GINEBRA SAN MIGUEL SINCE 1834

April 13, 2012

Philippine Stock Exchange, Inc.
Disclosure Department
3rd Floor, Philippine Stock Exchange Center
Ayala Triangle, Ayala Avenue
Makati City

Attention: Ms. Janet A. Encarnacion
HEAD – Disclosure Department

Gentlemen:

In compliance with Section 4.1 of the Revised Disclosure Rules of the Exchange, please be informed that we filed with the Securities and Exchange Commission (SEC), the Definitive Information Statement (SEC Form 20-IS) of Ginebra San Miguel Inc. which will be distributed to its Stockholders not later than fifteen (15) trading days prior to the Annual Stockholders' Meeting of the Company to be held on May 10, 2012. A copy of the SEC Form 20-IS, as filed with the SEC, is transmitted herewith.

Very truly yours,

CONCHITA P. JAMORA
Assistant Corporate Secretary

COVER SHEET

1	4	2	3	1	2						

S. E. C. Registration Number

	G	I	N	E	B	R	A												
	S	A	N		M	I	G	U	E	L									
	I	N	C	.															

(Company's Full Name)

3rd	&	6th		F	l	o	o	r		S	a	n		M	i	g	u	e	l
P	r	o	p	e	r	t	i	e	s		C	e	n	t	r	e			
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M	a	n	d	a	l	u	y	o	n	g		C	i	t	y				

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

Conchita P. Jamora
Contact Person

(632) 689-9100
Company Telephone Number

Reply with Definitive Information Statement

1	2

Month

3	1

Day

20-IS
FORM TYPE

Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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GINEBRA SAN MIGUEL INC.

**NOTICE OF REGULAR MEETING
OF STOCKHOLDERS
May 10, 2012**

The Regular Meeting of the Stockholders of Ginebra San Miguel Inc. will be held on **Thursday, May 10, 2012, 2:00 P.M.** at the **Executive Dining Room, 2nd Floor, San Miguel Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City**.

The Agenda of the Meeting is as follows:

1. Certification of Notice and Quorum
2. Approval of the Minutes of the Regular Stockholders' Meeting held on May 12, 2011
3. Presentation of the Annual Report
4. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
5. Appointment of External Auditors
6. Election of the Board of Directors
7. Other Matters
8. Adjournment

Minutes of the last Regular Stockholders' Meeting and resolutions of the Board of Directors since the date of the 2011 Regular Stockholders' Meeting will be available for examination during office hours at the Office of the Corporate Secretary.

The deadline for submission of proxies is on April 23, 2012. For corporations, the proxy must be accompanied by a Secretary's Certificate setting out the authority of the corporate officer representing the corporation. Proxies need not be notarized. Validation of proxies is on May 3, 2012 at 10:00 A.M. at the SMC Stock Transfer Service Corporation Office, Second Floor, SMC Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City. For your convenience in registering your attendance, please present some form of identification, such as passport, driver's license, or company I.D.. Registration will start at 12:30 P.M. and the registration booths will be closed at 2:00 P.M.

Virgilio S. Jacinto
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   ________ Preliminary Information Sheet
   ___√___ Definitive Information Sheet

2. Name of Registrant as specified in its Charter:

   GINEBRA SAN MIGUEL INC.

3. Province, country and other jurisdiction of incorporation or organization:

   Metro Manila, Philippines

4. SEC Identification Number: **142312**

5. BIR Tax Identification Code: **000-083-856-000**

6. Address of principal office: Postal Code:

   3rd and 6th Floors, San Miguel Properties Centre, St. Francis Street, Mandaluyong City **1550**

7. Registrant's telephone number, including area code: **(632) 689-9100**

8. Date, time and place of the meeting of stockholders:

Date:	**May 10, 2012, Thursday**
Time:	**2:00 P.M.**
Place:	**Executive Dining Room, 2nd Floor San Miguel Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City**

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

April 17, 2012

10. Securities registered pursuant to Sections 8 and 12 of the SRC:

Title of Each Class	Authorized	Outstanding
(As of February 29, 2012)		
Common	460,000,000	290,075,941
Preferred	100,000,000	32,786,885
	560,000,000	322,862,826

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

_√_ Yes ______ No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Philippine Stock Exchange - Common Shares

INFORMATION STATEMENT

GENERAL INFORMATION

Date, Time and Place of Annual Meeting

Date: **May 10, 2012, Thursday**
Time: **2:00 P.M.**
Place: **Executive Dining Room, 2nd Floor**
San Miguel Head Office Complex,
No. 40 San Miguel Avenue, Mandaluyong City

Mailing address of the principal office of the Registrant: 3rd and 6th Floors, San Miguel Properties Centre, St. Francis Street, Mandaluyong City.

The information statement is to be first sent to security holders approximately on **April 17, 2012.**

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

Dissenters' Right of Appraisal

Under Title X of the Corporation Code, stockholders dissenting from and voting against the following corporate actions may demand payment of the fair value of their shares as of the day prior to the date on which the vote was taken for such corporate action: amendment to the corporation's articles and by-laws which has the effect of changing and restricting the rights of any shareholder or class of shares; or authorizing preferences in any respect superior to those of outstanding shares of any class; sale, lease, mortgage or other disposition of all or substantially all of the corporation's assets; merger or consolidation; investment of corporate funds in another corporation or business or for any purpose other than its primary purpose; and extension or shortening of term of corporate existence. The stockholders' right of appraisal may be exercised for a period within thirty (30) days from the date on which the vote on the corporate action was taken.

There are no corporate matters or actions at the 2012 Regular Stockholders' Meeting that will entitle dissenting stockholders to exercise their right of appraisal as provided in Title X of the Corporation Code.

Interest of Certain Persons in Matters to be Acted Upon

No director, nominee for election as director, associate of the nominee or executive officer of the Company at any time since the beginning of the last fiscal year has had any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.

None of the incumbent directors has informed the Company in writing of an intention to oppose any action to be taken by the Company at the meeting.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

Number of shares outstanding as of March 31, 2012:

Common Shares:	290,075,941
Preferred Shares:	32,786,885
Total shares issued and outstanding:	322,862,826

All stockholders as of April 11, 2012 are entitled to vote at the Regular Stockholders' Meeting.

Every stockholder entitled to vote shall be entitled to one (1) vote for each share of stock in his name in the books of the Company. However, in electing members to the Board of Directors, every stockholder is entitled to accumulate his votes in accordance with the provisions of law.[1]

Security Ownership of Certain Record and Beneficial Owners

Owners of record of more than 5% of the Company's voting securities as of March 31, 2012 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
Common Preferred[3]	San Miguel Corporation[2] No. 40 San Miguel Avenue,	San Miguel Corporation	Filipino	216,972,000 32,786,885	77.36%

[1] *In accordance with Section 24 of the Corporation Code of the Philippines ("Code"), a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected.*

[2] *The Board of Directors of San Miguel Corporation ("SMC") authorizes any Group A signatory, singly, or any two Group B signatories, jointly, to act and vote in person or by proxy, shares held by SMC in other corporations. The Group A signatories of SMC are Eduardo M. Cojuangco, Jr., Ramon S. Ang, Ferdinand K. Constantino, Virgilio S. Jacinto, Ma. Belen C. Buensuceso, Joseph N. Pineda, Sergio G. Edeza, and Aurora T. Calderon. The Group B signatories of SMC are David S. Santos, Bella O. Navarra, Cecile Caroline U. de Ocampo, Manuel M. Agustin, Virgilio S. de Guzman and Lorenzo G. Formoso III.*

[3] *The Preferred Shareholders shall be entitled to vote in the same manner as Common Shareholders in accordance with the provisions of the Code.*

	Mandaluyong City, parent of the issuer				
Common	PCD Nominee Corporation (Non-Filipino) 37th Floor, Tower One, Enterprise Center Ayala Ave. corner Paseo de Roxas Ave., Makati City[4]	various[5]	Non-Filipino	18,167,244	5.63%
Common	PCD Nominee Corporation (Filipino) 37th Floor, Tower One, Enterprise Center Ayala Ave. corner Paseo de Roxas Ave., Makati City[4]	various[6]	Filipino	19,401,465	6.00%

The following are the number of shares of the Company's capital stock (all of which are voting shares) owned of record by the Chairman and Chief Executive Officer, key officers and directors of the Company as of March 31, 2012:

(1) Title of Class	(2) Name of Record Owner	(3) Amount and Nature of Ownership	(4) Citizenship	(5) Percent of Class
Common	Eduardo M. Cojuangco, Jr.	5,000 (D)[7]	Filipino	0.00%
Common	Ramon S. Ang	5,000 (D)	Filipino	0.00%
Common	Gabriel L. Claudio	5,000 (D)	Filipino	0.00%
Common	Bernard D. Marquez	30,000 (D)	Filipino	0.00%
Common	Leo S. Alvez	5,000 (D)	Filipino	0.00%
Common	Minita V. Chico Nazario	5,000 (D)	Filipino	0.00%
Common	Roberto V. Ongpin	5,000 (D)	Filipino	0.00%

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[4] Registered owner of shares held by participants in the Philippine Depository & Trust Corp., a private company organized to implement an automated book entry of handling securities in the Philippines.
[5] 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.
[6] 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.
[7] (D) –Direct

The aggregate number of shares owned of record by the Chairman and Chief Executive Officer, key officers and directors of the Company as a group as of March 31, 2012 is 70,001 shares or approximately 0.0139% of the Company's outstanding capital stock.

The aggregate number of shares owned of record by all officers and directors as a group as of March 31, 2012 is 631,501 shares or approximately 0.1956% of the Company's outstanding capital stock.

The foregoing beneficial or record owners have no right to acquire additional shares within thirty (30) days from options, warrants, conversion privileges or similar obligations or otherwise.

DIRECTORS AND EXECUTIVE OFFICERS

Directors, Including Independent Directors and Nominees, and Executive Officers

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

Eduardo M. Cojuangco, Jr., Filipino, 76, is the Chairman and Chief Executive Officer of the Company, a position he has held since October 21, 1998. He is also the Chairman of the Company's Executive Committee. He also holds the following positions: Chairman and Chief Executive Officer of San Miguel Corporation; and Chairman of San Miguel Pure Foods Company, Inc.. He is also the Chairman of ECJ and Sons Agricultural Enterprises, Inc. and the Eduardo Cojuangco, Jr. Foundation, Inc.; and Director of Caiñaman Farms, Inc. and Petron Corporation. He is a former Director of Manila Electric Company (February 2009-May 2009).

Ramon S. Ang, Filipino, 58, Vice Chairman of the Company has been a Director of the Company since April 4, 2000 and a Member of the Company's Executive Committee. He is also the Vice Chairman, President and Chief Operating Officer of San Miguel Corporation. His other current positions, include among others, the following: Chairman and Chief Executive Officer of Petron Corporation, Petron Marketing Corporation and SMC Global Power Holdings Corp.; Vice Chairman of Manila Electric Company, San Miguel Pure Foods Company, Inc., and San Miguel Yamamura Haiphong Glass Co. Limited (Vietnam); Chairman and President of San Miguel Properties, Inc., San Miguel Consolidated Power Corporation, Rapid Thoroughfares Inc., and Bell Telecommunications Company, Inc.; Chairman of San Miguel Brewery Inc., San Miguel Brewery Hongkong Limited, Distileria Bago, Inc., San Miguel Foods, Inc., The Pure Foods Hormel Company, Inc., San Miguel Yamamura Packaging Corporation, South Luzon Tollway Corporation, Liberty Telecoms Holdings, Inc., and Philippine Diamond Hotel & Resort Inc.. He is also an Independent Director of Philweb Corporation. Mr. Ang is the former President of San Miguel Brewery Inc. (2007-April 2009) and has held directorships in various subsidiaries of SMC in the last five years.

Leo S. Alvez, Filipino, 69, has been a Director of the Company since April 24, 2002. He is also the Chairman of the Company's Nomination and Hearing Committee and a Member of the Company's Audit Committee and Executive Compensation Committee. He is also a Director of San Miguel Corporation and a former Director of San Miguel Pure Foods Company, Inc. (April 25, 2002 – November 4, 2009).

Roberto V. Ongpin, Filipino, 75, has been a Director of the Company since August 9, 2010 and a Member of the Company's Nomination and Hearing Committee. He is currently the Chairman of Philweb Corporation, ISM Communications Corporation, Alphaland Corporation, Atok-Big Wedge Co., Inc., Philippine Bank of Communications, and Acentic GmbH (Germany). He is also a director of San Miguel Corporation and Petron Corporation. He is also a non-executive director of Shangri-la Asia Limited (Hongkong) and Forum Energy plc (London). Mr. Ongpin is also the Deputy Chairman of South China Morning Post (Hong Kong).

Gabriel S. Claudio, Filipino, 57, has been a Director of the Company since November 11, 2010 and a Member of the Company's Nomination and Hearing Committee. Currently, he is Vice Chairman and Member of the Board of Directors of the Conflict Resolution (CoRe) Group Foundation; member of the Board of Trustees of TOBY's Sports and Youth Foundation; member of the Council of Advisers of LAKAS-KAMPI CMD; and member of Risks and Opportunities Assessment and Management. He was a Director of Philippine Charity Sweepstakes Office (2007- 2008), Development Bank of the Philippines (2009-2010) and Chairman, Board of Trustees of the Metropolitan Waterworks & Sewerage System. Mr. Claudio has held various positions in the government such as Presidential Political Adviser (2008-2009), Cabinet Officer for Regional Development (2001- 2009) and Acting Executive Secretary (2009).

Gerardo C. Payumo, Filipino, 54, has been a director of the Company since August 9, 2006. He was the former President of the Company (August 2006-May 2011) and was a former Senior Vice President and Director of the Corporate Procurement Unit of San Miguel Corporation (1998-2006).

Bernard D. Marquez, Filipino, 43, is the President of the Company since May 12, 2011 and is a member of the Company's Executive Committee and Nomination and Hearing Committee. He is currently a director of Thai San Miguel Liquor Co., Ltd. (TSML). He previously held the following positions: General Manager of TSML since (January 2010-April 2011); Business Manager of the non-alcoholic beverage business of the Company (July-December 2009); Assistant Vice President and Business Manager of San Miguel Beverages, Inc. (March 2007-June 2009) and Assistant Vice President and Business Planning and Development Manager of Coca-Cola Bottlers Philippines, Inc. (August 2004-February 2007).

Minita V. Chico-Nazario,[9] Filipino, 72, is an Independent Director of the Company since March 9, 2012. She is currently a Director of Banco San Juan (Rural Bank) and Legal Consultant of Union Bank of the Philippines. She is also the incumbent Dean of the College of Law of the University of Perpetual Help in Las Piñas City. She has previously held the following positions: Legal Consultant of Philippine Amusement and Gaming Corporation (January 2010-June 2010) and Metro Manila Development Authority (March 2010-June 2010); and Chairman of the Board of Directors (June 2010-August 2010) and Director (September 2010-September 2011) of PNOC Exploration Corporation. She has served the judiciary in various capacities for forty-seven years, as Presiding Justice of the Sandiganbayan (February 2003-February 2004) and Associate Justice of the Supreme Court (February 10, 2004-December 5, 2009). She is a graduate of the University of the Philippines and a member of the New York State Bar.

Angelina S. Gutierrez,[10] *Filipino*, 74, is currently the Dean of the Graduate School of Law of Pamantasan ng Lunsod ng Maynila. She has served the judiciary in various capacities, as Judge

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[9] *Retired Justice Chico-Nazario was elected as Independent Director of the Company vice Mr. Carmelo Santiago who resigned on March 7, 2012.*

[10] *Retired Justice Gutierrez is nominated for election to the Board of Directors on May 12, 2012.*

of the Metropolitan Trial Court of Manila, Branch 19, Judge of the Regional Trial Court of Manila, Branch 37, Justice of the Court of Appeals and Associate Justice of the Supreme Court (December 2000-February 2008). She is a graduate of the University of Sto. Tomas and has attended legal and judicial courses abroad: Harvard Law School, University of Texas, University of Nevada and University of Southern California.

Ferdinand K. Constantino,[11] Filipino, 60 is the Chairman of the Company's Executive Compensation Committee and a Member of the Company's Audit Committee. He holds, among others, the following positions: Senior Vice President, Chief Finance Officer and Treasurer of San Miguel Corporation; Director of San Miguel Corporation, San Miguel Brewery Inc., San Miguel Yamamura Packaging Corporation, Magnolia, Inc., San Miguel Global Power Corp., and President of Anchor Insurance Brokerage Corporation. Mr. Constantino previously served as Chief Finance Officer of San Miguel Brewery Inc. (2007-2009), Chief Finance Officer of Manila Electric Company (February 2009- May 2009), and has held directorships in various subsidiaries of San Miguel Corporation during the last five years.

Virgilio S. Jacinto, Filipino, 55, is the Company's Corporate Secretary and Compliance Officer since November 11, 2010. He also holds, among others, the following positions: Senior Vice-President, General Counsel, Corporate Secretary and Compliance Officer of San Miguel Corporation (SMC); Director of San Miguel Brewery Inc., Petron Corporation, FILSOV Shipping Company, Inc., Venture Securities, Inc.. He is likewise a Director/Corporate Secretary of other subsidiaries/affiliates of SMC. He is also the Corporate Secretary of the following companies: Ecofarm Systems and Resources, Inc., J&E Development Corporation, Jewelmer International Corporation, Terramar Aqua Resources, Inc. and Venture Securities, Inc.. He is also an Associate Professor at the College of Law of the University of the Philippines.

Cynthia M. Baroy, Filipino, 48, is Assistant Vice President and Chief Finance Officer of the Company. She previously held the following positions: Financial Planning & Analysis Manager of San Miguel Yamamura Packaging Corporation; Finance Manager of Metal Closures & Lithography Business; and, Finance Manager of San Miguel Rengo Packaging Corporation.

Cesar B. Gimena, Filipino, 50, is Vice President and Business Procurement Group Manager of the Company. He previously held the Group Procurement Manager and Beverage Group Account Manager of Corporate Services Unit of San Miguel Corporation. He was also an Executive Assistant and Sugar Unit Head of Coca-Cola Bottlers Philippines, Inc..

Nelson S. Elises, Filipino, 53, is Vice President and Marketing Manager of the Company. Mr. Elises' work experience includes: Assistant Vice President and National Sales Manager and Area Sales Manager of the Company; Sales and Sales Services Manager of Philippine Beverage Partners, Inc. and General Manager for Sugarland Corporation.

Valentino G. Vega, Filipino, 54, is Vice President and National Sales Manager of the Company. Prior to his assignment at the Company, he was the Area Sales Manager for North Luzon Sales Operations – San Miguel Beer Division of San Miguel Corporation.

Lucia C. Unsay, Filipino, 60, is Vice President and Technical Services Group Manager of the Company. Ms. Unsay was previously an Assistant Vice President and Liquor, Juices and Water Group Manager in the Corporate Services Unit of San Miguel Corporation and Assistant Vice President and Manager of Corporate Technical Services of La Tondeña Distillers, Inc..

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[11] *Mr. Constantino is nominated for election to the Board of Directors on May 12, 2012.*

Term of Office

Pursuant to the Company's Amended By-Laws, the directors are elected at each regular meeting of the stockholders by the stockholders entitled to vote. Unless he/she resigns, dies or is removed, each director holds office until the next annual election and until his successor is duly elected.

The nominees for election to the Board of Directors on May 10, 2012 are as follows:

1. Eduardo M. Cojuangco, Jr.
2. Ramon S. Ang
3. Leo S. Alvez
4. Gabriel S. Claudio
5. Bernard D. Marquez
6. Roberto V. Ongpin
7. Ferdinand K. Constantino
8. Minita V. Chico-Nazario
9. Angelina S. Gutierrez

Independent Directors

With the resignation of Mr. Carlos Palanca effective March 31, 2012, the remaining independent director of the Company is Retired Justice Minita V. Chico-Nazario. The position left vacant by Mr. Palanca will be filled-up during the 2012 Regular Stockholders' Meeting of the Company.

The nominees for election as independent directors of the Board of Directors on May 10, 2012 are as follows:

Nominee for Independent Director (a)	Person/Group recommending nomination (b)	Relation of (a) and (b)
Minita V. Chico-Nazario	Ramon S. Ang	None
Angelina S. Gutierrez	Ramon S. Ang	None

In approving the nominations for independent directors, the Nomination and Hearing Committee took into consideration the guidelines on the nomination of independent directors prescribed in the Securities Regulation Code (SRC) Rule 38.

Under Section 3, Article II of the Company's Amended By-Laws, (i) any stockholder having at least five thousand (5,000) shares registered in his/her name may be elected Director, and (ii) a person engaged in any business which competes with or is antagonistic to that of the Company as defined in Section 3, Article II of the Company's Amended By-Laws, is not qualified or eligible for nomination or election to the Board of Directors.

All the nominees for election to the Board of Directors have satisfied the foregoing requirements under the Company's Amended By-Laws. The incumbent directors have certified that they possess all the qualifications and none of the disqualifications provided for in the SRC.

The Certification of Retired Justice Minita V. Chico-Nazario, incumbent director of the Company is attached hereto as **Annex "A"**.

All nominations for the election of directors by the stockholders shall be submitted in writing to the Board of Directors through the Corporate Secretary on or before January 20 or at such earlier or later date that the Board of Directors may fix.

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 directors, executive officers, or nominees for election as directors.

Certain Relationships and Related Transactions

There were no transactions with directors, officers or any principal stockholders (owning at least 10% of the total outstanding shares of the Company) not in the ordinary course of business.

Parent Company

As of March 31, 2012, the Company is 77.36% owned by San Miguel Corporation.

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 the following legal proceedings, including being the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a 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 (4) 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.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

The following table summarizes the aggregate compensation paid or accrued during the last two (2) fiscal years and estimated to be paid in the ensuing fiscal year to the Company's President and senior executive officers:

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
Total Compensation of the President and Senior Officers (the most highly compensated officers of the Company)[13]	2012 (estimated) 2011 2010	P25.4 Million P 21.6 Million P 25.3 Million	P9.3 Million P 13.4 Million P 11.8 Million	P7.2 Million P6.5 Million P4.9 Million	P41.9 Million P 41.5 Million P 42.0 Million
All other officers and directors as a group unnamed	2012 (estimated) 2011 2010	P42.4 Million P41.1 Million P 36.8 Million	P15.5 Million P24.1 Million P 16.0 Million	P14.1 Million P14.8 Million P 12.7 Million	P72.0 Million P80.0 Million P 65.5 Million
TOTAL	2012 (estimated) 2011 2010	P67.8 Million P62.7 Million P 62.1 Million	P24.8 Million P37.5 Million P 27.8 Million	P21.3 Million P21.3 Million P 17.6 Million	113.9 Million P121.5 Million P 107.5 Million

Article II, Section 9 of the Amended By-Laws of the Company provides that the members of the Board of Directors shall receive such compensation as may be approved by a majority vote of the stockholders at a regular or special meeting duly called, subject to such limitations as may be imposed by law.

In 2011 each director received a per diem of Ten Thousand Pesos (P10,000.00) per attendance at Board and Board Committee meetings of the Company.

There were no other arrangements pursuant to which any of the directors was compensated or is to be compensated, directly or indirectly, during the last fiscal year, and the ensuing fiscal year.

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.

13 *The President and senior officers of the Company for 2012 and 2011 are Bernard D. Marquez, Valentino G. Vega, Cesar B. Gimena, Cynthia M. Baroy and Lucia D. Unsay; and for 2010, they are as follows: Gerardo C. Payumo, Valentino G. Vega, Cesar B. Gimena, and Cynthia Baroy. Mr. Eduardo M. Cojuangco, Jr., the Chairman and Chief Executive Officer of the Company does not receive compensation from the Company other than the per diem for attendance in Board meetings.*

ACTION WITH RESPECT TO REPORTS

The approval of the following will be considered and acted upon at the meeting:

1. Minutes of the 2011 Annual Stockholders' Meeting with the following items:
   a) Approval of the Minutes of the Regular Stockholders' Meeting held on May 13, 2010;
   b) Presentation of the Annual Report;
   c) Ratification of all acts of the Board of Directors and Corporate Officers;
   d) Appointment of External Auditors; and
   e) Election of Board of Directors

2. Annual Report of the Company for the year ended December 31, 2011

3. Ratification of all the acts of the Board of Directors and Officers since the 2011 Annual Stockholders' Meeting adopted in the ordinary course of business such as:
   a) Declaration of cash dividends;
   b) Appointment of officers; and
   c) Approval of signing authorities and limits.

Minutes of the 2011 Regular Stockholders' Meeting and resolutions of the Board of Directors since the date of the said meeting will be available for examination during office hours at the office of the Corporate Secretary.

VOTING PROCEDURES

In the election of directors, the nine nominees with the greatest number of votes will be elected directors. The approval of the other proposals or matters submitted to a vote will require an affirmative vote of the majority of the shares of stock present or represented by proxy at the meeting.

Counting of the Ayes and Nays or a show of hands will be the methods by which votes will be counted. The Corporate Secretary, with the assistance of SMC Stock Transfer Service Corporation, as the Company's stock transfer agent, is authorized to count any votes cast during the meeting.

FINANCIAL AND OTHER INFORMATION

Brief Description of the General Nature and Business of the Company

Ginebra San Miguel Inc. (the "Company" or "GSMI"), a majority-owned subsidiary of San Miguel Corporation ("SMC"), is engaged in the manufacture and sale of alcoholic and non-alcoholic beverages.

LIQUOR BUSINESS

The Company was formed on July 10, 1987 as the legal entity for the acquisition by SMC of the production assets of an existing liquor production company that had been in operation since

1902. Today, the Company operates three liquor bottling plants, which are located in the following areas: (1) Mandaue City, Cebu; (2) Sta. Barbara, Pangasinan; and (3) Cabuyao, Laguna. The Company also utilizes external toll manufacturers to produce liquor products in Pampanga, Laguna and Quezon.

Among its subsidiaries are (1) Distileria Bago, Inc., a distillery that converts sugar cane molasses into alcohol with its plant located at Bago City, Negros Occidental, which became a wholly-owned subsidiary of GSMI in 1996; and (2) Agricrops Industries Inc. ("AII"), which was incorporated in 2001 as a wholly-owned subsidiary of GSMI to primarily engage in the production of cassava-starch milk, an alternative raw material for the production of alcohol. As of December 31, 2010, AII has not yet started commercial operations.

To fast-track entry into regional markets, GSMI entered into a Share Purchase Agreement ("SPA") with the Thai Life Group of Companies (the "Seller") for the purchase of 40% ownership of the outstanding shares of C.N.T. Wine and Liquor Company Limited ("CNT"), a limited liability company organized under the laws of Thailand. CNT possesses a license in Thailand to engage in the business of manufacturing alcohol and manufacturing, selling and distributing brandy, wine and distilled spirits products both for domestic and export markets. Also, on the same date, GSMI and the Seller entered into a Joint Venture Agreement ("JVA"). The JVA established the terms and conditions regarding the ownership and operation of CNT and the joint control rights, obligations and responsibilities of GSMI and the Seller, as stockholders. In November 2004, GSMI incorporated Ginebra San Miguel International Limited ("GSMIL") and subsequently assigned its rights and obligations under the SPA and the JVA to GSMIL, including its rights to purchase 40% ownership of the outstanding shares of CNT. The acquisition of CNT was completed in December of the same year. CNT was later renamed Thai San Miguel Liquor Co., Ltd. ("TSML").

On June 29, 2007, GSMI incorporated GSM International Holdings Ltd. ("GSMIHL"), a wholly owned subsidiary in Thailand. GSMIHL, with certain other entities, holds 50% of the shares of Thai Ginebra Trading Co., Ltd. ("TGT"), a joint venture company with V.C. Property Company Limited. TGT will function as the selling and distribution arm of TSML.

On August 27, 2008 and September 11, 2008, respectively, GSMI incorporated Global Beverage Holdings Limited ("GBHL") and Siam Holdings Limited ("SHL") as wholly owned subsidiaries. GSMI increased its investments in TSML and TGT from 40% to 44.9% through GBHL and SHL, respectively.

NON-LIQUOR BUSINESS

On January 31, 2008, Healthy Condiments, Inc. ("HCI") was incorporated as a wholly owned subsidiary of GSMI. HCI was established to manufacture, sell, distribute, import and export vinegar and other sauce products and condiments. On March 27, 2009, the board of directors and stockholders of HCI approved the transfer of all its assets, properties, business, permits and licenses to the Company. Thus, on April 16, 2009, the Company executed a Deed of Sale with HCI for the purchase of the said assets.

On November 1, 2008, the Company entered into an Asset Purchase Agreement with San Miguel Beverages, Inc. (SMBI), an entity engaged in the manufacture and distribution of non-alcoholic beverages, for the purchase of SMBI's assets consisting of receivables, equipments, containers and inventories (collectively, "SMBI Assets"). With the acquisition of the SMBI Assets, the Company ventured into the manufacturing of non-alcoholic beverages.

RECENT DEVELOPMENT

On January 27, 2012, the Company purchased 100% of the total outstanding shares of East Pacific Star Bottlers Phils Inc. ("EPSBPI"), a corporation principally engaged in the manufacture and bottling of alcoholic and non-alcoholic beverages. EPSBPI has bottling facilities in Cauayan, Isabela and in Ligao City, Albay. The acquisition will forge synergies with the Company's on-going operations and provide additional capacity for the contemplated expansion plans of the Company.

Financial Statements

The audited Consolidated Financial Statements of the Company as of December 31, 2011 with Auditor's Report, Statement of Management's Responsibility and other documents/disclosures required under SRC Rule 68, as amended are attached hereto as **Annex "B"**.

Management's Discussion and Analysis or Plan of Operation

The Management's Discussion and Analysis or Plan of Operation of the Company as of December 31, 2011 is attached hereto as **Annex "C"**.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no disagreements with accountants on accounting and financial disclosure.

Market Price of and Dividends on the Company'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 prices for each quarter of the last two (2) fiscal years are as follows:

Quarter	2010		2011	
	High	Low	High	Low
1st	24.25	19.75	34.30	30.50
2nd	36.00	23.00	32.90	27.50
3rd	32.00	25.00	30.90	23.70
4th	34.90	25.00	25.30	22.80

The closing price of the Company's common shares as of March 30, 2012, the latest practicable trading date, is P23.30.

The approximate number of shareholders of preferred and common shares as of March 31, 2012 is 1 and 1,109, respectively.

Cash dividends per share amounted to P1.50 in 2011 and 2010.

There were no securities sold by the Company which were not registered under the SRC and there were no securities issued by the Company which are exempt or under an exempt transaction under the SRC within the past three (3) years, save for the common shares issued by the Company under its Employees Stock Purchase Plan which was registered with the Securities and Exchange Commission (SEC). In a resolution dated January 21, 2008, the SEC determined that the Company's proposed issuance under the said plan of 3,000,000 common shares to qualified employees of the Company, its subsidiaries and affiliates is limited in character and that prior registration thereof is no longer necessary in the interest of the public or for the protection of the investors in accordance with Section 10.2 of the SRC.

The top 20 stockholders of the Company as of March 31, 2012 are as follows:

Rank	Name of Stockholders	Common	Preferred	Total No. of Shares	% of Total O/S
1	San Miguel Corporation	216,972,000	32,786,885	249,758,885	77.36%
2	PCD Nominee Corporation (Non-Filipino)	18,167,244	0	18,167,244	5.63%
3	PCD Nominee Corporation (Filipino)	19,401,465	0	19,401,465	6.01%
4	San Miguel Corporation Retirement Plan	13,466,200	0	13,466,200	4.19%
5	Ginebra San Miguel Inc. Retirement Plan	9,943,285	0	9,943,285	3.09%
6	Henry Sy, Sr.	1,679,500	0	1,679,500	0.52%
7	La Suerte Cigar & Cigarette Factory	200,000	0	200,000	0.06%
8	Lim Tay	80,000	0	80,000	0.02%
9	Lucia C. Unsay	61,500	0	61,500	0.02%
10	Pua Yok Bing	55,000	0	55,000	0.02%
11	Dar B. Licanel	51,500	0	51,500	0.02%
12	Rosalina A. Lioanag	51,500	0	51,500	0.02%
13	Roman T. Yap	50,000	0	50,000	0.02%
14	Angelric S. Geronimo	50,000	0	50,000	0.02%
15	Leonardo P. Bico	46,500	0	46,500	0.01%
16	Eufracio E. Mamaril Jr.	46,500	0	46,500	0.01%
17	Tomasito M. Gaerlan	46,500	0	46,500	0.01%
18	Emmanuel B. Macalalag	46,500	0	46,500	0.01%
19	Richard J. Getones	45,000	0	45,000	0.01%
20	Jose Reginald Pascual	45,000	0	45,000	0.01%

Independent Public Accountants

The accounting firm of Manabat Sanagustin & Co., CPAs served as the Company's external auditors for the last fiscal year. The Board of Directors will again nominate Manabat Sanagustin & Co., CPAs as the Company's external auditors for this fiscal year. Representatives of the said audit firm are expected to be present at the stockholders' meeting and will be available to respond to appropriate questions. They will have the opportunity to make a statement if they so desire.

Manabat Sanagustin & Co., CPAs has been the Company's external auditors since 2006. As such, the Company shall comply with the rule on rotation for the signing partner every after five (5) years under Part I (3) (b) (ix) of SRC Rule 68, as amended, with respect to its re-engagement of the said audit firm.

Audit and Audit Related Fees

Fees for the services rendered by the external auditors to the Company and its subsidiaries in connection with the Company's annual financial statements and other statutory and regulatory filings for 2011 and 2010 (inclusive of retainer fees and out-of-pocket expenses) amounted to about P 6 million per year.

The stockholders approved 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 of Directors and ensures that audit services rendered shall not impair or derogate the independence of the external auditors or violate SEC regulations.

Compliance with leading practice on 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 on 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 for 2011, the Company has substantially adopted all the provisions of the Manual on Corporate Governance as prescribed by SEC Memorandum Circular No. 2, Series of 2002.

On March 30, 2010, the Board of Directors amended its Manual of Corporate Governance in compliance with the Revised Code of Corporate Governance issued by SEC under its Memorandum Circular No. 6, Series of 2009.

UNDERTAKING

Upon the written request of the stockholder, the Company will furnish such stockholder a copy of SEC Form 17-A free of charge. Such written request for a copy of SEC Form 17-A shall be addressed to:

SMC Stock Transfer Service Corporation
2nd Floor, San Miguel Corporation
No. 40 San Miguel Avenue, Mandaluyong City,
1550 Metro Manila, Philippines

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Mandaluyong on April 13, 2012.

GINEBRA SAN MIGUEL INC.

By:

Virgilio S. Jacinto
Corporate Secretary

Annex "A"

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **MINITA V. CHICO-NAZARIO**, Filipino, of legal age and a resident of 299 Governor A. Santos, BF Homes, Parañaque City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of Ginebra San Miguel Inc.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
	(PLEASE REFER TO	
	ATTACHED 'ANNEX A')	

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Ginebra San Miguel Inc., as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.

5. I shall inform the Corporate Secretary of Ginebra San Miguel Inc. of any changes in the abovementioned information within five days from its occurrence

Done this MAR 0 9 2012 day of March 2012 at Mandaluyong City.

MINITA V. CHICO-NAZARIO
Affiant

SUBSCRIBED AND SWORN to before me this MAR 0 9 2012 day of March 2012 at Mandaluyong City, affiant personally appeared before me and exhibited to me her TIN No. 146146455.

Doc. No. 426;
Page No. 87;
Book No. I;
Series of 2012.

MAILA R. NICOLASORA
Commission No. 0259-11
Notary Public for Mandaluyong City
Until Dec. 31, 2012
GSMI, San Miguel Properties Centre,
St. Francis Street, Mandaluyong City
Roll No. 45082
PTR No. 1954395; 1/18/12; Mandaluyong City
Lifetime IBP No. 010402; 1/10/12; Quezon City

ANNEX "A"

Affiliation

June 2010 to present	Director, Banco San Juan
July 2010 to present	Legal Consultant, Union Bank of the Philippines
June 2011 to present	Dean, College of Law The University of Perpetual Help, Las Piñas City
Up to present	Integrated Bar of the Philippines, Manila IV
	Women Lawyers Association of the Philippines
	U.P. Women's Club
	U.P Women Lawyers' Circle

Annex "B"

GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011, 2010 and 2009

Manabat Sanagustin & Co., CPAs
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
E-Mail manila@kpmg.com.ph

Branches · Subic · Cebu · Bacolod · Iloilo

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Ginebra San Miguel, Inc.
6th Floor, San Miguel Properties Centre
St. Francis Street, Ortigas Center
Mandaluyong City

We have audited the accompanying consolidated financial statements of Ginebra San Miguel, Inc. and Subsidiaries which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ginebra San Miguel, Inc. and Subsidiaries as at December 31, 2011 and 2010, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2011, in accordance with Philippine Financial Reporting Standards.

MANABAT SANAGUSTIN & CO., CPAs

JORGE MA. S. SANAGUSTIN
Partner
CPA License No. 0030399
SEC Accreditation No. 0026-AR-3, Group A, valid until January 4, 2015
Tax Identification No. 124-282-616
BIR Accreditation No. 08-001987-7-2010
Issued June 30, 2010; valid until June 29, 2013
PTR No. 3174027MA
Issued January 2, 2012 at Makati City

March 9, 2012
Makati City, Metro Manila

GINEBRA SAN MIGUEL SINCE 1834

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Ginebra San Miguel, Inc. (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2011, 2010 and 2009, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders of the Company.

Manabat Sanagustin & Co., CPAs, the independent auditors appointed by the stockholders, has examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders has expressed its opinion on the fairness of presentation upon completion of such examination.

EDUARDO M. COJUANGCO, JR.
Chairman and Chief Executive Officer

CYNTHIA M. BAROY
Chief Finance Officer

BERNARD D. MARQUEZ
President and Chief Operating Officer

GINEBRA SAN MIGUEL, INC.

3rd & 6th Floors, San Miguel Properties Centre St. Francis Street, Mandaluyong City, Metro Manila, Philippines 1550 Telephone: (632) 689-9100 Fax: (632) 643-2211

A Subsidiary of: SAN MIGUEL CORPORATION

SUBSCRIBED AND SWORN to before me this 28th day of March 2012, affiant exhibiting to me their Passport, as follow:

NAME	**PASSPORT NO.**	**DATE OF ISSUE**	**PLACE OF ISSUE**
Eduardo M. Cojuangco, Jr.	XX1347206	June 6, 2008	Manila
Bernard D. Marquez	XX1245198	May 4, 2010	Phil. Embassy Bangkok
Cynthia M. Baroy	XX2355750	October 23, 2008	Manila

Notary Public
MAILA R. NICOLASORA
Commission No. 0259-11
Notary Public for Mandaluyong City
Until Dec. 31, 2012
GSMI, San Miguel Properties Centre,
St. Francis Street, Mandaluyong City
Roll No. 45082
PTR No. 1954395; 1/18/12; Mandaluyong City
Lifetime IBP No. 010402; 1/10/12; Quezon City

Doc. No. 463;
Page No. 94;
Book No. I;
Series of 2012.

GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Thousands)

		December 31	
	Note	**2011**	2010
ASSETS			
Current Assets			
Cash and cash equivalents	*6, 33, 34*	**P366,116**	P422,630
Trade and other receivables - net	*4, 7, 14, 27, 33, 34*	**3,177,311**	2,901,368
Inventories	*4, 8, 27*	**6,782,788**	7,137,443
Prepaid taxes and other current assets	*9, 33, 34*	**891,850**	1,060,868
Total Current Assets		**11,218,065**	11,522,309
Noncurrent Assets			
Property, plant and equipment - net	*4, 11*	**6,836,356**	6,085,639
Investment properties - net	*4, 12*	**157,998**	150,922
Intangible asset	*4, 10, 13*	**58,834**	61,804
Retirement asset	*29*	**-**	57,870
Deferred tax assets - net	*4, 18*	**541,055**	108,939
Other noncurrent assets - net	*4, 7, 14, 33, 34*	**737,464**	695,685
Total Noncurrent Assets		**8,331,707**	7,160,859
		P19,549,772	P18,683,168
LIABILITIES AND EQUITY			
Current Liabilities			
Notes payable	*15, 33, 34*	**P7,931,093**	P5,053,614
Trade and other payables	*16, 27, 28, 33, 34*	**2,274,044**	2,862,638
Income and other taxes payable		**118,484**	104,197
Current maturities of long-term debt - net of debt issue costs	*17, 33, 34*	**373,974**	123,563
Total Current Liabilities		**10,697,595**	8,144,012
Noncurrent Liabilities			
Retirement liability	*29*	**6,044**	208
Long-term debt - net of current maturities and debt issue costs	*17, 33, 34*	**1,416,847**	1,802,173
Finance lease liabilities - net of current portion	*28, 33, 34*	**-**	1,809
Other noncurrent liabilities	*33, 34*	**91,203**	-
Total Noncurrent Liabilities		**1,514,094**	1,804,190
Total Liabilities		**12,211,689**	9,948,202
Equity			
Capital stock	*19*	**399,063**	396,424
Additional paid-in capital	*19*	**2,526,625**	2,435,476
Cumulative translation adjustments	*34*	**(35,936)**	(9,439)
Retained earnings			
Appropriated		**2,500,000**	2,500,000
Unappropriated	*19*	**4,527,740**	5,991,914
Treasury stock	*19*	**(2,579,409)**	(2,579,409)
Total Equity		**7,338,083**	8,734,966
		P19,549,772	P18,683,168

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(In Thousands, Except Per Share Data)

	Note	2011	2010	2009
SALES	*27*	**P15,112,596**	P22,688,144	P19,548,591
COST OF SALES	*20, 27, 35*	**11,975,335**	17,579,137	15,143,827
GROSS PROFIT		**3,137,261**	5,109,007	4,404,764
SELLING AND MARKETING EXPENSES	*21, 27*	**(2,491,544)**	(2,283,675)	(1,861,621)
GENERAL AND ADMINISTRATIVE EXPENSES	*22, 27*	**(1,588,139)**	(1,381,020)	(1,489,976)
INTEREST EXPENSE	*15, 17, 25*	**(446,984)**	(305,005)	(197,505)
INTEREST INCOME		**4,025**	6,999	5,332
OTHER INCOME - Net	*26*	**36,060**	190,353	186,728
INCOME (LOSS) BEFORE INCOME TAX		**(1,349,321)**	1,336,659	1,047,722
INCOME TAX EXPENSE (BENEFIT)	*18*	**(367,161)**	422,805	346,470
NET INCOME (LOSS)		**(P982,160)**	P913,854	P701,252
Basic and Diluted Earnings (Loss) Per Share	*31*	**(P3.56)**	P3.03	P2.32

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

(In Thousands)

	Note	**2011**	2010	2009
NET INCOME (LOSS)		**(P982,160)**	P913,854	P701,252
EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS		**(26,497)**	(6,441)	(11,625)
NET GAIN ON CASH FLOW HEDGES	*34*	**-**	-	60,350
INCOME TAX		**-**	-	(18,105)
OTHER COMPREHENSIVE INCOME (LOSS) - NET OF TAX		**(26,497)**	(6,441)	30,620
TOTAL COMPREHENSIVE INCOME (LOSS) - NET OF TAX		**(P1,008,657)**	P907,413	P731,872

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

(In Thousands)

		Capital Stock		Additional Paid-in	Cumulative Translation Adjustments		Retained Earnings		Treasury	
	Note	Common	Preferred	Capital	Translation Reserve	Hedging Reserve	Appropriated	Unappropriated	Stock	Total
As of January 1, 2011		**P342,986**	**P53,438**	**P2,435,476**	**(P9,439)**	**P -**	**P2,500,000**	**P5,991,914**	**(P2,579,409)**	**P8,734,966**
Exchange differences on translation of foreign operations/Other comprehensive loss		**-**	**-**	**-**	**(26,497)**	**-**	**-**	**-**	**-**	**(26,497)**
Net loss for the year		**-**	**-**	**-**	**-**	**-**	**-**	**(982,160)**	**-**	**(982,160)**
Total comprehensive loss for the year		**-**	**-**	**-**	**(26,497)**	**-**	**-**	**(982,160)**	**-**	**(1,008,657)**
Issuances of capital stock	***19, 32***	**2,639**	**-**	**91,149**	**-**	**-**	**-**	**-**	**-**	**93,788**
Cash dividends	***30***	**-**	**-**	**-**	**-**	**-**	**-**	**(482,014)**	**-**	**(482,014)**
As of December 31, 2011		**P345,625**	**P53,438**	**P2,526,625**	**(P35,936)**	**P -**	**P2,500,000**	**P4,527,740**	**(P2,579,409)**	**P7,338,083**

Forward

	Note	Capital Stock Common	Capital Stock Preferred	Additional Paid-in Capital	Cumulative Translation Adjustments Translation Reserve	Cumulative Translation Adjustments Hedging Reserve	Retained Earnings Appropriated	Retained Earnings Unappropriated	Treasury Stock	Total
As of January 1, 2010		P336,950	P53,438	P2,304,669	(P2,998)	P -	P1,300,000	P6,754,141	(P2,579,409)	P8,166,791
Exchange differences on translation of foreign operations/other comprehensive loss		-	-	-	(6,441)	-	-	-	-	(6,441)
Net income for the year		-	-	-	-	-	-	913,854	-	913,854
Total comprehensive income (loss) for the year		-	-	-	(6,441)	-	-	913,854	-	907,413
Issuances of capital stock	*19, 32*	6,036	-	130,807	-	-	-	-	-	136,843
Appropriations	*19*	-	-	-	-	-	1,200,000	(1,200,000)	-	-
Cash dividends	*30*	-	-	-	-	-	-	(476,081)	-	(476,081)
As of December 31, 2010		P342,986	P53,438	P2,435,476	(P9,439)	P -	P2,500,000	P5,991,914	(P2,579,409)	P8,374,966
As of January 1, 2009		P336,795	P53,438	P2,303,168	P8,627	(P42,245)	P1,300,000	P6,523,867	(P2,579,409)	P7,904,241
Exchange differences on translation of foreign operations		-	-	-	(11,625)	-	-	-	-	(11,625)
Net gain on cash flow hedges, net of tax	*34*	-	-	-	-	42,245	-	-	-	42,245
Other comprehensive income (loss)		-	-	-	(11,625)	42,245	-	-	-	30,620
Net income for the year		-	-	-	-	-	-	701,252	-	701,252
Total comprehensive income (loss) for the year		-	-	-	(11,625)	42,245	-	701,252	-	731,872
Issuances of capital stock	*19, 32*	155	-	1,501	-	-	-	-	-	1,656
Cash dividends	*30*	-	-	-	-	-	-	(470,978)	-	(470,978)
As of December 31, 2009		P336,950	P53,438	P2,304,669	(P2,998)	P -	P1,300,000	P6,754,141	(P2,579,409)	P8,166,791

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

(In Thousands)

	Note	**2011**	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**(P1,349,321)**	P1,336,659	P1,047,722
Adjustments for:				
Depreciation and amortization	*11, 12, 23*	**526,009**	469,510	569,174
Interest expense and financing charges	*15, 17, 25*	**446,984**	305,005	197,505
Impairment losses on receivables	*7, 21, 22*	**178**	1,226	29,869
Loss (gain) on sale/disposal of property, plant and equipment	*26*	**(154)**	(323)	19,859
Net unrealized foreign exchange gain	*26*	**(2,399)**	(44,483)	(6,498)
Interest income		**(4,025)**	(6,999)	(5,332)
Net derivative loss (gain)	*26*	**18,253**	(70,984)	(167,363)
Operating income (loss) before working capital changes		**(364,475)**	1,989,611	1,684,936
Decrease (increase) in:				
Trade and other receivables		**(345,745)**	(777,223)	(89,101)
Inventories		**349,751**	(2,075,125)	(558,430)
Prepaid taxes and other current assets		**170,565**	(277,537)	(350,946)
Increase (decrease) in:				
Trade and other payables		**(739,200)**	653,689	(22,892)
Other taxes payable		**3,584**	39,284	33,456
Retirement liability (asset)		**63,706**	(24,199)	703
Cash generated from (absorbed by) operations		**(861,814)**	(471,500)	697,726
Income taxes paid		**(3,500)**	(192,804)	(18,471)
Net cash flows provided by (used in) operating activities		**(865,314)**	(664,304)	679,255
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		**4,025**	6,999	4,376
Proceeds from sale of property, plant and equipment		**336**	324	1,721
Purchase of SMBI assets		**-**	-	(899,328)
Additions to property, plant and equipment	*11*	**(1,182,873)**	(1,190,006)	(434,996)
Decrease (increase) in other noncurrent assets		**(69,875)**	(30,030)	118,586
Net cash flows used in investing activities		**(1,248,387)**	(1,212,713)	(1,209,641)

Forward

	Note	2011	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term borrowings		**P88,406,258**	P58,449,594	P30,798,346
Issuance of capital stock		**38,855**	18,228	391
Noncurrent liabilities		**95,120**	-	-
Long-term borrowings		**-**	1,492,500	-
Payments of:				
Short-term borrowings		**(85,518,041)**	(57,255,813)	(29,541,689)
Interest		**(473,895)**	(264,759)	(206,460)
Cash dividends		**(353,050)**	(475,297)	(470,768)
Long-term borrowings		**(121,308)**	(121,417)	(58,994)
Finance lease liabilities		**(12,227)**	(15,161)	(12,326)
Net cash flows provided by financing activities		**2,061,712**	1,827,875	508,500
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(4,525)**	(31,115)	(19,968)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(56,514)**	(80,257)	(41,854)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*6*	**422,630**	502,887	544,741
CASH AND CASH EQUIVALENTS AT END OF YEAR	*6*	**P366,116**	P422,630	P502,887

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Percentages, Number of Shares and Per Share Data)

1. Reporting Entity

Ginebra San Miguel, Inc. (the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on July 10, 1987. The accompanying consolidated financial statements comprise the financial statements of the Parent Company and its Subsidiaries (collectively referred to as the Group) and the Group's interests in joint ventures. 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 Parent Company is engaged in manufacturing and selling of alcoholic and nonalcoholic beverages. The registered office address of the Parent Company is 6^{th} Floor, San Miguel Properties Centre, St. Francis Street, Ortigas Center, Mandaluyong City.

The Parent Company is 77.63% - owned and controlled by San Miguel Corporation (SMC). SMC, its ultimate parent company, was also incorporated in the Philippines.

2. Basis of Preparation

<u>Statement of Compliance</u>
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC), issued by the Financial Reporting Standards Council (FRSC).

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) on March 9, 2012.

<u>Basis of Measurement</u>
The consolidated financial statements of the Group have been prepared on a historical cost basis of accounting, except for the following:

- derivative financial instruments are measured at fair value; and
- defined benefit liability (asset) is measured as the net total of the fair value of the plan assets, less unrecognized actuarial gains (losses) and the present value of the defined benefit obligation.

<u>Functional and Presentation Currency</u>
The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All financial information are rounded off to the nearest thousand (P000), except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company, its subsidiaries and the Group's interests in joint ventures. The Parent Company owns and controls the following wholly-owned subsidiaries:

Name of Subsidiary	*Place of Incorporation*
Distileria Bago, Inc. (DBI)	Philippines
Agricrops Industries, Inc. (Agricrops)	Philippines
Healthy Condiments, Inc. (HCI)	Philippines
Ginebra San Miguel International Ltd. (GSMIL)	British Virgin Islands (BVI)
Ginebra San Miguel International Holdings Ltd. (GSMIHL)	BVI
Global Beverage Holdings Ltd. (GBHL)	BVI
Siam Holdings Ltd. (SHL)	BVI

Agricrops was incorporated on September 14, 2000 to engage in, operate and maintain in the business of manufacturing, buying and selling on a wholesale basis, distributing, warehousing, importing or exporting all kinds of agricultural products, including without limitation, cassava, corn, wheat, barley, sugar cane; and to do all kinds of distilling, redistilling, processing, compounding and blending thereof; to manufacture, buy, sell, deal in, distribute, store, warehouse, import or export any and all raw, semi-processed or finished materials, ingredients or extracts, and to purchase, acquire, sell or dispose of any machinery, plant, property, trademark and patent rights, method and processes used in connection with or necessary for the operation of its business.

On August 14, 2009, Agricrops amended its Articles of Incorporation to include among its primary purposes the following:

- to engage in, operate and maintain the business of farming and importing or exporting of sweet potato and sweet sorghum;
- preparation of medicinal products such as ethyl rubbing alcohol; and
- to manufacture organic fertilizer from various agro industrial wastes.

The amended Articles of Incorporation of Agricrops was approved by the SEC on October 12, 2009.

Agricrops has not yet started commercial operations as of December 31, 2011.

On January 31, 2008, the Parent Company incorporated HCI as a wholly-owned subsidiary. The Parent Company subscribed to 25,000 shares at par value of P100 per share for a total subscription value of P2,500. HCI was established to manufacture, sell, distribute, import and export vinegar and other sauce products and condiments. It started commercial operations on April 1, 2008.

On April 16, 2009, the Parent Company and HCI entered in an Asset Purchase Agreement (APA) for the purchase of HCI's assets collectively referred to as "Condiments Assets." The APA provides that the trademark "Supremo" owned, registered and used by HCI's Condiments Business forms part of the Condiments Assets that will be transferred to the Parent Company.

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 benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date the Group obtains control, and continue to be consolidated until the date such control ceases.

A joint venture is an entity over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. The consolidated financial statements include the Group's proportionate share of the joint venture's assets, liabilities, income and expenses on a line by line basis, from the date that joint control commences until the date that joint control ceases. A discussion of the Group's joint ventures is included in Note 10 to the consolidated financial statements.

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. Intragroup balances and transactions, including intragroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations
The FRSC approved the adoption of a number of new or revised standards, amendments to standards, and interpretations (based on IFRIC Interpretations) as part of PFRS.

Adopted Effective 2011

The Group has adopted the following PFRS starting January 1, 2011 and accordingly, changed its accounting policies in the following areas:

- Amendment to PAS 32, *Financial Instruments: Presentation - Classification of Rights Issues*, permits rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The amendment is applicable for annual periods beginning on or after February 1, 2010. The adoption of this amendment did not have a material effect on the consolidated financial statements.

- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*, addresses issues in respect of the accounting by the debtor in a debt for equity swap transaction. It clarifies that equity instruments issued to a creditor to extinguish all or part of a financial liability in a debt for equity swap are consideration paid in accordance with paragraph 41 of PAS 39, *Financial Instruments: Recognition and Measurement*. The interpretation is applicable for annual periods beginning on or after July 1, 2010. The adoption of this Philippine Interpretation did not have a material effect on the consolidated financial statements.

- Revised PAS 24, *Related Party Disclosures* (2009), amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The revised standard is effective for annual periods beginning on or after January 1, 2011. The adoption of this revised standard did not have a material effect on the consolidated financial statements.

- *Prepayments of a Minimum Funding Requirement (Amendments to Philippine Interpretation IFRIC 14: PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction).* These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement and result in prepayments of contributions in certain circumstances being recognized as an asset rather than an expense. The amendments are effective for annual periods beginning on or after January 1, 2011. The adoption of these amendments did not have a material effect on the consolidated financial statements.

- *Improvements to PFRS 2010* contain 11 amendments to standards and 1 interpretation. The following are the said amendments to PFRS and interpretation:

  - PFRS 3, *Business Combinations*. The amendments: (a) clarify that contingent consideration arising in a business combination previously accounted for in accordance with PFRS 3 (2004) that remains outstanding at the adoption date of PFRS 3 (2008) continues to be accounted for in accordance with PFRS 3 (2004); (b) limit the accounting policy choice to measure non-controlling interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation; and (c) expand the current guidance on the attribution of the market-based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards between consideration transferred and post-combination compensation cost when an acquirer is obliged to replace the acquiree's existing awards to encompass voluntarily replaced unexpired acquiree awards. The amendments are effective for annual periods beginning on or after July 1, 2010. The adoption of these amendments did not have a material effect on the consolidated financial statements.

  - PAS 27, *Consolidated and Separate Financial Statements*. The amendments clarify that the consequential amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates*, and PAS 31, *Interests in Joint Ventures*, resulting from PAS 27 (2008) should be applied prospectively, with the exception of amendments resulting from renumbering. The amendments are effective for annual periods beginning on or after July 1, 2010. The adoption of these amendments did not have a material effect on the consolidated financial statements.

  - PFRS 7, *Financial Instruments: Disclosures*. The amendments add an explicit statement that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from the financial instruments. In addition, the International Accounting Standards Board amended and removed existing disclosure requirements. The amendments are effective for annual periods beginning on or after January 1, 2011. The adoption of these amendments did not have a material effect on the consolidated financial statements.

- PAS 1, *Presentation of Financial Statements*. The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income is also required to be presented either in the statement of changes in equity or in the notes. The amendments are effective for annual periods beginning on or after January 1, 2011. The adoption of these amendments did not have a material effect on the consolidated financial statements.

- PAS 34, *Interim Financial Reporting*. The amendments add examples to the list of events or transactions that require disclosure under PAS 34 and remove references to materiality in PAS 34 that describes other minimum disclosures. The amendments are effective for annual periods beginning on or after January 1, 2011. The adoption of these amendments did not have a material effect on the consolidated financial statements.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*. The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. The amendments are effective for annual periods beginning on or after January 1, 2011. The adoption of these amendments did not have a material effect on the consolidated financial statements.

Additional disclosures required by the revised standards, amendments to standards and interpretations were included in the consolidated financial statements, where applicable.

New or Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted

A number of new or revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2011, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for PFRS 11, *Joint Arrangements*, which will become mandatory for the Group's 2013 financial statements and will require the equity method for joint ventures and PFRS 9, *Financial Instruments*, which becomes mandatory for the Group's 2015 consolidated financial statement and could change the classification and measurement of financial assets. The Group does not plan to adopt these standards early and the extent of the impact has not been determined.

The Group will adopt the following new or revised standards, amendments to standards and interpretations in the respective effective dates:

- *Disclosures - Transfers of Financial Assets (Amendments to PFRS 7)*, require additional disclosures about transfers of financial assets. The amendments require disclosure of information that enables users of the financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets. Entities are not required to apply the amendments for annual periods beginning on or after July 1, 2011.

- *Deferred Tax: Recovery of Underlying Assets (Amendments to PAS 12, Income Taxes)* introduces an exception to the current measurement principles of deferred tax assets and liabilities arising from investment property measured using the fair value model in accordance with PAS 40, *Investment Property*. The exception also applies to investment properties acquired in a business combination accounted for in accordance with PFRS 3 provided the acquirer subsequently measure these assets applying the fair value model. The amendments integrated the guidance of Philippine Interpretation Standards Interpretation Committee (SIC) - 21, *Income Taxes - Recovery of Revalued Non-Depreciable Assets* into PAS 12, and as a result Philippine Interpretation SIC - 21 has been withdrawn. The effective date of the amendments is for periods beginning on or after January 1, 2012 and is applied retrospectively.

- Presentation of Items of Other Comprehensive Income (*Amendments to PAS 1, Presentation of Financial Statements*). The amendments: (a) require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss; (b) do not change the existing option to present profit or loss and other comprehensive income in two statements; and (c) change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRS continue to apply in this regard. The effective date of the amendment is for periods beginning on or after January 1, 2013.

- PFRS 10, *Consolidated Financial Statements*. PFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when: (a) it is exposed or has rights to variable returns from its involvement with that investee; (b) it has the ability to affect those returns through its power over that investee; and (c) there is a link between power and returns. Control is reassessed as facts and circumstances change. PFRS 10 supersedes PAS 27 (2008). The new standard is effective for annual periods beginning on or after January 1, 2013.

- PFRS 11, *Joint Arrangements.* PFRS 11 focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It (a) distinguishes joint arrangements between joint operations and joint ventures; and (b) always requires the equity method for jointly controlled entities that are now called joint ventures; they are stripped of the free choice of using the equity method or proportionate consolidation. PFRS 11 supersedes PAS 31, *Interest and Joint Ventures*, and Philippine Interpretation SIC-13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers.* The new standard is effective for annual periods beginning on or after January 1, 2013.

- PFRS 12, *Disclosure of Interests in Other Entities.* PFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities; and the effects of those interests on the entity's financial position, financial performance and cash flows. The new standard is effective for annual periods beginning on or after January 1, 2013.

- PFRS 13, *Fair Value Measurement*. PFRS 13 replaces the fair value measurement guidance contained in individual PFRS with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRS. It does not introduce new requirements to measure assets or liabilities at fair value nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The new standard is effective for annual periods beginning on or after January 1, 2013. Early application is permitted and is required to be disclosed.

- PAS 19, *Employee Benefits* (amended 2011). The amended PAS 19 includes the following requirements: (a) actuarial gains and losses are recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which is currently allowed under PAS 19; and (b) expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The adoption of the amended or revised standard is required for annual periods beginning on or after January 1, 2013.

- PAS 27, *Separate Financial Statements* (2011). PAS 27 (2011) supersedes PAS 27 (2008). PAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The adoption of the amended or revised standard is required for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures* (2011). PAS 28 (2011) supersedes PAS 28 (2008). PAS 28 (2011) makes the following amendments: (a) PFRS 5 applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and (b) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or *vice versa*, the entity does not remeasure the retained interest. The adoption of the amended or revised standard is required for annual periods beginning on or after January 1, 2013.

- PFRS 9, *Financial Instruments*. PFRS 9 (2009) is the first standard issued as part of a wider project to replace PAS 39. PFRS 9 (2009) retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in PAS 39 on impairment of financial assets and hedge accounting continues to apply. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before January 1, 2012. PFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009. It also includes those paragraphs of PAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of Philippine Interpretation - IFRIC 9, *Reassessment of Embedded Derivatives.* The adoption of the new standard is required for annual periods beginning on or after January 1, 2015.

Financial Assets and Financial Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position 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 is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction costs.

The Group classifies its financial assets in the following categories: held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, financial assets at FVPL and loans and receivables. The Group classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. 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 and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of Fair Value. The fair value of financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there is no 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 the discounted cash flow method, 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 profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which are not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

Financial Assets

Financial Assets at FVPL. A financial asset is classified at FVPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at FVPL if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Derivative instruments (including embedded derivatives), except those covered by hedge accounting relationships, are classified under this category.

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

Financial assets may be designated by management at initial recognition as 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;

- the assets are part of a group of financial assets which are managed and their performances 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 recognized.

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in profit or loss as incurred. Fair value changes and realized gains or losses are recognized in profit or loss. Fair value changes from derivatives accounted for as part of an effective accounting hedge are recognized in other comprehensive income and presented under the "Hedging reserve" account in equity. Any interest earned shall be recognized as part of "Interest income" in the consolidated statements of income. Any dividend income from equity securities classified as FVPL shall be recognized in profit or loss when the right of collection has been established.

The Group's derivative assets are classified under this category (Note 9).

The carrying amounts of financial assets under this category amounted to P315 and P18,163 as of December 31, 2011 and 2010, respectively (Note 34).

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities 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 financial assets or financial assets at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables shall be recognized as part of "Interest income" in the consolidated statements of income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" in the consolidated statements of income. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The Group's cash and cash equivalents, trade and other receivables and noncurrent receivables, advances and deposits under "other noncurrent assets" are included in this category (Notes 6, 7, and 14).

The combined carrying amounts of financial assets under this category amounted to P3,976,097 and P3,711,112 as of December 31, 2011 and 2010, respectively (Note 34).

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 reclassified as AFS financial assets. After initial measurement, these investments are measured at amortized cost using the effective interest rate method, less impairment in value. Any interest earned on the HTM investments shall be recognized as part of "Interest income" in the consolidated statements of income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" in the consolidated statements of income. Gains or losses are recognized in profit or loss when the HTM investments are derecognized or impaired, as well as through the amortization process.

As of December 31, 2011 and 2010, the Group has no investments accounted for under this category.

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income and presented in the "Fair value reserve" in equity. Dividends earned on holding AFS equity securities are recognized as "Dividend income" when the right to receive payment has been established. When individual AFS financial assets are either derecognized or impaired, the related accumulated unrealized gains or losses previously reported in equity are transferred to and recognized in profit or loss.

AFS financial assets also include unquoted equity instruments with fair values which cannot be reliably determined. These instruments are carried at cost less impairment in value, if any.

As of December 31, 2011 and 2010, the Group has no financial assets classified under this category.

Financial Liabilities

Financial Liabilities at FVPL. Financial liabilities are classified under this category through the fair value option. Derivative instruments (including embedded derivatives) with negative fair values, except those covered by hedge accounting relationships, are also classified under this category.

The Group carries financial liabilities at FVPL using their fair values and reports fair value changes in profit or loss. Fair value changes from derivatives accounted for as part of an effective accounting hedge are recognized in other comprehensive income and presented under the "Hedging reserve" account in equity. Any interest expense incurred shall be recognized as part of "Interest expense" in the consolidated statements of income.

The Group's derivative liabilities are classified under this category (Note 16).

The carrying amounts of financial liabilities under this category amounted to P3,619 and P1,177 as of December 31, 2011 and 2010, respectively (Note 34).

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

Included in this category are the Group's liabilities arising from its trade or borrowings such as notes payable, trade and other payables, long-term debt, finance lease liabilities and other noncurrent liabilities (Notes 15, 16, 17 and 28).

The combined carrying amounts of financial liabilities under this category amounted to P11,960,939 and P9,842,620 as of December 31, 2011 and 2010, respectively (Note 34).

Debt Issue Costs

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest rate method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

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 ongoing 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 profit or loss. 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 profit or loss.

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.

The Group discontinues fair value hedge accounting if: (a) the hedging instrument expires, is sold, terminated or exercised; (b) the hedge no longer meets the criteria for hedge accounting; or (c) the Group revokes the designation.

As of December 31, 2011 and 2010, 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 recognized in other comprehensive income and presented under the "Hedging reserve" account in equity. The ineffective portion is immediately recognized in profit or loss.

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 amount of the asset or liability. Otherwise, for all other cash flow hedges, all gains or losses initially recognized in equity are transferred from equity to profit or loss in the same period or periods during which the hedged forecasted transaction or recognized asset or liability affect profit or loss.

When the hedge ceases to be highly effective, hedge accounting is discontinued prospectively. 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 profit or loss.

As of December 31, 2011 and 2010, the Group has no outstanding derivatives accounted for as cash flow hedges.

Net Investment Hedge. As of December 31, 2011 and 2010, 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 FVPL. 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 Financial 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 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 or retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or 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. The difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets

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

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Assets Carried at Amortized Cost. For assets carried at amortized cost such as loans and receivables, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Group includes the asset as part of a group of financial assets pooled according to their credit risk characteristics and collectively assesses the group 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 the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, 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). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The impairment loss for the period shall be recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

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 profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss. Reversals of impairment losses on debt instruments are recognized in 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.

In the case of an unquoted equity instrument or of a derivative asset linked to and must be settled by delivery of an unquoted equity instrument, for which its fair value cannot be reliably measured, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows from the asset discounted using its historical effective rate of return on the asset.

Classification of Financial Instruments Between Debt and Equity

From the perspective of the issuer, a financial instrument is classified as debt instrument if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- 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 statements of financial position 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 statements of financial position.

Inventories

Finished goods 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	-	at cost, which 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 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 less any impairment in value. 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 statements of financial position and is amortized over the estimated useful lives of ten (10) years. Amortization of deferred containers is included under “Selling and administrative expenses” account in the consolidated statements of income.

Business Combination

Acquisitions on or after January 1, 2010

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

For acquisitions on or after January 1, 2010, the Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Subsequently, 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 amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is at fair value measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

- *Goodwill in a Business Combination*
  Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the 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 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 an operating segment determined in accordance with PFRS 8, *Operating Segments*.

  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. An impairment loss with respect to goodwill is not reversed.

- *Intangible Asset Acquired in a Business Combination*
  The cost of an intangible asset acquired in a business combination is the fair value as at the date of acquisition, determined using discounted cash flows as a result of the asset being owned.

  Following initial recognition, intangible asset is carried at cost less any accumulated amortization and impairment losses, if any. The useful life of intangible asset is assessed to be either finite or indefinite.

Intangible asset with finite life is 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 reporting date. A change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for as a change in accounting estimates. The amortization expense on intangible asset with finite life is recognized in profit or loss.

- *Loss of Control*
  Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an AFS financial asset depending on the level of influence retained.

Acquisitions Prior to January 1, 2010
In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs.

The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill.

Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

Business Combination under Common Control
Business combinations arising from transfers of interests in entities that are or that become under the control of the stockholders that control the Group during the period is accounted for using book values. The acquiree's assets and liabilities are recognized at book values and results of operation are included in the consolidated financial statements as if the acquisition has occurred at the beginning of the period.

Transactions Under Common Control
Transactions under common control entered into in contemplation of each other, and business combination under common control designed to achieve an overall commercial effect are treated as a single transaction.

Transfers of assets between commonly controlled entities are accounted for using the book value accounting.

Interest in Joint Venture

The Group generally recognizes its interest in 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 its construction cost or 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 (ARO) 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. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Construction in progress represents structures under construction and is stated at cost. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, 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 - 10
Buildings and building improvements	20 - 50
Transportation equipment	5
Machinery and equipment	3 - 40
Furniture, fixtures and office equipment	2 - 5
Other equipment	2 - 5

The remaining useful lives, residual values, depreciation and amortization method are reviewed and adjusted periodically, if appropriate, 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 amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts 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 are recognized in profit or loss.

An item of property, plant and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss 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) is included in profit or loss in the period of retirement or disposal.

Investment Properties

Investment properties consist of properties held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment properties, except for land, are measured 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 - 10
Buildings and building improvements	20 - 50
Machinery and equipment	3 - 40
Other equipment	2 - 5

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

Investment property is derecognized either when it has been disposed of 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 profit or loss 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 or commencement of an operating lease to another party. 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 sale.

For a transfer from investment properties to owner-occupied properties or inventories, the cost of property for subsequent accounting is its carrying amount 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.

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. Subsequently, intangible assets are measured at cost less accumulated amortization and allowance for impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in profit or loss in the year in which the related 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 life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method used for an intangible asset with a finite useful life are reviewed at least at each financial period. 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 are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss consistent with the function of the intangible asset.

Licenses, 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 disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Impairment of Non-financial Assets

The carrying amounts of property, plant and equipment, investment properties, containers and idle assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount 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 and 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 profit or loss 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.

<u>Provisions</u>

Provisions are recognized 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 those 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 some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

<u>Share Capital</u>

Common Shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Preferred Shares

Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the Parent Company's option, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the Parent Company's BOD.

Preferred shares are classified as a liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

Treasury Shares

Own equity instruments which are reacquired are carried at cost and are deducted from equity. No gain or loss is recognized on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

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 from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is normally upon delivery, and the amount of revenue can be measured reliably.

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.

Rent. Revenue from investment properties is recognized on a straight-line basis over the term of the lease. Rent income is included as part of other income.

Others. Revenue is recognized when earned.

Cost and Expense Recognition
Costs and expenses are recognized upon receipt of goods, utilization of services or at the date they are incurred.

Share-based Payment 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 Ultimate 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 payment 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 payment transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Parent Company'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.

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. A reassessment is made after the inception of the lease only if one of the following applies:

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

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

Finance Lease

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. Obligations arising from plant assets under finance lease agreement are classified in the consolidated statements of financial position as finance lease liabilities.

Lease payments are apportioned between financing charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Financing charges are recognized in profit or loss.

Capitalized leased assets are depreciated over the estimated useful life of the assets when there is reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating Lease

Group as Lessee. 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 profit or loss 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. Rent 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 as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

Borrowing Costs

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 Costs

Research costs are expensed as incurred.

Retirement Costs

The Parent Company and DBI 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 up 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, effect of asset limit and effect of any curtailments or settlements. Past service cost 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 at the end of the previous reporting year exceed the greater of 10% 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 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 costs 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 costs and the present value of any economic benefits available in the form of 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 costs and the present value of any economic benefits available in the form of reductions in the future contributions to the plan, net actuarial losses of the current period and past service costs 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 costs of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of past service costs 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 costs and the present value of any economic benefits available in the form of 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 costs of the current period are recognized immediately.

Foreign Currency

Foreign Currency Translations

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Nonmonetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Nonmonetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of AFS financial assets, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognized in other comprehensive income.

Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Philippine peso at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Philippine peso at weighted average exchange rates for the period.

Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (Translation reserve) in equity. However, if the operation is not a wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount of translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and presented in the "Translation reserve" in equity.

The functional currency of GSMIL, GSMIHL and SHL is the Philippine peso, while that of Thai San Miguel Liquor Co. Ltd. (TSML) and Thai Ginebra Trading (TGT) is the Thailand Baht (THB). The assets and liabilities of TSML and TGT are translated into the presentation currency of the Parent Company at the rate of exchange ruling at the reporting date and their income and expenses are translated at the weighted average exchange rates for the year.

Taxes

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred Tax. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation 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 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 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 reporting 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 reporting 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 reporting date.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive 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 "Prepaid taxes and other current assets" or "Income and other taxes payable" in the consolidated statements of financial position.

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, net of dividends on preferred shares, 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 under the Parent Company's ESPP which are assumed to be exercised at the date of grant.

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

Operating Segments
The Group's operating segments 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 operating segments is presented in Note 5 to the consolidated financial statements. The Chief Operating Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting are the same as those used in its consolidated financial statements. There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss. All inter-segment transfers are carried out at arm's length prices.

Segment revenues, expenses and performance include sales and purchase between business segments and between geographical segments. Such sales and purchases are eliminated in consolidation.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements 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.

Events After the Reporting Date
Post year-end events that provide additional information about the Group's consolidated financial position at reporting 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 preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, 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 and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

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:

Finance Leases. TSML and TGT, the Group's joint ventures in Thailand entered into finance leases with a Thai bank covering transportation equipment. The Group determined that these leases are finance leases since the significant risks and rewards of ownership related to those properties are transferred to the Group from the date of the lease agreement.

Finance lease liabilities recognized in the consolidated statement of financial position amounted to P391 and P12,908 as at December 31, 2011 and 2010, respectively (Note 28).

Operating Lease Commitments - Group as Lessor/Lessee. The Group has entered into various lease agreements as either a lessor or a lessee. The Group had determined that it retains all the significant risks and rewards of ownership of the properties leased out on operating leases while the significant risks and rewards for properties leased from third parties are retained by the lessors.

Rent expense charged to profit or loss amounted to P292,996, P268,921 and P188,370 in 2011, 2010 and 2009, respectively (Notes 20, 21 and 22).

Determining Fair Values of Financial Instruments. Where the fair values of financial assets and financial liabilities recognized in the consolidated statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The Group uses judgments to select from variety of valuation models and make assumptions regarding considerations of liquidity and model inputs such as correlation and volatility for longer dated financial instruments. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair value.

Contingencies. The Group currently has tax assessments, legal and administrative claims. The Group's estimate of the probable costs for the resolution of these assessments and claims has 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 consolidated financial position and consolidated financial performance. It is possible, however, that future financial performance 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 35).

<u>Estimates</u>
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 Impairment Losses on Trade and Other Receivables. 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 impairment losses would increase the recorded selling and marketing expenses and decrease current assets.

The allowance for impairment losses amounted to P108,292 and P174,124 as of December 31, 2011 and 2010, respectively. The carrying amounts of trade and other receivables amounted to P3,177,311 and P2,901,368 as of December 31, 2011 and 2010, respectively (Note 7).

Allowance for Inventory Losses. The Group provides an allowance for inventory losses 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 reporting date to the extent that such events confirm conditions existing at reporting date. The allowance account is reviewed periodically to reflect the accurate valuation in the financial records.

The carrying amounts of inventories amounted to P6,782,788 and P7,137,443 as of December 31, 2011 and 2010, respectively. The allowance for inventory losses amounted to P75,099 and P70,200 as of December 31, 2011 and 2010, respectively (Note 8).

Financial Assets and Financial Liabilities. The Group carries certain financial assets and financial 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 financial liabilities would affect profit or loss and equity.

Fair values of financial assets and financial liabilities are discussed in Note 34.

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 financial performance 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, selling and marketing expenses, and general and administrative expenses and decrease noncurrent assets.

Investment properties, net of accumulated depreciation amounted to P157,998 and P150,922 as of December 31, 2011 and 2010, respectively (Note 12). Property, plant and equipment, net of accumulated depreciation and amortization amounted to P6,836,356 and P6,085,639 as of December 31, 2011 and 2010, respectively (Note 11). Accumulated depreciation and amortization of investment properties and property, plant and equipment amounted to P6,050,550 and P5,655,685 as of December 31, 2011 and 2010, respectively.

Deferred containers net of accumulated amortization included under "Other noncurrent assets" account in the consolidated statements of financial position amounted to P233,584 and P245,860 as of December 31, 2011 and 2010, respectively (Note 14).

Fair Value of Investment Properties. The fair value of investment properties presented for disclosure purposes is based on market values, being the estimated amount for which the properties can be exchanged between a willing buyer and seller in an arm's length transaction, or based on a most recent sale transaction of a similar property within the same vicinity where the investment properties are located.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate estimated future cash flows expected to be received from leasing out the properties. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Estimated fair values of investment properties amounted to P235,100 as of March 5, 2010 (Note 12).

Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting 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 assets 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 P560,734 and P166,692 as of December 31, 2011 and 2010, respectively (Note 18).

Impairment of Non-financial Assets. PFRS require that an impairment review be performed on property, plant and equipment, investment properties, containers and idle assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amount 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 amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

There were no impairment losses on property, plant and equipment, investment properties and other non-financial assets recognized as at December 31, 2011, 2010 and 2009. The aggregate amount of property, plant and equipment, investment properties, containers and idle assets amounted to P7,241,970 and P6,497,692 as of December 31, 2011 and 2010, respectively (Notes 11, 12 and 14).

Present Value of Defined Benefit Obligation. The present value of the retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 29 to the consolidated financial statements and include discount rate, expected return on plan assets and future 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 obligation. 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 obligation 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 retirement obligation.

The Group has a net cumulative unrecognized actuarial gains (losses) amounting to (P207,441) and P62,222 as of December 31, 2011 and 2010, respectively (Note 29).

Asset Retirement Obligation. Determining asset retirement obligation requires estimation of the cost of dismantling, property, plant 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, 2011 and 2010.

5. Segment Information

Operating Segments

The reporting format of the Group's operating segments is determined by the Group's risk and rates of return which are affected predominantly by differences in the products produced. The operating businesses are organized and managed separately according to geographical location, with each segment representing a strategic business unit that offers different products and serves different markets. With the acquisition of San Miguel Beverages Inc.'s (SMBI) assets in 2008, the Parent Company ventured back into the manufacturing and distribution of nonalcoholic beverages.

The Group is organized into two major operating segments namely alcoholic and nonalcoholic beverages.

The alcoholic segment produces and markets alcoholic beverages.

The nonalcoholic segment is involved in the production and marketing of nonalcoholic beverages.

For each of the operating segments, the Group's President (the chief operating decision maker) reviews internal management reports on at least monthly basis.

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 impairment. Segment liabilities include all operating liabilities and consist principally of accounts payable, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

Major Customer

The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues of the Group.

Financial information about operating segments follow:

	For the Years Ended December 31, 2011, 2010 and 2009								
	Alcoholic			Nonalcoholic			Total		
	2011	2010	2009	**2011**	2010	2009	**2011**	2010	2009
Sales									
External sales	**P14,470,899**	P21,854,906	P18,680,390	**P641,697**	P833,238	P868,201	**P15,112,596**	P22,688,144	P19,548,591
Result									
Segment result	**(P731,532)**	P1,619,987	P1,718,962	**(P210,890)**	(P175,675)	(P665,795)	**(P942,422)**	P1,444,312	P1,053,167
Interest expense							**(446,984)**	(305,005)	(197,505)
Interest income							**4,025**	6,999	5,332
Other income - net							**36,060**	190,353	186,728
Income tax expense (benefit)							**(367,161)**	422,805	346,470
Net income (loss)							**(P982,160)**	P913,854	P701,252
Other Information									
Segment assets	**P17,424,402**	P16,811,712	P12,890,072	**P788,017**	P1,005,028	P1,123,025	**P18,212,419**	P17,816,740	P14,013,097
Intangible asset							**58,834**	61,804	60,766
Other noncurrent assets							**737,464**	695,685	714,415
Deferred tax assets							**541,055**	108,939	145,349
Consolidated total assets							**P19,549,772**	P18,683,168	P14,933,627
Segment liabilities	**P2,171,020**	P2,604,934	P1,931,165	**P108,677**	P257,912	P363,131	**P2,279,697**	P2,862,846	P2,294,296
Notes payable							**7,931,093**	5,053,614	3,849,094
Long-term debt - net of debt issue costs							**1,790,821**	1,925,736	532,936
Finance lease liabilities							**391**	1,809	16,571
Other noncurrent liabilities							**91,203**	-	-
Income and other taxes payable							**118,484**	104,197	73,939
Consolidated total liabilities							**P12,211,689**	P9,948,202	P6,766,836
Capital expenditures	**P1,182,775**	P1,177,423	P416,749	**P98**	P12,583	P18,247	**P1,182,873**	P1,190,006	P434,996
Depreciation and amortization							**526,009**	469,510	569,174
Noncash items other than depreciation							**(2,221)**	(43,257)	23,371

6. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2011	2010
Cash in banks and on hand	**P310,803**	P259,420
Short-term investments	**55,313**	163,210
	P366,116	P422,630

Cash in banks earns 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 prevailing short-term investment rates.

7. Trade and Other Receivables

Trade and other receivables consist of:

	Note	2011	2010
Trade		**P1,957,418**	P1,309,227
Non-trade	*32*	**1,046,311**	1,397,407
Amounts owed by related parties	*27*	**281,874**	368,858
		3,285,603	3,075,492
Less allowance for impairment losses		**(108,292)**	(174,124)
		P3,177,311	P2,901,368

Trade receivables are non-interest bearing and are generally on a 30 to 60-day credit term.

Non-trade receivables consist of advances to suppliers and miscellaneous receivables.

The movements in the allowance for impairment losses are as follows:

	2011	2010
Balance at beginning of year	**P174,124**	P192,723
Charges for the year	**178**	1,226
Reversals and others	**(66,010)**	(19,825)
Balance at end of year	**P108,292**	P174,124

As at December 31, 2011 and 2010, the aging of trade and other receivables and the related allowance provided are as follows:

2011	**Trade**	**Non-trade**	**Owed by Related Parties**	**Total**	**Allowance**
Current	**P1,174,052**	**P176,976**	**P24,404**	**P1,375,432**	**P -**
Past due					
Less than 30 days	**107,486**	**87,470**	**18,716**	**213,672**	**-**
30 - 60 days	**87,187**	**71,400**	**4,024**	**162,611**	**-**
61 - 90 days	**101,600**	**8,221**	**32,933**	**142,754**	**-**
Over 90 days	**487,093**	**702,244**	**201,797**	**1,391,134**	**(108,292)**
	P1,957,418	**P1,046,311**	**P281,874**	**P3,285,603**	**(P108,292)**

2010	Trade	Non-trade	Owed by Related Parties	Total	Allowance
Current	P710,012	P665,312	P105,060	P1,480,384	P -
Past due					
Less than 30 days	140,037	172,483	2,221	314,741	-
30 - 60 days	41,132	190,063	1,461	232,656	-
61 - 90 days	31,789	42,579	17,346	91,714	-
Over 90 days	386,257	326,970	242,770	955,997	(174,124)
	P1,309,227	P1,397,407	P368,858	P3,075,492	(P174,124)

Various collaterals for trade receivables such as bank guarantees, time deposit and real estate mortgages are held by the Group for certain credit limits.

a. The Group has settlement arrangements with various terminated dealers for the collection of the outstanding trade receivables over a period from four to fifteen years. The noncurrent portion amounting to P4,780 and P7,494 as of December 31, 2011 and 2010, respectively, is included in trade receivables from terminated dealers under the “Other noncurrent assets” account in the consolidated statements of financial position (Note 14).

b. As of December 31, 2011 and 2010, the Parent Company has outstanding advances to Ginebra San Miguel, Inc. Retirement Plan (GSMIRP) amounting to P137,025, included in amounts owed by related parties under the “Trade and other receivables” account in the consolidated statements of financial position. This represents advance payments for the future contributions of the Parent Company to the defined benefit plan (Note 27).

8. Inventories

Inventories at net realizable value consist of:

	2011	2010
Finished goods	**P2,221,747**	P2,850,022
Materials and supplies	**4,404,525**	4,128,554
Containers	**156,516**	158,867
	P6,782,788	P7,137,443

The costs of finished goods and materials and supplies amounted to P6,701,371 and P7,048,776 as of December 31, 2011 and 2010, respectively.

Containers at deposit value amounted to P156,516 and P158,867 as of December 31, 2011 and 2010, respectively.

The allowance for inventory losses amounted to P75,099 and P70,200 as of December 31, 2011 and 2010, respectively.

9. Prepaid Taxes and Other Current Assets

Prepaid taxes and other current assets consist of:

	Note	**2011**	2010
Prepaid taxes		**P851,081**	P980,670
Derivative assets	*33, 34*	**315**	18,163
Others		**40,454**	62,035
		P891,850	P1,060,868

Prepaid taxes represent prepayments of excise taxes on alcohol and income taxes.

10. Investments in Joint Ventures

Investment in GSMIL

On November 23, 2004, the Parent Company entered into a Share Purchase Agreement (SPA) with Thai Life Group of Companies (the Seller) for the purchase of 40% of the outstanding shares of TSML, a limited company organized under the laws of Thailand. TSML holds a license in Thailand to engage in the business of manufacturing alcohol and manufacturing, selling and distributing brandy, wine and distilled spirits products both for domestic and export markets. On the same date, the Parent Company and the Seller entered into a Joint Venture Agreement covering the ownership and operation of TSML and the joint control, rights, obligations and responsibilities of the Parent Company and the Seller, as stockholders. In November 2004, the Parent Company incorporated GSMIL and subsequently assigned its rights and obligations under the SPA and the joint venture to GSMIL, including its rights to purchase 40% ownership of the outstanding shares of TSML. On December 15, 2004, all the closing conditions for the execution of the SPA were satisfied and the purchase was effected.

On March 9 and December 11, 2009, the Parent Company, through GSMIL acquired additional shares to retain the 40% ownership of the outstanding shares of TSML for a total of THB100,000 (P138,801).

On February 25, April 8 and December 7, 2010, the Parent Company through GSMIL acquired additional shares to retain the 40% ownership of the outstanding shares of TSML for a total of THB160,000 (P227,694).

Investment in GSMIHL

On June 29, 2007, the Parent Company incorporated GSMIHL as a wholly-owned subsidiary. GSMIHL was organized to be the holding company of TGT. TGT, which was formed as another joint venture by the Parent Company with its Thai counterparty, will function as the selling and distribution arm of TSML. The Parent Company, with GSMIHL as its holding company, purchased 40% ownership of the outstanding shares of TGT.

Investments in GBHL and SHL

On August 27, 2008 and September 11, 2008, the Parent Company incorporated GBHL and SHL, respectively, as wholly-owned subsidiaries. The Parent Company subscribed to 1,000 shares of GBHL at par value of US Dollar (US$)1 per share for a total subscription value of US$1 (P45) and 1,000 shares of SHL at par value of US$1 per share for a total subscription value of US$1 (P45). Both entities are established as holding companies for the acquisition of additional investments in TSML and TGT.

On October 14, 2008, the Parent Company through SHL, acquired 24,500 shares representing 49% ownership of the outstanding shares of Siam Wine and Liquor Limited (SWL), a limited company organized under the laws of Thailand, for THB2,000 (P2,800). On the same date, SWL acquired 1,000,000 shares representing 10% ownership of the outstanding capital stock of TSML for THB106,480 (P146,956). The Group's share of this acquisition is THB52,175 (P72,008) for 490,000 shares at THB108.68 per share representing 4.9% ownership. Accordingly, the Group's share in TSML was increased from 40% to 44.9% (Notes 14 and 17).

On October 14, 2008, the Parent Company advanced a total amount of US$3,147 (P146,917) to GBHL. On October 10, 2008, GBHL (Lender) entered into a loan agreement with SWL (Borrower) for the same amount, to finance the latter's working capital requirements and purchase of additional shares in TSML and TGT.

On March 9, 2009 and December 11, 2009, SHL (Lender) entered into a loan agreement with SWL (Borrower) for THB15,000 and THB10,000, respectively, to subscribe to the increase in capital stock of TSML.

On February 25, April 8, and December 7, 2010, SHL (Lender) entered into a loan agreement with SWL (Borrower) for a total of THB40,000 to subscribe to the increase in capital stock of TSML.

Presented below is the Group's share in the assets, liabilities, income and expenses of TSML as of and for the years ended December 31, 2011, 2010 and 2009, which is included in the Group's consolidated financial statements:

	2011	2010	2009
Current assets	**P484,252**	P516,039	P339,302
Noncurrent assets	**806,327**	893,617	893,991
Current liabilities	**424,774**	436,078	408,820
Noncurrent liabilities	**268,874**	309,241	415,041
Revenue	**451,868**	657,135	316,806
Cost of sales	**600,339**	816,542	461,692
Operating expenses	**84,501**	76,285	68,488
Other income	**3,506**	11,977	1,434
Net loss	**229,466**	223,715	211,940

The Group's share in the cash flows of TSML for the years ended December 31, 2011, 2010 and 2009 is as follows:

	2011	2010	2009
Net cash flows used in operating activities	**(P208,985)**	(P373,193)	(P203,941)
Net cash flows provided by investing activities	**87,289**	374	16,558
Net cash flows used in financing activities	**(40,367)**	(105,800)	(110,539)

On October 14, 2008, SWL acquired 5,000 shares representing 10% ownership of the outstanding capital stock of TGT for THB500 (P690). The SHL's share of this acquisition is THB245 (P329) for 2,450 shares at THB100 per share representing 4.9% ownership. Accordingly, the Group's share in TGT was increased from 40% to 44.9%.

Presented below is the Group's share in the assets, liabilities, income and expenses of TGT as of and for the years ended December 31, 2011, 2010 and 2009, which is included in the Group's consolidated financial statements:

	2011	2010	2009
Current assets	**P65,375**	P50,903	P110,865
Noncurrent assets	**2,725**	14,464	29,819
Current liabilities	**13,673**	15,131	20,445
Noncurrent liabilities	**56**	1,622	16,064
Revenue	**171,383**	231,686	229,909
Cost of sales	**2,210**	17,106	56,397
Operating expenses	**83,476**	110,684	96,088
Other income	**624**	703	1,853
Net income	**86,321**	104,599	79,277

The Group's share in the cash flows of TGT for the years ended December 31, 2011, 2010 and 2009 is as follows:

	2011	2010	2009
Net cash flows provided by operating activities	**P70,391**	P159,246	P109,051
Net cash flows provided by investing activities	**11,739**	15,355	13,900
Net cash flows used in financing activities	**(1,565)**	(14,442)	(13,211)

11. Property, Plant and Equipment

The movements in property, plant and equipment are as follows:

	Land and Land Improvements	Buildings and Building Improvements	Transportation Equipment	Machinery and Equipment	Furniture, Fixtures and Office Equipment	Other Equipment	Construction in Progress	Total
Cost:								
December 31, 2009	P636,259	P1,194,210	P216,408	P6,834,974	P109,724	P549,370	P459,708	P10,000,653
Additions	-	-	-	-	-	-	1,190,006	1,190,006
Disposals/reclassifications	20,630	28,944	6,226	331,261	(23,837)	47,480	(560,538)	(149,834)
Currency translation adjustments	8,230	5,888	2,123	26,438	434	364	258	43,735
December 31, 2010	665,119	1,229,042	224,757	7,192,673	86,321	597,214	1,089,434	11,084,560
Additions	-	-	-	-	-	-	1,182,873	1,182,873
Disposals/reclassifications	271,922	248,616	18,349	1,374,902	32,097	105,404	(2,039,270)	12,020
Currency translation adjustments	(8,481)	(6,005)	(1,158)	(26,598)	(423)	(522)	(43)	(43,230)
December 31, 2011	**928,560**	**1,471,653**	**241,948**	**8,540,977**	**117,995**	**702,096**	**232,994**	**12,236,223**
Accumulated depreciation and amortization:								
December 31, 2009	170,477	470,970	137,654	3,300,087	86,754	448,111	-	4,614,053
Additions	16,057	30,767	26,825	292,957	9,992	32,647	-	409,245
Disposals/reclassifications	(9,488)	(1,490)	(11,324)	6,799	(42,881)	26,483	-	(31,901)
Currency translation adjustments	1,156	691	1,215	4,100	251	111	-	7,524
December 31, 2010	178,202	500,938	154,370	3,603,943	54,116	507,352	-	4,998,921
Additions	18,311	41,894	29,610	326,175	21,218	44,736	-	481,944
Disposals/reclassifications	(10,252)	(1,358)	(50,564)	13,330	(1,427)	(21,289)	-	(71,560)
Currency translation adjustments	(1,278)	(981)	(841)	(5,833)	(321)	(184)	-	(9,438)
December 31, 2011	**184,983**	**540,493**	**132,575**	**3,937,615**	**73,586**	**530,615**	**-**	**5,399,867**
Net book value:								
December 31, 2010	P486,917	P728,104	P70,387	P3,588,730	P32,205	P89,862	P1,089,434	P6,085,639
December 31, 2011	**P743,577**	**P931,160**	**P109,373**	**P4,603,362**	**P44,409**	**P171,481**	**P232,994**	**P6,836,356**

Additions amounting to P1,182,873 pertain to acquisitions of a bottling facility in Calamba, Laguna and of a cassava alcohol facility located at DBI plant.

Property, plant and equipment include unutilized machinery and equipment consisting of distillation equipment of the Parent Company stored in DBI plant. Net carrying amounts of unutilized machinery and equipment amounted to P197,360 and P201,493 as of December 31, 2011 and 2010, respectively, net of accumulated impairment losses of P269,600 as of those dates.

Depreciation and amortization charged to operations amounted to P481,944, P409,245 and P511,316 in 2011, 2010, and 2009, respectively (Note 23). These amounts include annual amortizations of capitalized interest amounting to P9,658, P8,664 and P8,260 in 2011, 2010 and 2009, respectively.

Interest amounting to P20,637 and P14,916 were capitalized to machinery and equipment in 2011 and 2010, respectively (Note 25). The capitalization rate used to determine the amount of interest eligible for capitalization was 4.97% in 2011 and 5.73% in 2010. As of December 31, 2011 and 2010, the unamortized capitalized borrowing costs amounted to P84,359 and P73,380, respectively.

12. Investment Properties

This account consists of a bottling plant, which includes land and land improvements, buildings and building improvements, machinery and equipment, and other equipment leased by a third party under an operating lease agreement (Note 28).

The movements in investment properties are as follows:

	Land and Land Improvements	Buildings and Building Improvements	Machinery and Equipment	Other Equipment	Total
Cost:					
December 31, 2009 and 2010	P49,297	P116,300	P632,842	P9,247	P807,686
Reclassifications	-	-	995	-	995
December 31, 2011	**49,297**	**116,300**	**633,837**	**9,247**	**808,681**
Accumulated depreciation and amortization:					
December 31, 2009	17,497	63,985	554,738	9,247	645,467
Additions	31	4,195	7,071	-	11,297
December 31, 2010	17,528	68,180	561,809	9,247	656,764
Additions	31	2,828	3,512	-	6,371
Reclassifications	(1)	-	(12,451)	-	(12,452)
December 31, 2011	**17,558**	**71,008**	**552,870**	**9,247**	**650,683**
Net book value:					
December 31, 2010	P31,769	P48,120	P71,033	P -	P150,922
December 31, 2011	**P31,739**	**P45,292**	**P80,967**	**P -**	**P157,998**

Depreciation charged to operations amounted to P6,371 and P11,297 for the years ended December 31, 2011 and 2010, respectively. (Note 23).

As of March 5, 2010, the fair values of investment properties as determined by an independent firm of appraisers amounted to P235,100. Fair value is based on the estimated market value of the land using the gathered available market evidences and depreciated replacement cost for other assets which have no available market evidences.

13. Intangible Asset

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

	2011	2010
Balance at beginning of year	**P61,804**	P60,766
Write-off	**(397)**	(1,566)
Currency translation adjustments	**(2,573)**	2,604
Balance at end of year	**P58,834**	P61,804

The Parent Company assessed that the license of TSML to manufacture liquor is an intangible asset with an indefinite useful life since the license allows the Group to operate liquor business in Thailand indefinitely. In addition, the Parent Company and its joint venture partner intend to be in such business indefinitely.

The TSML license is reviewed for impairment at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the indefinite intangible asset is allocated. Estimating the value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate to calculate the present value of those cash flows.

Management assessed that there is no impairment loss in value of the license for the years ended December 31, 2011, 2010 and 2009.

14. Other Noncurrent Assets

Other noncurrent assets consist of:

	Note	2011	2010
Deferred containers - net	*4*	**P233,584**	P245,860
Trade receivables referred to legal counsel	*33, 34*	**34,371**	95,820
Trade receivables from terminated dealers - net of current portion	*7, 33, 34*	**4,780**	7,494
Advances	*10, 27, 33, 34*	**242,915**	242,915
Deposits and others	*33, 34*	**221,814**	103,596
		P737,464	P695,685

Deferred containers pertain to containers acquired from SMBI as part of the 2008 asset purchase agreement (Note 27).

Advances represent outstanding amounts granted to external suppliers.

Deposits and others include (a) idle assets with carrying amount of P14,032 and P15,271 as of December 31, 2011 and 2010, respectively; (b) input taxes on the acquisition of SMBI property, plant and equipment amounting to P53,709 and P47,440 as of December 31, 2011 and 2010, respectively; and (c) advances by the Parent Company to TSML amounting to P118,393 as of December 31, 2011.

15. Notes Payable

This account consists of unsecured short-term peso-denominated borrowings obtained from local banks for working capital requirements. These loans mature in three months or less and bear annual interest rates ranging from 4% to 7% and 3% to 5% in 2011 and 2010, respectively.

This account also includes 44.9% of the unsecured short-term Thailand Baht-denominated borrowings of TSML which were obtained from banks for working capital requirements. These loans mature in three months or less and bear annual interest ranging from 2% to 5% in 2011 and 2% to 3% in 2010.

Interest expense on notes payable amounted to P324,646, P246,665 and P169,770 in 2011, 2010 and 2009, respectively (Note 25).

The Group's exposure to interest rate, foreign currency and liquidity risks are discussed in Note 33.

16. Trade and Other Payables

Trade and other payables consist of:

	Note	**2011**	2010
Trade		**P1,646,791**	P2,020,767
Amounts owed to related parties	*27*	**623,243**	829,595
Finance lease liabilities - current portion	*28*	**391**	11,099
Derivative liabilities	*33,34*	**3,619**	1,177
		P2,274,044	P2,862,638

Credit term of trade payables is generally 30 days.

17. Long-term Debt

Long-term debt consists of the following:

a) The Parent Company recognizes 44.9% of the unsecured, long-term, interest-bearing loan of TSML from Thai local and foreign banks used to finance TSML's plant construction and start-up operations. This loan is carried at amortized cost. It bears annual interest rate at the aggregate of applicable Thailand Baht floating-rate fix (THBFIX) and 1.75% per annum. TSML and the creditor entered into an agreement that changed the rate of interest to a fixed rate of 6.41% for the period of January 1 to June 30, 2010. The loan is payable every six (6) months at 5% and 10%, respectively of the outstanding loan facilities starting March 14, 2009.

   As of December 31, 2011 and 2010, the carrying amount of the loan is as follows:

	2011	2010
Principal - net of debt issue cost	**P432,616**	P532,936
Payment	**(121,308)**	(121,417)
Amortization of debt issue cost	**444**	444
Cumulative translation adjustment and others	**(15,622)**	20,653
	296,130	432,616
Less current maturities	**118,403**	123,563
	P177,727	P309,053

   The debt agreement contains, among others, covenants relating to merger and consolidation, maintenance of certain financial ratios, restriction on loans and guarantees, disposal of a substantial portion of assets and significant changes in the general nature of business.

   The movements in debt issue cost are as follows:

	2011	2010
Balance at beginning of year	**P1,407**	P1,791
Amortization	**(444)**	(444)
Cumulative translation adjustments and others	**(23)**	60
Balance at end of year	**P940**	P1,407

Repayment Schedule
As of December 31, 2011, the annual maturities of this long-term debt are as follows:

Year	Gross Amount	Debt Issue Cost	Net
2012	P118,828	P425	P118,403
2013	118,828	425	118,403
2014	59,414	90	59,324
	P297,070	**P940**	**P296,130**

b) On May 25, 2010, the Parent Company entered into unsecured long-term, interest bearing loans from a local bank amounting to P1,500,000 for the purpose of funding its permanent working capital requirements. On May 31 and August 25, 2010, P300,000 and P1,200,000, respectively, was drawn down from the said credit facility. These loans are carried at amortized cost and bear annual interest rates at Philippine peso fixed-rate of 7.89% and 7.25%, respectively. The loans are payable in equal semi-annual installments which will commence in 2012.

As of December 31, 2011, the annual maturities of this long-term debt are as follows:

Year	Gross Amount	Debt Issue Cost	Net
2012	P257,143	P1,572	P255,571
2013	428,571	1,571	427,000
2014	428,571	1,571	427,000
2015	385,715	595	385,120
	P1,500,000	**P5,309**	**P1,494,691**

18. Income Taxes

Deferred tax assets and liabilities arise from the following:

	2011	2010
Deferred tax assets:		
NOLCO	**P329,020**	P1,650
Impairment losses on non-operating machinery and equipment	**83,448**	83,448
MCIT	**64,558**	-
Allowance for impairment losses on receivables	**52,237**	52,237
Allowance for write-down of inventories to net realizable value	**20,971**	21,060
Past service cost	**4,084**	4,975
Retirement liability - net	**2,242**	-
Derivative liabilities - net	**991**	-
Others	**3,183**	3,322
	560,734	166,692
Deferred tax liabilities:		
Unrealized foreign exchange gain	**(562)**	(13,345)
Unamortized capitalized borrowing costs	**(19,117)**	(22,014)
Derivative assets - net	**-**	(5,096)
Retirement asset - net	**-**	(17,298)
	(19,679)	(57,753)
	P541,055	P108,939

The details of the Group's NOLCO are as follows:

Year Incurred	Amount	Expired	Balance	Expiry Date
2011	P1,091,311	P -	P1,091,311	December 31, 2014
2010	2	-	2	December 31, 2013
2009	5,420	-	5,420	December 31, 2012
	P1,096,733	**P -**	**P1,096,733**	

The components of income tax expense (benefit) are shown below:

	2011	2010	2009
Current	**P536**	P386,256	P179,617
Deferred	**(367,697)**	36,549	166,853
	(P367,161)	P422,805	P346,470

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

	2011	2010	2009
Statutory income tax rate	**30.00%**	30.00%	30.00%
Increase (decrease) in income tax rate resulting from:			
Interest income subjected to final tax	**(0.1)**	(0.2)	(0.2)
Nondeductible expenses and others	**(2.70)**	1.80	3.30
Effective income tax rate	**27.20%**	31.60%	33.10%

19. Equity

Common Stock

As of December 31, 2011 and 2010, the Parent Company has 460,000,000 authorized common shares with par value of P1 per share. The holders of common shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Parent Company.

As of December 31, 2011, the Parent Company has a total of 1,129 stockholders.

The movements in the number of issued and outstanding common shares are as follows:

	2011	2010
Balance at beginning of year	**342,985,932**	336,950,232
Issuances during the year	**2,639,400**	6,035,700
Issued shares at end of year	**345,625,332**	342,985,932
Less treasury shares	**55,549,391**	55,549,391
Issued and outstanding shares at end of year	**290,075,941**	287,436,541

Preferred Stock
As of December 31, 2011 and 2010, the Parent Company has 100,000,000 authorized preferred shares with par value of P1 per share. The holders of preferred shares are entitled to participate and receive annual dividends of P1.50 per share which shall be cumulative and payable in arrears on December 31 of each year. In addition, the holders of preferred shares shall receive a special annual dividend equal to the excess of the aggregate dividends paid or to be paid to common shareholders over P1.50 per preferred share per annum.

The holders of preferred shares are entitled to vote in the same manner as the holders of common shares.

As of December 31, 2011 and 2010, the Parent Company has 32,786,885 outstanding preferred shares.

Treasury Shares
Details of treasury shares as of December 31, 2011 and 2010 are as follows:

	Number of Shares
Preferred	20,650,700
Common	55,549,391

Unappropriated Retained Earnings
Annual dividends amounting to P482,014, P476,081 and P470,978 (P1.50 per share) were declared by the Parent Company in 2011, 2010, and 2009, respectively. Of this amount, P49,180 (P1.50 per share) relates to preferred dividends for each of the years.

The unappropriated retained earnings balance is restricted to the extent of: (a) the acquisition price of the treasury shares amounting to P2,579,409 as of December 31, 2011 and 2010; and (b) the undistributed net earnings of the subsidiaries and joint ventures amounting to P200,255 in 2011, P143,374 in 2010 and P39,730 in 2009. Undistributed earnings of the subsidiaries and joint ventures are not available for dividends until declared by the respective investees.

Under the Corporation Code of the Philippines (the Code), stock corporations are prohibited from retaining surplus profits in excess of 100% of their paid-up capital stock except when justified by any of the reasons mentioned in the Code. As of December 31, 2010, unappropriated retained earnings were in excess of the paid-up capital.

On November 11, 2010, the BOD approved P1,200,000 appropriation for the Parent Company's capital expenditures which include, among others, distillery replacement and maintenance projects and bottling plants' building and equipment rehabilitation and maintenance.

20. Cost of Sales

Cost of sales consists of:

	Note	2011	2010	2009
Inventories used		**P9,918,414**	P15,045,165	P13,280,714
Utilities and supplies		**700,366**	912,612	532,642
Outside services	*35*	**602,401**	880,878	523,870
Depreciation and amortization	*11, 12, 23*	**290,676**	279,669	279,943
Personnel expenses	*24*	**164,630**	181,901	222,504
Rent	*28*	**159,779**	100,943	151,703
Repairs and maintenance		**105,417**	131,542	109,231
Insurance		**10,266**	7,589	10,703
Research costs		**5,406**	7,638	3,549
Others		**17,980**	31,200	28,968
		P11,975,335	P17,579,137	P15,143,827

21. Selling and Marketing Expenses

Selling and marketing expenses consist of:

	Note	2011	2010	2009
Advertising and promotions		**P1,293,074**	P1,063,964	P908,212
Delivery and marketing		**552,889**	635,418	579,904
Personnel expenses	*24*	**245,513**	222,109	169,554
Outside services		**79,739**	80,777	23,980
Utilities and supplies		**75,462**	58,198	34,911
Rent	*28*	**71,281**	73,529	13,907
Research costs		**39,740**	24,420	12,889
Depreciation and amortization	*11, 12, 23*	**32,754**	30,423	21,296
Travel and transportation		**31,242**	31,319	27,412
Repairs and maintenance		**28,660**	28,395	18,385
Corporate special program		**22,910**	24,651	12,047
Impairment losses on receivables	*7*	**79**	1,226	29,869
Others		**18,201**	9,246	9,255
		P2,491,544	P2,283,675	P1,861,621

22. General and Administrative Expenses

General and administrative expenses consist of:

	Note	**2011**	2010	2009
Personnel expenses	*24*	**P664,007**	P455,956	P353,789
Outside services	*27*	**269,825**	270,199	504,911
Depreciation and amortization	*11, 12,23*	**202,579**	159,418	267,935
Taxes and licenses		**113,640**	93,621	88,797
Insurance		**75,384**	54,494	35,047
Rent	*28*	**61,936**	94,449	22,760
Corporate special program		**50,363**	81,626	56,204
Repairs and maintenance		**39,147**	39,086	35,576
Utilities and supplies		**36,226**	38,672	42,054
Travel and transportation		**20,079**	57,770	53,518
Research costs		**6,758**	18,066	11,678
Impairment losses on receivables	*7*	**99**	-	-
Others		**48,096**	17,663	17,707
		P1,588,139	P1,381,020	P1,489,976

23. Depreciation and Amortization

Depreciation and amortization consist of:

	Note	**2011**	2010	2009
Property, plant and equipment	*11*	**P481,944**	P409,245	P511,316
Pallets		**36,080**	46,737	45,166
Investment properties	*12*	**6,371**	11,297	11,297
Others		**1,614**	2,231	1,395
		P526,009	P469,510	P569,174

Depreciation and amortization are distributed as follows:

	Note	**2011**	2010	2009
Cost of sales	*20*	**P290,676**	P279,669	P279,943
Selling and marketing expenses	*21*	**32,754**	30,423	21,296
General and administrative expenses	*22*	**202,579**	159,418	267,935
		P526,009	P469,510	P569,174

24. Personnel Expenses

Personnel expenses consist of:

	Note	**2011**	2010	2009
Salaries and wages		**P416,952**	P414,186	P410,186
Employee benefits		**593,492**	455,427	334,958
Retirement costs (benefits)	*29*	**63,706**	(9,647)	703
		P1,074,150	P859,966	P745,847

Personnel expenses are distributed as follows:

	Note	**2011**	2010	2009
Cost of sales	*20*	**P164,630**	P181,901	P222,504
Selling and marketing expenses	*21*	**245,513**	222,109	169,554
General and administrative expenses	*22*	**664,007**	455,956	353,789
		P1,074,150	P859,966	P745,847

25. Interest Expense

Interest expense consists of:

	Note	**2011**	2010	2009
Interest on notes payable	*15*	**P324,646**	P246,665	P169,770
Interest on long-term debt	*17*	**142,975**	73,256	33,800
Capitalized borrowing costs	*11*	**(20,637)**	(14,916)	(6,065)
		P446,984	P305,005	P197,505

26. Other Income

Other income and charges consist of:

	Note	**2011**	2010	2009
Other income:				
Sale of cassava chips and ENA crystalline		**P140,076**	P -	P -
Sale of scrap		**50,263**	47,687	14,729
Rent income	*28*	**7,500**	18,000	18,000
Foreign exchange gain - net		**2,399**	44,483	6,498
Gain on sale of property and equipment		**154**	323	-
Gain on derivatives	*34*	**-**	70,984	167,363
Others		**2,357**	12,329	-
		202,749	193,806	206,590

Forward

	Note	**2011**	2010	2009
Other charges:				
Cost of cassava chips and ENA crystalline		**P148,436**	P -	P -
Loss on derivatives	*34*	**18,253**	-	-
Loss on purchase agreement		**-**	2,821	-
Loss on sale/disposal of property and equipment		**-**	-	19,859
Others		**-**	632	3
		166,689	3,453	19,862
		P36,060	P190,353	P186,728

27. Related Party Transactions

The Group, in the normal course of business, purchases products and services from and sells products to related parties. Transactions with related parties are made on an arm's length basis at normal market prices.

	2011	2010	2009
Sales to related parties:			
SMC Shipping and Lighterage Corporation	**P93,967**	P -	P -
San Miguel Pure Foods Company, Inc. and subsidiaries	**34,471**	120,673	481,222
SMC	**21,371**	-	413,043
Petron Corporation	**11,224**	1,900	-
San Miguel Yamamura Packaging Corporation	**7,716**	-	-
SMC Global Power Holdings Corp. and subsidiaries	**1,170**	-	-
San Miguel Brewery, Inc.	**752**	2,022	-
San Miguel Yamamura Asia Corporation	**516**	-	-
Others	**356**	-	-
	P171,543	P124,595	P894,265

	2011	2010	2009
Purchases from related parties:			
SMC Shipping and Lighterage Corporation	**P1,763,671**	P694,347	P673,651
Petron Corporation	**673,865**	893,191	-
San Miguel Yamamura Asia Corporation	**650,827**	1,035,540	1,070,918
SMC	**440,686**	351,301	329,152
San Miguel Yamamura Packaging Corporation	**327,575**	531,984	788,401
SMITS, Inc.	**45,497**	38,417	26,580
Manila Electric Company	**23,789**	43,217	30,253
San Miguel Brewery, Inc.	**17,137**	11,871	14,422
Archen Technologies, Inc.	**11,872**	5,240	4,179
San Miguel Pure Foods Company, Inc. and subsidiaries	**-**	37,090	-
San Miguel Paper Packaging Corporation	**-**	2,295	171,591
San Miguel Properties, Inc.	**-**	722	9,785
Anchor Insurance Brokerage Corporation	**-**	596	1,319
SMBI	**-**	-	112,250
Others	**817**	929	6,520
	P3,955,736	P3,646,740	P3,239,021

As of December 31, 2011 and 2010, the outstanding balances of related party receivables and payables are as follows:

	2011	2010
Receivables from related parties:		
GSMIRP	**P137,025**	P137,025
TSML	**118,393**	-
SMBI	**36,927**	36,927
San Miguel Pure Foods Company, Inc. and subsidiaries	**32,344**	53,007
SMC	**29,613**	30,198
SMC Shipping and Lighterage Corporation	**16,206**	104,097
San Miguel Yamamura Packaging Corporation	**11,755**	1,131
San Miguel Brewery, Inc.	**6,643**	5,060
Petron Corporation	**4,831**	-
SMC Global Power Holdings Corporation	**3,119**	-
San Miguel Yamamura Asia Corporation	**888**	-
Others	**2,523**	1,413
	P400,267	P368,858

	2011	2010
Payables to related parties:		
Petron Corporation	**P147,023**	P55,875
SMC Shipping and Lighterage Corporation	**140,186**	206,433
San Miguel Yamamura Asia Corporation	**137,332**	163,975
SMC	**118,987**	95,259
San Miguel Pure Foods Company, Inc. and subsidiaries	**35,954**	53,332
San Miguel Yamamura Packaging Corporation	**31,727**	228,744
SMITS, Inc.	**6,349**	15,395
San Miguel Brewery, Inc.	**2,932**	5,809
Archen Technologies, Inc.	**2,353**	159
Others	**400**	4,614
	P623,243	P829,595

The Group, in the normal course of business, has significant transactions with related parties pertaining to purchases of containers, bottles and other packaging materials and sale of liquor and by-products. Other transactions with related parties include management fees and transfers of property and equipment. Management fees for the years ended December 31, 2011, 2010 and 2009 amounting to P179,234, P189,054 and P331,332, respectively, are included in outside services account under "General and administrative expenses" (Note 22).

The sales to and purchases from related parties are made at market prices. Outstanding balances as of December 31, 2011 and 2010 are unsecured, interest-free and settlement are made in cash. There have been no guarantees provided or received for any related party receivables or payables. The Group has not made any provision for impairment losses relating to receivables from related parties for the years ended December 31, 2011, 2010 and 2009. This assessment is undertaken annually by management through examination of the financial position of the related parties and the market in which the related parties operate.

Compensation of Key Management Personnel of the Group

	2011	2010	2009
Short-term employee benefits	**P41,524**	P42,016	P25,298
Retirement costs (benefits)	**9,109**	(1,675)	(491)
Share-based payments	**1,200**	851	666
	P51,833	P41,192	P25,473

28. Leasing Agreements

Finance Leases

Group as Lessee

In 2008, TSML and TGT entered into various finance lease agreements with a Thai bank covering automobiles needed for business operations. As of December 31, 2011 and 2010, the Group's share in the carrying amount of leased transportation equipment amounted to P619 and P12,503, respectively (Note 11).

The Group's share in the minimum lease payments for these finance lease liabilities are as follows:

2011

	Minimum Lease Payable	**Interest**	**Principal**
Within one year	**P400**	**P9**	**P391**

2010

	Minimum Lease Payable	Interest	Principal
Within one year	P14,571	P3,472	P11,099
After one year but not more than five years	2,344	535	1,809
	P16,915	P4,007	P12,908

Operating Lease

Group as Lessor

The Parent Company leases out its investment properties under an operating lease agreement to a third party lessee for a period of five years (Note 12). The lease agreement has been terminated on June 24, 2011.

As of December 31, 2010 and 2009, the future minimum lease receivable under such lease are as follows:

	2010	2009
Within one year	P7,500	P18,000
After one year but not more than five years	-	7,500
	P7,500	P25,500

Rent income recognized in the consolidated statements of income with respect to this lease amounted to P7,500 for the year ended December 31, 2011 and P18,000 for the years ended December 31, 2010 and 2009 (Note 26).

Group as Lessee

The Parent Company leases various warehouse facilities under operating leases. These leases typically run for a period of one (1) year. The Parent Company has the option to renew the lease after expiration of the lease term. Rent expense charged to profit or loss amounted to P292,996, P268,921 and P188,370 in 2011, 2010 and 2009, respectively.

29. Retirement Plans

The Parent Company and DBI have separate funded, noncontributory retirement plans covering all of their respective 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, 2011. Valuations are obtained on a periodic basis.

Retirement cost (benefits) recognized by the Parent Company in profit or loss amounted to P62,099, (P11,930) and (P6,573) in 2011, 2010 and 2009, respectively, while those charged by DBI amounted to P1,607, P2,283 and P7,276 in 2011, 2010 and 2009, respectively. The Group's annual contribution to the retirement plans consists of payments covering the current service cost and amortization of past service costs.

The components of retirement cost recognized in the consolidated statements of income in 2011, 2010 and 2009 are as follows:

	2011	2010	2009
Current service cost	**P36,559**	P31,751	P22,665
Interest cost	**47,878**	44,066	36,369
Past service cost-non vested benefits	**231**	231	1,374
Expected return on plan assets	**(20,962)**	(53,218)	(30,451)
Amortization of actuarial gain	**-**	(32,477)	(32,685)
Past service cost-vested benefits	**-**	-	3,431
Net retirement costs (benefit)	**P63,706**	(P9,647)	P703
Actual return on (losses from) plan assets	**(P35,317)**	P208,431	P160,227

The past service cost-vested and non vested resulted from the transfer of SMC executive employees to the Parent Company in April 2008. The related past service cost from the previous retirement plan of the transferred employees was carried to the retirement plan of the Parent Company. The non vested past service cost is amortized for two (2) years.

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

	Note	**2011**	2010	2009
Cost of sales	*20*	**P9,109**	P -	P5,456
Selling and marketing expenses	*21*	**11,460**	-	6,078
General and administrative expenses	*22*	**43,137**	(9,647)	(10,831)
		P63,706	(P9,647)	P703

The reconciliation of the asset and liability recognized in the consolidated statements of financial position is as follows:

	2011			2010		
	GSMI	**DBI**	**Total**	GSMI	DBI	Total
Present value of defined benefit obligation	**P837,637**	**P51,322**	**P888,959**	P574,026	P38,490	P612,516
Fair value of plan assets	**632,608**	**42,866**	**675,474**	692,999	39,170	732,169
	205,029	**8,456**	**213,485**	(118,973)	(680)	(119,653)
Unrecognized past service cost- non vested	**-**	**-**	**-**	-	(231)	(231)
Unrecognized actuarial gains (losses)	**(200,800)**	**(6,641)**	**(207,441)**	61,103	1,119	62,222
Retirement liability (asset)	**P4,229**	**P1,815**	**P6,044**	(P57,870)	P208	(P57,662)

Retirement benefits are presented as separate line items in the consolidated financial statements. Retirement liability (asset) recognized by the Parent Company amounted to P4,229 and (P57,870) as of December 31, 2011 and 2010, respectively, while those recognized by DBI amounted to P1,815 and P208 as of December 31, 2011 and 2010, respectively.

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

	2011	2010
Balance at beginning of year	**P612,516**	P498,514
Actuarial losses	**213,384**	69,609
Interest cost	**47,878**	44,066
Current service cost	**36,559**	31,751
Benefits paid	**(21,378)**	(31,424)
Balance at end of year	**P888,959**	P612,516

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

	2011	2010
Balance at beginning of year	**P732,169**	P540,610
Expected return on plan assets	**20,962**	53,218
Benefits paid	**(21,378)**	(31,424)
Actuarial gains (losses)	**(56,279)**	155,213
Contributions by employer	**-**	14,552
Balance at end of year	**P675,474**	P732,169

Plan assets consist of the following:

	In Percentages	
	2011	2010
Fixed income portfolio	**47**	40
Stock trading portfolio	**53**	60
	100	100

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	
	2011	2010
Discount rate	**6**	8
Expected rate of return on plan assets	**9**	10
Salary increase rate	**7**	8

The historical information for the current and previous four annual periods is as follows:

	2011	2010	2009	2008	2007
Present value of the defined benefit obligation	**P888,959**	P612,516	P498,514	P350,424	P139,388
Fair value of plan assets	**675,474**	732,169	540,610	296,299	206,920
Surplus (deficit) in the plan	**(213,485)**	119,653	42,096	(54,125)	67,532
Experience adjustments on plan liabilities	**213,384**	69,609	40,770	(16,550)	(5,768)
Experience adjustments on plan assets	**(56,279)**	(155,213)	(129,776)	(106,841)	5,260

The Group does not expect to pay any contribution to the defined benefit plans in 2012.

30. Cash Dividends

Cash dividends declared by the Parent Company's BOD to common and preferred shareholders amounted to P1.50 per share in 2011 and 2010.

31. Basic and Diluted Earnings (Loss) Per Share

Basic and diluted Earnings (Loss) Per Share is computed as follows:

	2011	2010	2009
Net income (loss)	**(P982,160)**	P913,854	P701,252
(a) Less dividends on preferred shares: Guaranteed	**49,180**	49,180	49,180
(b) Net income (loss) available to common shares	**(P1,031,340)**	P864,674	P652,072
Common shares outstanding at beginning of year	**287,436,541**	281,400,841	281,245,341
Weighted average number of shares issued during the year	**2,419,450**	3,687,367	96,208
(c) Weighted average number of common shares outstanding - basic and diluted	**289,855,991**	285,088,208	281,341,549
Basic and Diluted Earnings (Loss) Per Share (b/c)	**(P3.56)**	P3.03	P2.32

32. Share-Based Payment Transactions

ESPP

Under the ESPP implemented in January 2008, 3 million common shares (inclusive of stock dividends declared or stock splits) of the Parent Company's unissued common shares have been reserved for the employees of the Group until 2013. A participating employee may acquire at least 500 shares of stock through payroll deductions. On August 7, 2009, the BOD approved the increase in the maximum number of shares that may be subscribed per employee from 5,000 to 15,000 shares.

All full-time and permanent 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 weighted average market closing prices of the last quarter immediately preceding the subscription period.

The ESPP requires the shares subscribed 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. Subscriptions receivable as of December 31, 2011 and 2010 amounted to P158,049 and P125,980, respectively, presented as part of "Non-trade" under "Trade and other receivables" account in the consolidated statements of financial position (Note 7).

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 revert to the pool of shares available under the ESPP.

The number of subscribed shares and weighted average exercise price under the ESPP as of December 31, 2011 and 2010 are 2,639,400 at P26.01 and 6,035,700 at P22.52, respectively.

The average market price of the shares granted was P30.60, P26.49 and P21.75 per share in 2011, 2010 and 2009, respectively.

The average remaining contractual life of the ESPP was 2 years as of December 31, 2011.

LTIP

SMC maintains LTIP for executives of its subsidiaries, including the Group. The options are exercisable at the fair market value of SMC shares as of date of grant, with adjustments depending on the average stock prices of the prior three months. A total of 8 million shares are reserved for LTIP over its 8-year life. The LTIP is administered by the Executive Compensation Committee of SMC's BOD.

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.

The outstanding number of shares available under LTIP is 47,759 shares with weighted average exercise price of P18.22 per share as at December 31, 2011 and 2010.

The SMC's LTIP granted to the executives of the Group have fully vested in 2001. There were no changes in the terms and conditions of the SMC LTIP during the year.

There were no new LTIP stock options granted to the executives of the Group in 2011.

33. Financial Risk Management Objectives and Policies

Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Interest Rate Risk
- Foreign Currency Risk
- Commodity Price Risk
- Liquidity Risk
- Credit Risk

This note presents information about the Group's exposure to each of the foregoing risks, the Group's objectives, policies and processes for measuring and managing these risks, and the Group's management of capital.

The Group's principal non-trade related financial instruments include cash and cash equivalents, short-term and long-term loans, and derivative instruments. These financial instruments, except derivative instruments, are used mainly for working capital management purposes. The Group's trade-related financial assets and financial liabilities such as trade and other receivables, noncurrent receivables and deposits, trade and other payables, finance lease liabilities and other noncurrent liabilities arise directly from and are used to facilitate its daily operations.

The Group's commodity forwards are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to commodity price risks arising from the Group's operations.

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, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Group's accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the Group's long-term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charges on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

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 profit or loss.

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P3,538 and P2,806 in 2011 and 2010, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

As at December 31, 2011 and 2010, terms and maturity profiles of the interest-bearing financial instruments together with its gross amounts are shown in the following tables:

December 31, 2011	**<1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**Total**
Fixed rate						
Philippine peso - denominated	**P257,143**	**P428,571**	**P428,571**	**P385,715**	**P -**	**P1,500,000**
Interest rate	**7.25% - 7.89%**	**7.25% - 7.89%**	**7.25% - 7.89%**	**7.25% - 7.89%**	**-**	**-**
Floating rate						
Foreign currency-denominated (expressed in Philippine peso)	**118,828**	**118,828**	**59,414**	**-**	**-**	**297,070**
Interest rate	**THBFIX +1.75%**	**THBFIX +1.75%**	**THBFIX +1.75%**	**THBFIX +1.75%**	**-**	**-**
	P375,971	**P547,399**	**P487,985**	**P385,715**	**P -**	**P1,797,070**

December 31, 2010	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	Total
Fixed rate						
Philippine peso - denominated	P -	P257,143	P428,571	P428,571	P385,715	P1,500,000
Interest rate	-	7.25% - 7.89%	7.25% - 7.89%	7.25% - 7.89%	7.25% - 7.89%	-
Floating rate						
Foreign currency-denominated (expressed in Philippine peso)	124,007	124,007	124,007	62,003	-	434,024
Interest rate	THBFIX +1.75%	THBFIX +1.75%	THBFIX +1.75%	THBFIX +1.75%	-	-
	P124,007	P381,150	P552,578	P490,574	P385,715	P1,934,024

Foreign Currency Risk

The Group's functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The Group's exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The Group's risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Group enters into foreign currency hedges using a combination of non-derivative and derivative instruments such as foreign currency forwards or swaps to manage its foreign currency risk exposure.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents are as follows:

	2011		2010	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$3,802**	**P166,658**	US$4,465	P195,766
Trade and other receivables	**4,150**	**181,943**	1,855	81,344
	7,952	**348,601**	6,320	277,110
Liabilities				
Trade and other payables	**785**	**34,421**	540	23,664
Notes payable	**5,621**	**246,406**	5,865	257,144
Long term debt (including current maturities)	**6,776**	**297,071**	9,868	432,616
Finance lease liabilities (including current portion)	**9**	**391**	294	12,908
Other noncurrent liability	**2,080**	**91,203**	-	-
	15,271	**669,492**	16,567	726,332
Net foreign currency-denominated monetary liabilities	**(US$7,319)**	**(P320,891)**	(US$10,247)	(P449,222)

The Group reported net foreign exchange gains amounting to P2,399, P44,483 and P6,498 in 2011, 2010 and 2009, respectively, with the translation of its foreign currency-denominated assets and liabilities. These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	Peso to US Dollar
December 31, 2009	46.20
December 31, 2010	43.84
December 31, 2011	43.84

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 foreign operations) as of December 31, 2011 and 2010:

2011	**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	**(P3,802)**	**(P2,661)**	**P3,802**	**P2,661**
Trade and other receivables	**(4,150)**	**(2,905)**	**4,150**	**2,905**
	(7,952)	**(5,566)**	**7,952**	**5,566**
Trade and other payables	**785**	**550**	**(785)**	**(550)**
Notes payable	**5,621**	**3,935**	**(5,621)**	**(3,935)**
Long term debt (including current maturities)	**6,776**	**4,743**	**(6,776)**	**(4,743)**
Finance lease liabilities (including current portion)	**9**	**6**	**(9)**	**(6)**
Other noncurrent liability	**2,080**	**1,456**	**(2,080)**	**(1,456)**
	15,271	**10,690**	**(15,271)**	**(10,690)**
	P7,319	**P5,124**	**(P7,319)**	**(P5,124)**

2010	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	(P4,465)	(P3,126)	P4,465	P3,126
Trade and other receivables	(1,855)	(1,298)	1,855	1,298
	(6,320)	(4,424)	6,320	4,424
Trade and other payables	540	378	(540)	(378)
Notes payable	5,866	4,106	(5,866)	(4,106)
Long term debt (including current maturities)	9,868	6,908	(9,868)	(6,908)
Finance lease liabilities (including current portion)	294	206	(294)	(206)
	16,568	11,598	(16,568)	(11,598)
	P10,248	P7,174	(P10,248)	(P7,174)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices. The Group, through SMC, 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 position is offset by the resulting lower physical raw material cost.

SMC enters into commodity derivative transactions on behalf of the Group to reduce cost by optimizing purchasing synergies within the SMC Group of Companies and managing inventory levels of common materials.

Commodity Forwards. The Group enters into forward purchases of various commodities. The prices of commodity forwards are fixed either through direct agreement with suppliers or by reference to a relevant commodity price index.

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group's objectives to manage its liquidity risk are as follows: 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 Group constantly monitors and manages its liquidity position, liquidity gaps or surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary. The Group also uses derivative instruments such as forwards and swaps to manage liquidity.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted payments used for liquidity management as of December 31, 2011 and 2010.

2011

	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years
Financial Assets					
Cash and cash equivalents	**P366,116**	**P366,116**	**P366,116**	**P -**	**P -**
Trade and other receivables - net	**3,177,311**	**3,177,311**	**3,177,311**	**-**	**-**
Derivative assets (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position)	**315**	**315**	**315**	**-**	**-**
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account in the consolidated statements of financial position)	**432,670**	**432,670**	**-**	**314,277**	**118,393**
Financial Liabilities					
Notes payable	**7,931,093**	**7,985,546**	**7,985,546**	**-**	**-**
Trade and other payables (excludes dividends payable)	**2,147,431**	**2,147,431**	**2,147,431**	**-**	**-**
Derivative liabilities (included under "Trade and other payables" account in the consolidated statements of financial position)	**3,619**	**3,619**	**3,619**	**-**	**-**
Long-term debt (including current maturities)	**1,790,821**	**2,077,565**	**495,361**	**637,251**	**944,952**
Finance lease liabilities (including current portion recognized under "Trade and other payables" account in the consolidated statements of financial position)	**391**	**400**	**400**	**-**	**-**
Other noncurrent liabilities	**91,203**	**98,108**	**2,543**	**2,791**	**92,774**

2010

	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years
Financial Assets					
Cash and cash equivalents	P422,630	P422,630	P422,630	P -	P -
Trade and other receivables - net	2,901,368	2,901,368	2,901,368	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position)	18,163	18,163	18,163	-	-
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account in the consolidated statements of financial position)	387,114	387,114	-	387,114	-
Financial Liabilities					
Notes payable	5,053,614	5,119,374	5,119,374	-	-
Trade and other payables	2,850,362	2,850,362	2,850,362	-	-
Derivative liabilities (included under "Trade and other payables" account in the consolidated statements of financial position)	1,177	1,177	1,177	-	-
Long-term debt (including current maturities)	1,925,736	2,337,359	247,360	1,142,662	947,337
Finance lease liabilities (including current portion recognized under "Trade and other payables" account in the consolidated statements of financial position)	12,908	16,915	14,571	2,344	-

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Trade and Other Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on the credit risk. The Group has no significant concentration of the credit risk with any counterparty.

Goods are subject to retention of title clauses so that in the event of default, the Group would have a secured claim. Where appropriate, the Group obtains collateral or arranges master netting agreements.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Financial information on the Group's maximum exposure to credit risk as of December 31, 2011 and 2010, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	Note	**2011**	2010
Cash and cash equivalents	*6*	**P366,116**	P422,630
Trade and other receivables - net	*7*	**3,177,311**	2,901,368
Derivative assets	*9*	**315**	18,163
Noncurrent receivables and deposits - net	*14*	**432,670**	387,114
		P3,976,412	P3,729,275

The credit risk for cash and cash equivalents and derivative assets is considered negligible, since the counterparties are reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade receivables assets is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous trade customers. The Group does not execute any credit guarantee in favor of any counterparty.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its businesses and maximize shareholder value.

The Group manages its capital structure and makes adjustments 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 capital stock, additional paid-in capital and retained earnings. Other components of equity such as treasury stock and cumulative translation adjustments 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 defined as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the consolidated statements of financial position.

There were no changes in the Group's approach to capital management during the year.

34. Financial Assets and Financial Liabilities

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments as of December 31, 2011 and 2010:

	2011		2010	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P366,116**	**P366,116**	P422,630	P422,630
Trade and other receivables - net	**3,177,311**	**3,177,311**	2,901,368	2,901,368
Derivative assets (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position)	**315**	**315**	18,163	18,163
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account in the consolidated statements of financial position)	**432,670**	**432,670**	387,114	387,114
Financial Liabilities				
Notes payable	**7,931,093**	**7,931,093**	5,053,614	5,053,614
Trade and other payables (excludes dividends payable)	**2,147,431**	**2,147,431**	2,850,362	2,850,362
Derivative liabilities (included under "Trade and other payables" account in the consolidated statements of financial position)	**3,619**	**3,619**	1,177	1,177
Long-term debt (including current maturities)	**1,790,821**	**1,956,436**	1,925,736	2,101,760
Finance lease liabilities (including current portion recognized under "Trade and other payables" account in the consolidated statements of financial position)	**391**	**391**	12,908	12,908
Other noncurrent liabilities	**91,203**	**91,203**	-	-

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 trade and other receivables approximates fair value primarily due to the relatively short-term maturities 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 based on current market rates of identical or similar quoted instruments.

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. Fair values for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

Notes Payable and Trade and Other Payables. The carrying amount of notes payable and trade and other payables approximates fair value due to the relatively short-term maturities of these financial instruments.

Long-term Debt, Finance Lease Liabilities and Other Noncurrent Liabilities. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as of reporting date. As of December 31, 2011 and 2010, discount rates used range from 1.72% to 4.06% and 1.32% to 4.75%, respectively. The carrying amount of floating rate loans with annually interest rate repricing approximate their fair values.

<u>Derivative Financial Instruments</u>
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, through SMC, enters into various commodity derivative contracts to manage its exposure on commodity price risk covering the Group's requirements on fuel or oil.

Derivative Instruments Accounted for as Hedges

Cash Flow Hedges

Commodity Options
As of December 31, 2008, the Group has outstanding option agreements designated as hedge of forecasted purchases of fuel oil with notional quantity of 3,079 metric tons. The call and put options were exercised at various calculation dates in 2009 with specified quantities on each calculation date. The net unrealized fair value change (after tax) reported in equity on these call and put options as of December 31, 2008 amounted to P42,245.

As of December 31, 2011 and 2010, the Group has no outstanding options designated as hedge on the purchase of commodity. However, the amount charged to profit or loss in 2009 amounted to P42,245.

These option contracts were used to hedge the commodity price risk of the Group's commitments. There was no ineffective portion in these hedges.

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 profit or loss. Details are as follows:

Freestanding Derivatives

Freestanding derivatives consist of commodity derivatives entered into by SMC on behalf of the Group.

Embedded Derivatives

The Group's embedded derivatives include currency forwards embedded in non-financial contracts.

Embedded Currency Forwards
As of December 31, 2011 and 2010, the total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$7,502 and US$13,613, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders and sales agreements. The embedded forwards are not clearly and closely related to their respective host contracts. As of December 31, 2011 and 2010, the net positive (negative) fair value of these embedded currency forwards amounted to (P3,304) and P16,986, respectively.

For the years ended December 31, 2011, 2010 and 2009, the Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to (P18,253), P70,984 and P167,363, respectively.

Fair Value Changes on Derivatives
The net movements in fair value of all derivative instruments for the years ended December 31, 2011 and 2010 are as follows:

	2011	2010
Balance at beginning of year	**P16,986**	P1,383
Net changes in fair value of derivatives:		
Non-accounting hedges	**(18,253)**	70,984
	(1,267)	72,367
Less fair value of settled instruments	**2,037**	55,381
Balance at end of year	**(P3,304)**	P16,986

Fair Value Hierarchy
Financial assets and liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities.

The table below analyzes financial instruments carried at fair value, by valuation method as of December 31, 2011 and 2010. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

2011

	Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets				
Derivative assets	**P -**	**P315**	**P -**	**P315**
Financial Liabilities				
Derivative liabilities	**-**	**3,619**	**-**	**3,619**

2010

	Level 1	Level 2	Level 3	Total
Financial Assets				
Derivative assets	P -	P18,163	P -	P18,163
Financial Liabilities				
Derivative liabilities	-	1,177	-	1,177

As of December 31, 2011 and 2010, the Group has no financial instruments valued based on Level 1 and Level 3. During the year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

35. Other Matters

a. *Commitments*

- The Company has a Toll Manufacturing Agreement with third parties for the production of its liquor and non liquor products. Toll manufacturing expense incurred in 2011, 2010 and 2009 amounting to P463,498, P721,213 and P432,598, respectively, were included as part of outside services under the “Cost of sales” account (Note 20).

- On December 23, 2008, the Parent Company (“First Party”) entered into a Memorandum of Agreement (“Agreement”) with Black Butte Energy Limited, Inc. (“Second Party”), a corporation duly organized and existing under and by virtue of the laws of the Philippines. Subject to the terms and conditions of the Agreement, the Second Party shall make available and provide the basic design and engineering for the civil, structural, mechanical and electrical works and the manpower complement which shall be required for the upgrading, refurbishing and retrofitting of the Cassava Starch Milk Plant and one (1) Distillation Column (“Plant Facilities”) of the Parent Company located at Distilleria Bago Plant, Bago City. Likewise, the Second Party shall perform the services required for the operation and maintenance of the Plant Facilities and the manufacture and production of the products in accordance with the specifications and requirements of the Parent Company. The project is now on its commercial operations since October 2009.

- On November 11, 2008, the Parent Company entered into a Memorandum of Agreement (MOA) with East Pacific Star Bottlers Philippines, Inc. (EPSBPI), a corporation duly organized and existing under and by virtue of the laws of the Philippines. Subject to the terms and conditions of the MOA, the parties intend to delineate and establish the nature and extent of rights and obligations of the Parent Company and EPSBPI, with respect to: (i) the construction and installation of a beverage bottling facility which shall be devoted, on an exclusive basis, for the manufacturing of products, (ii) the performance by EPSBPI of services meeting the requirements of the Parent Company, (iii) the operation and maintenance by EPSBPI of such beverage bottling facility, and (iv) the turnover of such facility to the Parent Company, by EPSBPI. The MOA took effect on October 1, 2008 and shall be in full force and effect for a period of ten (10) years until September 30, 2018 unless earlier terminated by either party.

- The outstanding purchase commitments of the Parent Company as of December 31, 2011 and 2010 amounted to US$79,188 (P3,471,582) and US$138,700 (P6,100,000), respectively.

b. *Contingencies*

The Group is contingently accountable for liabilities arising from lawsuits or claims (mostly labor related cases) filed by third parties, which are either pending decisions by the courts or are subject to settlement agreements. The outcome of these lawsuits cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability arising from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements. No provision was recognized in 2011, 2010 and 2009.

36. Events After the Reporting Date

On January 27, 2012, the Parent Company acquired 100% of the outstanding capital stock of EPSBPI for P200,000.

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Ginebra San Miguel, Inc.
6th Floor, San Miguel Properties Centre
St. Francis Street, Ortigas Center
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ginebra San Miguel, Inc. and Subsidiaries included in this Form 17-A and have issued our report thereon dated March 9, 2012.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The tabular schedule of Philippine Financial Reporting Standards as of December 31, 2011 is the responsibility of the Company's management. Such tabular schedule is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended and is not part of the basic consolidated financial statements. The tabular schedule has been subjected to auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the consolidated financial statements data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

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Partner
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Tax Identification No. 124-282-616
BIR Accreditation No. 08-001987-7-2010
Issued June 30, 2010; valid until June 29, 2013
PTR No. 3174027MA
Issued January 2, 2012 at Makati City

March 9, 2012
Makati City, Metro Manila

Standards	"Adopted", "Not adopted" or "Not applicable"
Philippine Financial Reporting Standards (PFRS)	
PFRS 1 First-time Adoption of Philippine Financial Reporting Standards	Not applicable
PFRS 2 Share-based Payment	Adopted
PFRS 3 Business Combinations	Adopted
PFRS 4 Insurance Contracts	Not applicable
PFRS 5 Non-current Assets Held for Sale and Discontinued Operations	Not applicable
PFRS 6 Exploration for and Evaluation of Mineral Resources	Not applicable
PFRS 7 Financial Instruments: Disclosures	Adopted
PFRS 8 Operating Segments	Adopted
Philippine Accounting Standards (PAS)	
PAS 1 Presentation of Financial Statements	Adopted
PAS 2 Inventories	Adopted
PAS 7 Statement of Cash Flows	Adopted
PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Adopted
PAS 10 Events after the Reporting Period	Adopted
PAS 11 Construction Contracts	Not applicable
PAS 12 Income Taxes	Adopted
PAS 16 Property, Plant and Equipment	Adopted
PAS 17 Leases	Adopted
PAS 18 Revenue	Adopted
PAS 19 Employee Benefits	Adopted
PAS 20 Accounting for Government Grants and Disclosure of Government Assistance	Not applicable
PAS 21 The Effects of Changes in Foreign Exchange Rates	Adopted
PAS 23 Borrowing Costs	Adopted
PAS 24 Related Party Disclosures	Adopted
PAS 26 Accounting and Reporting by Retirement Benefit Plans	Not applicable
PAS 27 Consolidated and Separate Financial Statements	Adopted
PAS 28 Investments in Associates	Adopted
PAS 29 Financial Reporting in Hyperinflationary Economies	Not applicable
PAS 31 Interests in Joint Venture	Adopted
PAS 32 Financial Instruments: Presentation	Adopted
PAS 33 Earnings per Share	Adopted
PAS 34 Interim Financial Reporting	Adopted
PAS 36 Impairment of Assets	Adopted
PAS 37 Provisions, Contingent Liabilities and Contingent Assets	Adopted
PAS 38 Intangible Assets	Adopted
PAS 39 Financial Instruments: Recognition and Measurement	Adopted
PAS 40 Investment Property	Adopted
PAS 41 Agriculture	Not applicable

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Ginebra San Miguel, Inc.
6th Floor, San Miguel Properties Centre
St. Francis Street, Ortigas Center
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Ginebra San Miguel, Inc. (the "Company") as at and for the year ended December 31, 2011, and have issued our report thereon dated March 9, 2012.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration, presented as an attachment to the audited financial statements of Ginebra San Miguel, Inc. is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Securities and Exchange Commission Memorandum Circular No. 11, Series of 2008, *Guidelines on the Determination of Retained Earnings Available for Dividend Declaration,* and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects, the financial statements data required to be set forth therein in relation to the basic financial statements taken as a whole.

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March 9, 2012
Makati City, Metro Manila

GINEBRA SAN MIGUEL, INC.
6th Floor, San Miguel Properties Centre
St. Francis Street, Ortigas Center, Mandaluyong City
RETAINED EARNINGS AVAILABLE FOR DIVIDEND

		(Figures based on functional currency audited financial statements as of and for the year ended December 31, 2011) ***In Thousands***
Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, January 1, 2011*		**P5,791,659**
Add: Net income actually earned/realized during the period		
Net loss during the period closed to Retained Earnings	(P853,244)	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	2,125	
Unrealized actuarial gain	-	
Fair value adjustments (M2M gain)	-	
Fair value adjustments of Investment Property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP - gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Sub-total	2,125	**(855,369)**
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
	-	-
Net income actually earned during the period		**4,936,290**
Add (Less):		
Dividend declarations during the period	(482,014)	
Appropriations of Retained Earnings during the period	-	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	(2,579,409)	
	-	**(3,061,423)**
TOTAL RETAINED EARNINGS, DECEMBER 31, 2011 AVAILABLE FOR DIVIDEND		**P1,874,867**

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Ginebra San Miguel, Inc.
6th Floor, San Miguel Properties Centre
St. Francis Street, Ortigas Center
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ginebra San Miguel, Inc. and Subsidiaries included in this Form 17-A and have issued our report thereon dated March 9, 2012.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The map of the conglomerate within which the Company belongs is the responsibility of the Company's management. Such map is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended and is not part of the basic consolidated financial statements. The map has been subjected to auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the consolidated financial statements data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

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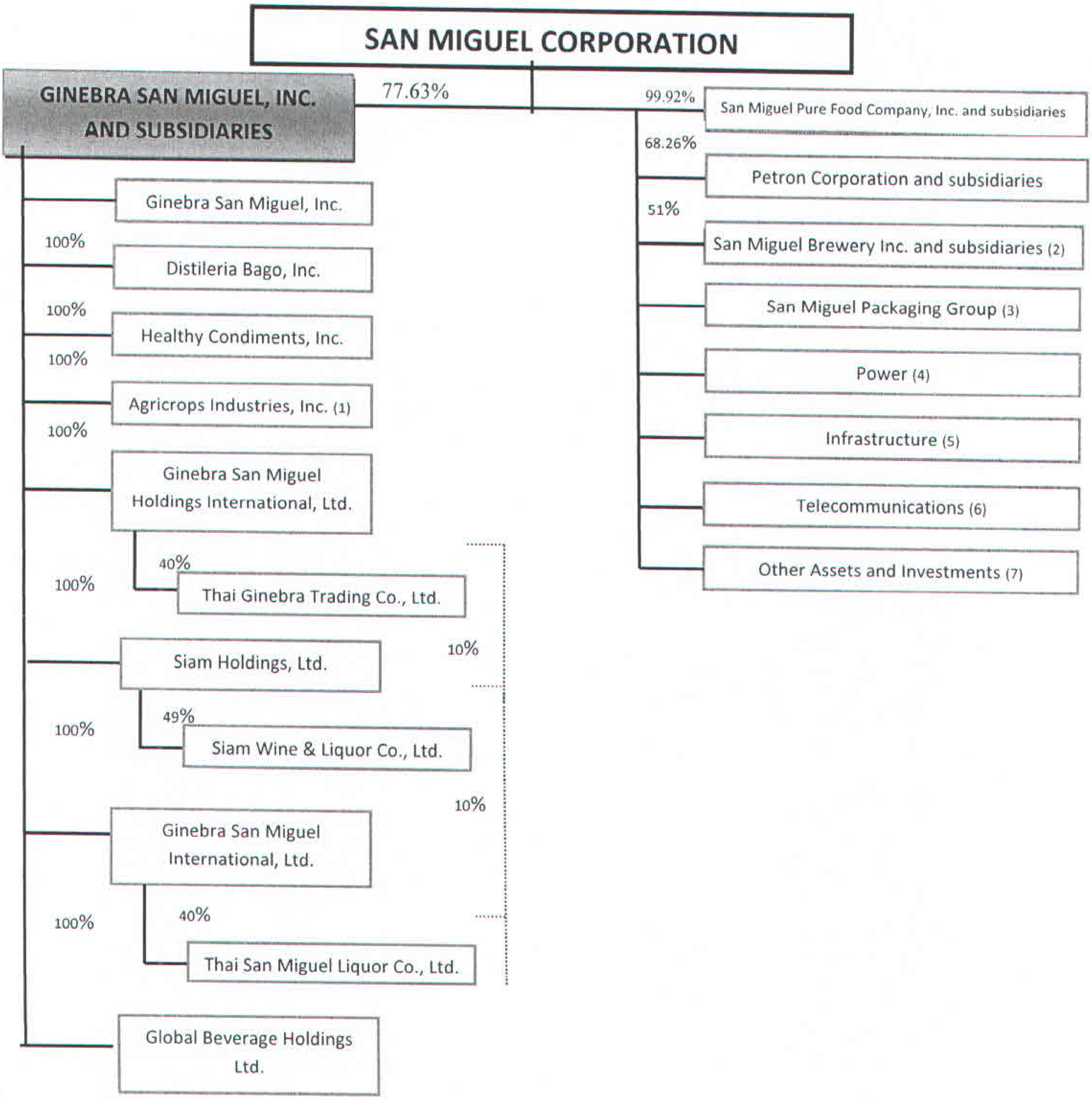
March 9, 2012
Makati City, Metro Manila

GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES
GROUP STRUCTURE



GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES

(1) Incorporated in September 2000 and has not yet started commercial operations

(2) Group comprised of Brewery Properties Inc. (40%), Iconic Beverages, Inc. (100%) and San Miguel Brewing International Ltd. (100%)

(3) Group comprised of San Miguel Yamamura Packaging Corporation (65%), San Miguel Yamamura Packaging International Limited (65%), San Miguel Yamamura Asia Corporation (60%) and Mindanao Corrugated Fibreboard, Inc. (100%)

(4) Power business comprised of SMC Global Power Holdings Corp. and subsidiaries (100%) and Manila Electric Company (33.19%)

(5) Infrastructure business comprised of Trans Aire Development Holdings Corp. (93%), Private Infra Dev Corporation (35%) and Universal LRT Corporation (BVI) Limited (51%)

(6) Telecommunications business comprised of Liberty Telecommunications Holdings, Inc. (41.48%), Bell Telecommunication Philippines, Inc. (100%) and Eastern Telecommunications Philippines, Inc. (77.70%)

(7) Other Assets and Investments comprised of San Miguel Properties, Inc. (99.68%) and its associate Bank of Commerce (39.93%)

KPMG

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Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ginebra San Miguel, Inc. and Subsidiaries included in this Form 17-A and have issued our report thereon dated March 9, 2012.

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 purpose of complying with the Securities Regulation Code Rule 68, As Amended and are not part of the basic consolidated financial statements. These schedules have been subjected to 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.

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GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
FORM 17-A, Item 7

December 31, 2011

Page No.

Consolidated Financial Statements

Supplementary Schedules

GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES

Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Assets
December 31, 2011
(In Thousands)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
	₱	₱	₱	₱	₱	₱	₱	₱
Distileria Bago, Inc.	669,528	321,044	(835,384)	-	155,188	3,278	151,910	155,188
Agricrops Industries, Inc.	11,454	64	(105)	-	11,413	64	11,349	11,413
Healthy Condiments, Inc.	1,693	107	-	-	1,800	107	1,693	1,800
Global Beverage Holding Ltd.	65,454	-	-	-	65,454	-	65,454	65,454
Siam Holdings Ltd.	91,512	-	-	-	91,512	-	91,512	91,512
Thai San Miguel Liquor Co. Ltd	-	96,477	-	-	96,477	96,477	-	96,477
	₱ 839,641	₱ 417,692	₱ (835,489)	₱ -	₱ 421,844	₱ 99,926	₱ 321,918	₱ 421,844

Annex "C"

GINEBRA SAN MIGUEL, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND PERFORMANCE

This discussion summarizes the significant factors affecting the consolidated financial performance, financial position and cash flows of Ginebra San Miguel, Inc. (the Parent Company) and its subsidiaries (together with the Parent Company, are collectively referred to as the Group) for the three-year period ended December 31, 2011. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as of December 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2011. All necessary adjustments to present fairly the Group's consolidated financial position as of December 31, 2011 and the financial performance and cash flows for the year ended December 31, 2011 and for all the other periods presented, have been made.

I. BASIS OF PREPARATION

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

- derivative financial instruments are measured at fair value; and
- defined benefit liability (asset) is measured as the net total of the fair value of the plan assets, less unrecognized actuarial gains (losses) and the present value of the defined benefit obligation.

Functional and Presentation Currency
The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All financial information are rounded off to the nearest thousand (P000), except when otherwise indicated.

Statement of Compliance
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC), issued by the Financial Reporting Standards Council (FRSC).

Significant Accounting Policies
The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations
The FRSC approved the adoption of a number of new or revised standards, amendments to standards, and interpretations (based on IFRIC Interpretations) as part of PFRS.

Adopted Effective 2011

The Group has adopted the following PFRS starting January 1, 2011 and accordingly, changed its accounting policies in the following areas:

- Amendment to PAS 32, *Financial Instruments: Presentation - Classification of Rights Issues*, permits rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The amendment is applicable for annual periods beginning on or after February 1, 2010. The adoption of this amendment did not have a material effect on the consolidated financial statements.

- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*, addresses issues in respect of the accounting by the debtor in a debt for equity swap transaction. It clarifies that equity instruments issued to a creditor to extinguish all or part of a financial liability in a debt for equity swap are consideration paid in accordance with paragraph 41 of PAS 39, *Financial Instrument: Recognition and Measurement*. The interpretation is applicable for annual periods beginning on or after July 1, 2010. The adoption of this Philippine interpretation did not have a material effect on the consolidated financial statements.

- Revised PAS 24, *Related Party Disclosures* (2009), amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The revised standard is effective for annual periods beginning on or after January 1, 2011. The adoption of this revised standard did not have a material effect on the consolidated financial statements.

- *Prepayments of a Minimum Funding Requirement (Amendments to Philippine Interpretation IFRIC 14: PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction)*. These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement and result in prepayments of contributions in certain circumstances being recognized as an asset rather than an expense. The amendments are effective for annual periods beginning on or after January 1, 2011. The adoption of these amendments did not have a material effect on the consolidated financial statements.

- *Improvements to PFRS 2010* contain 11 amendments to 6 standards and 1 interpretation. The following are the said amendments to PFRS and interpretation:

    - PFRS 3, *Business Combinations*. The amendments: (a) clarify that contingent consideration arising in a business combination previously accounted for in accordance with PFRS 3 (2004) that remains outstanding at the adoption date of PFRS 3 (2008) continues to be accounted for in accordance with PFRS 3 (2004); (b) limit the accounting policy choice to measure non-controlling interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation; and (c) expand the current guidance on the attribution of the market-based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards between consideration transferred and post-combination compensation cost when an acquirer is obliged to replace the acquiree's existing awards to encompass voluntarily replaced unexpired acquiree awards. The amendments are effective for annual periods beginning on or after July 1, 2010. The adoption of these amendments did not have a material effect on the consolidated financial statements.

- PAS 27, *Consolidated and Separate Financial Statements.* The amendments clarify that the consequential amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates,* and PAS 31, *Interests in Joint Ventures*, resulting from PAS 27 (2008) should be applied prospectively, with the exception of amendments resulting from renumbering. The amendments are effective for annual periods beginning on or after July 1, 2010. The adoption of these amendments did not have a material effect on the consolidated financial statements.

- PFRS 7, *Financial Instruments: Disclosures.* The amendments add an explicit statement that qualitative disclosures should be made in the context of the quantitative disclosures to enable users to evaluate better an entity's exposure to risks arising from the financial instruments. In addition, the International Accounting Standards Board amended and removed existing disclosure requirements. The amendments are effective for annual periods beginning on or after January 1, 2011. The adoption of these amendments did not have a material effect on the consolidated financial statements.

- PAS 1, *Presentation of Financial Statements.* The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income is also required to be presented either in the statement of changes in equity or in the notes. The amendments are effective for annual periods beginning on or after January 1, 2011. The adoption of these amendments did not have a material effect on the consolidated financial statements.

- PAS 34, *Interim Financial Reporting.* The amendments add examples to the list of events or transactions that require disclosure under PAS 34 and remove references to materiality in PAS 34 that describes other minimum disclosures. The amendments are effective for annual periods beginning on or after January 1, 2011. The adoption of these amendments did not have a material effect on the consolidated financial statements.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes.* The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. The amendments are effective for annual periods beginning on or after January 1, 2011. The adoption of these amendments did not have a material effect on the consolidated financial statements.

Additional disclosures required by the revised standards, amendments to standards and interpretations were included in the consolidated financial statements, where applicable.

New or Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted

A number of new or revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2011, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for PFRS 9, *Financial Instrument*, which becomes mandatory for the Group's 2015 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt these standards early and the extent of the impact has not been determined.

The Group will adopt the following new or revised standards, amendments to standards and interpretations in the respective effective dates:

- *Disclosures - Transfers of Financial Assets (Amendments to PFRS 7)*, require additional disclosures about transfers of financial assets. The amendments require disclosure of information that enables users of the financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets. Entities are not required to apply the amendments for annual periods beginning on or after July 1, 2011.

- *Deferred Tax: Recovery of Underlying Assets (Amendments to PAS 12, Income Taxes)* introduces an exception to the current measurement principles of deferred tax assets and liabilities arising from investment property measured using the fair value model in accordance with PAS 40, *Investment Property*. The exception also applies to investment properties acquired in a business combination accounted for in accordance with PFRS 3 provided the acquirer subsequently measure these assets applying the fair value model. The amendments integrated the guidance of Philippine Interpretation Standards Interpretation Committee (SIC) - 21, *Income Taxes - Recovery of Revalued Non-Depreciable Assets* into PAS 12, and as a result Philippine Interpretation SIC - 21 has been withdrawn. The effective date of the amendments is for periods beginning on or after January 1, 2012 and is applied retrospectively.

- Presentation of Items of Other Comprehensive Income (*Amendments to PAS 1)*. The amendments: (a) require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss; (b) do not change the existing option to present profit or loss and other comprehensive income in two statements; and (c) change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRS continue to apply in this regard. The effective date of the amendment is for periods beginning on or after January 1, 2013.

- PFRS 10, *Consolidated Financial Statements*. PFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when: (a) it is exposed or has rights to variable returns from its involvement with that investee; (b) it has the ability to affect those returns through its power over that investee; and (c) there is a link between power and returns. Control is reassessed as facts and circumstances change. PFRS 10 supersedes PAS 27 (2008). The new standard is effective for annual periods beginning on or after January 1, 2013.

- PFRS 11, *Joint Arrangements*. PFRS 11 focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It: (a) distinguishes joint arrangements between joint operations and joint ventures; and (b) always requires the equity method for jointly controlled entities that are now called joint ventures; they are stripped of the free choice of using the equity method or proportionate consolidation. PFRS 11 supersedes PAS 31, *Interest and Joint Ventures*, and Philippine Interpretation SIC-13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. The new standard is effective for annual periods beginning on or after January 1, 2013.

- PFRS 12, *Disclosure of Interests in Other Entities*. PFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities; and the effects of those interests on the entity's financial position, financial performance and cash flows. The new standard is effective for annual periods beginning on or after January 1, 2013.

- PFRS 13, *Fair Value Measurement*. PFRS 13 replaces the fair value measurement guidance contained in individual PFRS with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRS. It does not introduce new requirements to measure assets or liabilities at fair value nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The new standard is effective for annual periods beginning on or after January 1, 2013. Early application is permitted and is required to be disclosed.

- PAS 19, *Employee Benefits* (amended 2011). The amended PAS 19 includes the following requirements: (a) actuarial gains and losses are recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which is currently allowed under PAS 19; and (b) expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The adoption of the amended or revised standard is required for annual periods beginning on or after January 1, 2013.

- PAS 27, *Separate Financial Statements* (2011). PAS 27 (2011) supersedes PAS 27 (2008). PAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The adoption of the amended or revised standard is required for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures* (2011). PAS 28 (2011) supersedes PAS 28 (2008). PAS 28 (2011) makes the following amendments: (a) PFRS 5 applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and (b) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or *vice versa*, the entity does not remeasure the retained interest. The adoption of the amended or revised standard is required for annual periods beginning on or after January 1, 2013.

- PFRS 9, *Financial Instruments*. PFRS 9 (2009) is the first standard issued as part of a wider project to replace PAS 39. PFRS 9 (2009) retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in PAS 39 on impairment of financial assets and hedge accounting continues to apply. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before January 1, 2012. PFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009. It also includes those paragraphs of PAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of Philippine Interpretation - IFRIC 9 *Reassessment of Embedded Derivatives*. The adoption of the new standard is required for annual periods beginning on or after January 1, 2015.

II. KEY TRANSACTIONS

Thai San Miguel Liquor Co., Ltd. (TSML) issued the following promissory notes for its working capital requirements:

- On March 18, 2011, in favor of V.C Property Company, Ltd. (VC Property) for THB 75 million (P108 million);
- On April 7, 2011, in favor of Ginebra San Miguel International, Ltd. (GSMIL) for THB 75 million (P108 million); and
- On September 6, 2011, in favor of GSMIL for another THB 75 million (P107 million).
- On September 26, 2011, in favor of V.C Property Company, Ltd. (VC Property) for THB 75 million (P106 million).

Said promissory notes carry interest of 3% per annum which is payable every three months, while the principal is payable upon demand by VC Property and GSMIL. Subordination agreement with TSML's bank lenders, however, limits total payments made by TSML for any loans granted by its shareholders to a total of THB 100 million while the loan agreement with TSML's bank lenders are still in effect.

III. FINANCIAL PERFORMANCE

Comparisons of key operating results for the last three years are summarized in the following table:

	December 31		
	2011	**2010**	**2009**
		(In Millions)	
Sales	P15,113	P22,688	P19,549
Gross Profit	3,137	5,109	4,405
Selling and Administrative Expenses	(4,080)	(3,665)	(3,352)
Financing Charges - Net	(443)	(298)	(192)
Other Income - Net	36	190	187
Net Income (Loss)	(982)	914	701

2011 vs. 2010

The Company faced a challenging year in 2011, owing to a highly competitive market and weak demand for liquor products.

Domestic liquor sales volumes were affected by intense competition and the change in consumer preference for lighter alcoholic beverages. Thus, revenues dropped by 33% from 2010. Sales and marketing programs have been implemented in the fourth quarter to regain sales momentum.

Decrease in consumer demand despite the increase in costs of raw material containers and excise taxes resulted in a 32% decrease in cost of sales. With the said movements in revenues and cost of sales, gross profit decreased by 39%.

Selling and marketing expenses rose by 9%, as the Group intensified its advertising and promotional initiatives to address competition and impede further volume decline. General and administrative expenses posted a 15% increase on account of higher personnel-related costs, depreciation and taxes.

Interest expense, net of interest income, increased by 49% attributable to the Group's long-term loan and unsecured short-term peso-denominated borrowings from local banks to support the increase in working capital and other requirements.

Other income, net of other charges, declined by 81% on account of losses in embedded derivatives.

The Group sustained a net loss of P982 million resulting from sales decline and increase in costs.

2010 vs. 2009

The Group emerged stronger in 2010, as it took advantage of general improvements in the economic environment that empowered domestic consumers and boosted confidence and prospects.

Domestic liquor volumes rose by 7%, driven chiefly by the Group's gin line. The Group's flagship brand, Ginebra San Miguel, gained an even stronger following among core liquor drinkers as innovative, barangay-based activations, notably "Ginuman Na", complemented with the aggressive "Bida" and "Toast" thematic campaigns, were successful in sustaining patronage for the brand. GSM Blue also remained the liquor brand of choice among the dynamic youth demographic, as continuing initiatives, such as "Blueniversity" and "Flair Idol", that ingrain a mixed drinking culture among the youth were successful in creating excitement for the entire mixed drink category for the youth. This, together with the implementation of the two waves of price increases in the domestic liquor segment, chiefly drove revenues to increase by 16% from 2009.

Gains in volume, as well as elevated alcohol and packaging material costs, increased cost of sales by 16%.

These enabled gross profit to rise to P 5,109 million, a 16% increase from 2009.

Other income declined by 6%, on account of decreased derivative gain. Derivative gains in 2009 chiefly represent the effect of the partial reversal of unrealized losses on non-hedge derivative instruments linked to fuel prices that were recorded in 2008, as the price of the said commodity rebounded in 2009. Other charges declined by 83% from 2009. Other charges amounting to P20 million in 2009 is mostly due to losses on sale/disposal of property and equipment.

Selling and marketing expenses rose by 23%, as the Group intensified its advertising and promotional initiatives to support the year's volume growth.

Lower depreciation, management fees and outside labor yielded a 7% reduction in general and administrative expenses.

Interest expense increased by 54%, as the Parent Company entered into a long-term credit agreement in the amount of P1,500 million and increased its short-term borrowings to fund the increase in working capital requirements brought about by the increase in product demand.

The foregoing positive developments enabled net income to increase to P914 million, a 30% increase from 2009.

IV. FINANCIAL POSITION

2011 vs. 2010

Cash and cash equivalents decreased by 13% from December 2010 to P366 million, as the Group used cash to reduce trade payables, pay interests on long-term and short-term debts and capital expenditures.

Trade and other receivables – net increased by 10% on account of extending credit terms to support dealers in response to the aggressive competition in the market.

Inventories dropped by 5% on account of the Group's decrease in requirement due to decreased volume of operation and strategic management of inventories.

Prepaid taxes and other current assets declined by 16% due to lower specific taxes as the Group reduced its alcohol production in 2011.

Property, plant and equipment – net increased by 12% on account of increased capital expenditures related to the Group's distillery and bottling equipment.

Deferred tax assets – net increased by 397% mainly due to the significant increase in recognized Net Operating Loss Carry Over for the year.

Notes payable increased by 57% to fund additional working capital requirements.

Trade and other payables were reduced by 21% during the period as part of the settlement of payables to suppliers.

Income and other taxes payable rose by 14 % on account of lower input taxes resulting from low raw material purchases and low importation during the year.

Current maturities amounting to P374 million of the Company's P1,500 million represents the portion that will be due in 2012.

Long-term debt, net of current maturities, amounting to P1,417 million represents the Parent Company's loan from a local bank used to fund its working capital requirements and the Group's proportionate share in the long-term debt of TSML from the Thai local bank and foreign banks to finance TSML's plant construction and start-up operations.

Finance lease liabilities significantly decreased by 100% due to pre-termination of lease contract of TSML and TGT.

Other noncurrent liabilities of P91 million represents of the Group's proportionate share on the loan of TSML from its shareholders.

Cumulative translation adjustment increased by P26 million due to translation of foreign subsidiaries' net assets. The exchange rates used are P1.3929 to THB1 in December 31, 2011 (P1.4536 in December 2010) for net assets and P1.4220 to THB1 as of December 31, 2011 (P1.4233 as of December 2010) for income and expense items.

2010 vs. 2009

Cash and cash equivalents decreased by 16% from December 2009 to P423 million, as increased operating income level and borrowings funded elevated working capital requirements.

Trade and other receivables - net increased by 37% on account of receivables arising from sale of utilities to third party, increased supplier advances and trade receivables as a result of increased level of operations and increased availment of the Group's Employees' Stock Purchase Plan ("ESPP").

Inventories grew by 44%, consistent with the Group's strategy to build-up its inventories to brace itself for anticipated cost increases, particularly in excise taxes.

Prepaid taxes and other current assets grew by 25%, resulting from increased prepaid excise tax brought about by higher alcohol inventory level.

Property, plant and equipment - net grew by 13% on account of increased capital expenditures to improve distillery operations.

Investment properties - net declined by 7% on account of normal depreciation charges.

Deferred tax assets - net declined by 25% on account of increased gain on foreign exchange transactions and reduction in pension cost. The corresponding increase in income tax arising from these items is expected to be realized in future periods.

Retirement asset, amounting to P58 million in 2010 and P46 million in 2009, represents the excess of the fair value of the Parent Company's plan assets from its defined benefit obligation to its employees.

Notes payable increased by 31% to support the higher working capital requirements.

Trade and other payables increased by 25% owing to increased material purchases, brought about by increased production requirements, and increased selling and administrative expenditures.

Income and other taxes payable rose by 41% on account of higher output taxes, brought about by increased annual business volume.

Long term debt - net of current maturities and debt issue costs, increased to P1,802 million, as the Parent Company fully availed the P1,500 million long-term credit facility. This amount also includes the Group's proportionate share on the long-term loan of TSML.

Retirement liability represents the excess of Distileria Bago, Inc.'s defined benefit obligation from its plan assets. This declined by 98% as the value of its plan assets significantly increased in 2010, mainly on account of contributions made by DBI to its plan assets.

Finance lease liabilities, amounting to P2 million in 2010 represents the Group's proportionate share on the lease obligation of transportation equipment used by Thai Ginebra Trading, Co. Ltd. (TGT). TGT functions as the selling and distribution arm of TSML. The 89% decline from 2009 was due to the reclassification of an amount of these liabilities to trade and other payables as they became current during the period, part of which were repaid.

The debit balance of cumulative translation adjustment increased by P6 million due to translation of foreign subsidiaries' net assets. The exchange rates used for net assets in December 31, 2010 is P1.4536 to THB1 (P1.3929 in December 31, 2009).

Equity

The increases (decreases) in equity for the years 2011 and 2010 are due to:

	December 31	
	2011	**2010**
	(In Millions)	
Net income (loss) for the period	(P982)	P914
Cash dividends	(482)	(476)
Effect of translation adjustments	(26)	(6)
Issuances of capital stock	94	137
	(P1,397)	**P568**

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	December 31		
	2011	2010	2009
		(In Millions)	
Net cash flows provided by (used in) operating activities	(P865)	(P664)	P679
Net cash flows used in investing activities	(1,248)	(1,213)	(1,210)
Net cash flows provided by financing activities	2,062	1,828	509

Net cash from operations consists of income (loss) for the period less changes in non-cash current assets, certain current liabilities and others, which include decreases in inventory level.

Net cash flows used in investing activities include the following:

	December 31		
	2011	2010	2009
		(In Millions)	
Additions to property, plant and equipment	(P1,183)	(P1,190)	(P435)
Decrease (increase) in other noncurrent assets	(70)	(30)	119
Interest received and proceeds from sale of property, plant and equipment	4	7	6

Major components of net cash flows provided by financing activities are as follows:

	December 31		
	2011	2010	2009
		(In Millions)	
Proceeds from short-term borrowings	P88,406	P58,450	P30,798
Proceeds from noncurrent liabilities	95	-	-
Proceeds from issuance of capital stock	39	18	-
Payments of short-term borrowings	(85,518)	(57,256)	(29,542)
Payments of interest	(474)	(265)	(206)
Payments of dividends	(353)	(475)	(471)
Payments of long-term borrowings	(121)	(121)	(59)
Payments of finance leases	(12)	(15)	(12)
Proceeds from long-term borrowings	-	1,493	-

The effect of exchange rate changes on cash and cash equivalents amounted to (P5) million, (P31) million and (P20) million for the years ended December 31, 2011, 2010 and 2009, respectively.

V. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The following items are not available for declaration as dividends:

	December 31	
	2011	2010
	(In Millions)	
Accumulated equity in net earnings of subsidiaries and joint ventures (included in the unappropriated retained earnings balance)	P200	P143
Treasury stock	2,579	2,579

VI. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group 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 III, "Financial Performance" of the MD&A for the discussion of the computed certain Key Performance Indicators.

KPI	As of December 31	
	2011	2010
Liquidity: **Current Ratio**	**1.05**	**1.41**
Solvency: **Debt to Equity Ratio**	**1.66**	**1.14**
Profitability: **Return on Average Stockholders' Equity**	**(12%)**	**11%**

KPI	For the Year Ended December 31	
	2011	2010
Operating Efficiency: **Volume Growth** **Revenue Growth** **Operating Margin**	 **(37%)** **(33%)** **(9%)**	 **7%** **16%** **6%**
Interest Rate Coverage Ratio	**(0.85)**	**6.90**
Asset to Equity Ratio	**2.66**	**2.14**

The manner by which the Group calculates the above indicators is as follows:

KPI	Formula
Current Ratio	Current Assets / Current Liabilities
Debt-to-Equity Ratio	Total Liabilities (Current + Noncurrent) / Stockholders' Equity
Return on Average Stockholders' Equity	Net Income / Average Stockholders' Equity
Volume Growth	$\left(\frac{\text{Sum of All Business' Volume}}{\text{Prior Period Volume}}\right) - 1$
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}}\right) - 1$
Operating Margin	Income from Continuing Operations Before Tax / Net Sales
Interest Rate Coverage Ratio	Earnings Before Interest, Taxes, Depreciation and Amortization / Interest Expense and Other Financing Charges
Asset to Equity Ratio	Total Asset / Total Equity

VII. OTHER MATTERS

a) Commitments

- The Parent Company has a Toll Manufacturing Agreement with third parties for the production of its liquor and non liquor products. Toll manufacturing expense incurred in 2011, 2010 and 2009 amounting to P463,498, P721,213 and P432,598, respectively, were included as part of "outside services" under the "Cost of Sales" account.

- On November 11, 2008, the Parent Company entered into a Memorandum of Agreement (MOA) with East Pacific Star Bottlers Phils Inc. (EPSBPI), a corporation duly organized and existing under and by virtue of the laws of the Philippines. Subject to the terms and conditions of the MOA, the parties intend to delineate and establish the nature and extent of rights and obligations of the Parent Company and EPSBPI, with respect to: (i) the construction and installation of a beverage bottling facility which shall be devoted, on an exclusive basis, for the manufacturing of products, (ii) the performance by EPSBPI of services meeting the requirements of the Parent Company, (iii) the operation and maintenance by EPSBPI of such beverage bottling facility and (iv) the turnover of such facility to the Parent Company, by EPSBPI. The MOA took effect on October 1, 2008 and shall be in full force and effect for a period of ten (10) years until September 30, 2018 unless earlier terminated by either party. On January 27, 2012, the Parent Company purchased 100% of the total outstanding shares of EPSBPI for a consideration of P200,000 at Php100.00 per share.

- The outstanding purchase commitments of the Company as of December 31, 2011 and 2010 amounted to US$79,188 (P3,471,582) and US$138,700 (P6,100,000), respectively.

b) Contingencies

The Group is contingently accountable for liabilities arising from lawsuits or claims (mostly labor related cases) filed by third parties, which are either pending decisions by the courts or are subject to settlement agreements. The outcome of these lawsuits cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability arising from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements. No provision was recognized in 2011, 2010 and 2009.

c) 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 Position and Performance.

d) 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.

e) There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.

f) 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.

g) There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last balance sheet date.

h) There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationship of the Group with unconsolidated entities or other persons created during the reporting period.

i) The effects of seasonality or cyclicality on the operations of the Group's businesses are not material.