenue Growth	10%	4%

The manner by which the Company calculates the above indicators is as follows:

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Non-current)}}{\text{Minority Interest + Stockholders' Equity}}$
Return on Average Stockholders’ Equity	$\frac{\text{Net Income Attributable to Equity Holders of the Company}}{\text{Average Stockholders' Equity Attributable to Equity Holders of the Company}}$
Volume Growth	$\left(\frac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior period Net Sales}} \right) - 1$
Revenue Growth	$\left(\frac{\text{Current period Net Sales}}{\text{Prior Period Net Sales}} \right) - 1$

VII. OTHER MATTERS

a. Subsequent Event

On March 29, 2008, SMFI and the Sumilao farmers entered into a Memorandum of Agreement (MOA) in connection with the latter’s claim on the property referred to in Note 11. The MOA includes a provision for the turn over of 50 hectares out of total 144 hectares acquired by SMFI, to the Sumilao farmers through a property donation, subject to certain restrictions imposed by SMFI. In consideration for such conveyance, SMFI shall retain ownership and title to the remaining portion of the property for the completion and pursuit of the hog farm expansion. The preparation of the documents for the implementation of the said conveyance is still on going.

b. Contingencies

The Group is a party to certain lawsuits or claims (mostly labor related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements.

On April 12, 2004 and May 26, 2004, the Parent Company was assessed by the BIR for deficiency excise tax on one of its beer products. The Parent Company contested the assessments before the Court of Tax Appeals (CTA) under CTA case numbers 7052 and 7053. In the opinion of management and its legal counsel, the Parent Company has strong legal grounds to contest the assessments.

In relation to the aforesaid contested assessments, the Parent Company, on January 31, 2006, filed with the CTA, under CTA case number 7405, a claim for refund of taxes paid in excess of what it believes to be the excise tax rate applicable to it. An independent Certified Public Accountant commissioned by the CTA to conduct examination, verification and audit to validate the documents supporting the claim for refund has recently submitted report stating, among other things, that the claim is properly supported by the relevant documents.

On November 27, 2007, the Parent Company filed with the CTA, under CTA case number 7708, second claim for refund, also in relation to the contested assessments, as it was obliged to continue paying excise taxes in excess of what it believes to be the applicable excise tax rate.

On January 11, 2008, the BIR addressed a letter to the Parent Company, appealing the Parent Company to settle its alleged tax liabilities subject of CTA case numbers 7052 and 7053 “in order to obviate the necessity of issuing a Warrant of Distract and Garnishment and/or Levy”. The Parent Company’s external counsel responded to the aforesaid letter and met with appropriate officials of the BIR and explained to the latter the unfairness of the issuance of a Warrant of Distract and Garnishment and/or Levy against the Parent Company, especially in view of the Parent Company’s pending claims for refund. As of May 13, 2008, the BIR has taken no further action on the matter.

c. Commitments

The outstanding purchase commitments of the Group as of December 31, 2007 amounted to ₱48,337 million.

Amount authorized but not yet disbursed for capital projects as of December 31, 2007 is approximately ₱23 million.

d. Amendments to Articles of Incorporation

On July 24, 2007, the shareholders authorized the Parent Company to invest corporate funds and/or engage in new businesses like power generation or transmission, water, other utilities, mining and infrastructure. Together with the core business of food, beverage and packaging - which will form the bulk of the portfolio - these new businesses aim to provide better aggregate growth margins and a stronger growth platform moving forward. In relation to this, the Parent Company's Articles of Incorporation was amended to also engage in these new businesses.

On July 24, 2007, the stockholders of the Parent Company approved the increase in SMC's authorized capital stock from P22,500 to P37,500, which will be made up of 3,600 million common Class "A" shares, 2,400 million Class "B" shares and 1,500 million preferred shares, all with a par value of P5 per share.

- e. The foreign exchange rates used in translating the U.S. dollar accounts of foreign subsidiaries and associates to Philippine peso were closing rates of ₱41.28 in 2007 and ₱49.03 in 2006 for balance sheet accounts; and average rates of ₱46.18 in 2007, ₱51.32 in 2006 and ₱55.07 in 2005 for income and expense accounts.
- f. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Conditions and Results of Operations.
- g. There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.
- h. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.
- i. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.
- j. There were no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual balance sheet date, except for Note 20 (c) of the 2007 Audited Consolidated Financial Statements and Note A of Section VII above, that remain outstanding as of December 31, 2007. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.
- k. There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Company as of and for the period December 31, 2007.

- l. The effects of seasonality or cyclicalality on the interim operations of the Company's businesses are not material.

ANNEX "G"

San Miguel Corporation (17-C) 2007

Date Reported	Item No.	Meeting/Date	Subject
December 28, 2007	9		Completion of sale of National Foods Limited to Kirin Holdings Company, Limited, further to disclosure dated November 8, 2007.
December 6, 2007	9	Regular Meeting held on December 6, 2007.	Declaration of cash dividends of P0.35 per share payable on January 21, 2008 to all stockholders of record as of December 21, 2007. The stock and transfer books of the Corporation will be closed from December 22, 2007 to December 30, 2007, as per Board Meeting approval held on December 6, 2007.
November 21, 2007			The Company's Board of Directors authorized the Company, through San Miguel Energy Corporation ("SMEnergy Corp."), to participate in the bidding for the privatization of the PNOC-EDC shares. SMEnergy Corp., together with Beleggingsmaatschappij Broem, B. V., organized and established Panasia Energy Holdings, Inc., a joint venture company which shall participate in the bidding.
November 8, 2007	9	Press Release	San Miguel nine-month net income up 15%
November 8, 2007	9	Press Release	San Miguel Sells National Foods
November 8, 2007	9	Press Release	San Miguel Sells J. Boag & Son to Australian Brewer.
August 9, 2007	9	Press Release	San Miguel sustains robust pace in 1 st half 2007.
July 24, 2007		Organizational Meeting held on July 24, 2007	<p>Elected Board Committee members:</p> <p><u>Executive Committee</u></p> <p>Eduardo M. Cojuangco - Chairman Ramon S. Ang Estelito P. Mendoza Leo S. Alvez Menardo R. Jimenez Iñigo Zobel Kazuhiro Tsukahara</p> <p><u>Audit Committee</u></p> <p>Corazon S. de la Paz - Chairman Estelito P. Mendoza Winston F. Garcia</p>

			<p>Henry Sy, Jr. Pacifico M. Fajardo Kazuhiro Tsukahara</p> <p><u>Executive Compensation</u></p> <p>Menardo R. Jimenez – Chairman Corazon S. de la Paz Estelito P. Mendoza Iñigo Zobel Egmidio de Silva Jose Kazuhiro Tsukahara</p> <p><u>Nominations Committee</u></p> <p>Estelito P. Mendoza – Chairman Ramon S. Ang Iñigo Zobel Leo S. Alvez Henry Sy, Jr. David S. Santos – Ex Oficio Member</p>
July 24, 2007	9	Organizational Meeting held on July 24, 2007	<p><u>Elected Board of Directors:</u></p> <p>Eduardo M. Cojuangco, Jr. Ramon S. Ang Estelito P. Mendoza Iñigo Zobel Winston F. Garcia Corazon S. de la Paz Menardo Jimenez Leo S. Alvez Pacifico M. Fajardo Egmidio de Silva Jose Henry Sy, Jr. Tsukahara Kazuhiro Munehika Yokomizo Koichi Matsuzawa Silvestre H. Bello III</p> <p><u>Elected By-Laws Officers:</u></p> <p>Eduardo M. Cojuangco, Jr.- Chairman & CEO Ramon S. Ang – Vice Chairman, President and COO Ferdinand K. Constantino- Senior Vice President & CFO-Treasurer Francis H. Jardeleza – Senior Vice President-General Counsel & Corporate Secretary Lorenzo G. Timbol – Asst. Corporate Secretary Rosabel Socorro T. Balan – Asst. Corporate Secretary</p>

July 24, 2007	9	Board Meeting held on July 24, 2007	Cash Dividend declaration of P0.35 per share payable on September 10, 2007 to all stockholders of record as of August 17, 2007. The stock and transfer books of the Corporation will be closed from August 18, 2007 to August 24, 2007.
July 24, 2007	9	Annual Stockholders' Meeting held on July 24, 2007	<p>Approval of the following:</p> <ol style="list-style-type: none"> 1. Increase in the Company's authorized capital stock from P22.5 billion, divided into 2.7 billion common class A shares and 1.8 billion common class B shares all with par value of P5.00 to P37.5 billion, divided into 3.6 billion common Class A shares, 2.4 billion common class B shares, and 1.5 billion preferred shares, all with the par value of P5.00; 2. Amendment of Article VII of the amended articles of incorporation of the company to (a) increase the authorized capital stock of the company, (b) provide for the issuance of 1.5 billion preferred shares and authorize the board of directors to determine its rights, preference, and (c) include a provision denying the pre-emptive rights of shareholders to the issuance of common shares issued by the company upon conversion of the preferred shares into common shares; 3. Investment of Corporate Funds and/or engagement in other businesses: <ol style="list-style-type: none"> a) power generation/ transmission b) water c) other utilities d) mining e) infrastructure 4. Transfer all of the company's domestic beer assets, excluding land and brands to a wholly-owned subsidiary ("Domestic Beer Subsidiary") in exchange for shares of the Domestic Beer Subsidiary ("Spin-off") for the eventual listing and public offering of such shares.
July 9, 2007	9		San Miguel Corporation and Kirin Brewery Company, Ltd. are in preliminary discussions on a possible investment by Kirin in National Foods Ltd.