GINEBRA SAN MIGUEL SINCE 1834

April 28, 2011

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:

Please see attached Amended SEC Form 17-A of Ginebra San Miguel Inc., which we filed with the Securities and Exchange Commission today.

Very truly yours,

CONCHITA P. JAMORA
Assistant Corporate Secretary

C O V E R S H E E T

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S. E. C. Registration Number

GINEBRA SAN MIGUEL INC.

(Company's Full Name)

3rd & 6th Floor San Miguel Properties Centre St. Francis Street Mandaluyong City

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

CONCHITA P. JAMORA	(632) 689-9100
Contact Person	Company Telephone Number

1 2	3 1	Amended 17-A		
Month	Day	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
SINCE 1834

April 28, 2011

SECURITIES AND EXCHANGE COMMISSION
EDSA, Mandaluyong City

ATTENTION: **ATTY. JUSTINA F. CALLANGAN**
Director
Corporation Finance Department

In compliance with the undertaking of Ginebra San Miguel, Inc. (the "Company") upon the filing of its SEC Form 17-A for the year ending December 31, 2010 (the "SEC Form 17-A") with the Commission on April 15, 2011, to submit an amended SEC Form 17-A together with the signature of the Mr. Eduardo M. Cojuangco, Jr., the Company's Chairman and Chief Executive Officer, upon the latter's return to the country, please see the attached Amended SEC Form 17-A duly signed by Mr. Cojuangco.

Virgilio S. Jacinto
Corporate Secretary

HRAD
Central Receiving and Records Division
APR 15 2011
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

SEC FORM 17-A

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

1. For the fiscal year ended December **31, 2010**

2. SEC Identification Number **142312** 3. BIR Tax Identification No.**000-083-856-00**

4. Exact name of issuer as specified in its charter **GINEBRA SAN MIGUEL, INC.**

5. **Philippines**
Province, Country or other jurisdiction of incorporation or organization

6. _________ (SEC Use Only)
Industry Classification Code:

7. **3rd & 6th Floors, San Miguel Properties Centre St. Francis St., MandaluyongCity**
Address of principal office

1550
Postal Code

8. **(632) 689-9100**
Issuer's telephone number, including area code

9. **N/A**
Former name, former address, and former fiscal year, if changed since last report

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

Title of Each Class	Number of Shares of Stock Outstanding and Outstanding Debt as of December 31, 2010
Common	287,436,541
Preferred	32,786,885
Total	320,223,426
Short Term Debt	5,053,614,034.94
Long Term Debt	1,925,735,734.73
Total:	6,979,349,769.67

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

Yes [√] No [ ]

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

Philippine Stock Exchange **Common**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the

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

Yes [√]   No [ ]

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

Yes [√]   No [ ]

13. The aggregate market value of the voting stock held by non-affiliates of the Company as of December 31, 2010 and March 31, 2011 is P2,325,329,853.00 and P2,277,813,439.20, respectively.

DOCUMENTS INCORPORATED BY REFERENCE

14. The following documents are incorporated by reference:

None

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

<u>*Business Development*</u>

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, whose facilities are located in Pampanga, Laguna, Quezon, Isabela and Albay.

Among its subsidiaries are (1) DistileriaBago, 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 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 2004. 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 functions 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, equipment, containers and inventories (collectively, "SMBI Assets"). With the acquisition of the SMBI Assets, the Company ventured into the manufacturing of non-alcoholic beverages.

Other than the foregoing, there was no bankruptcy, receivership or similar proceeding or material reclassification, merger, consolidation, purchase or sale of a significant amount of assets by the Company which is not in the ordinary course of business during the past three (3) years. The other developments in the Company are also discussed in the Company's Management Discussion and Analysis attached hereto as **Annex "C"**.

Products

The Company's products are listed in **Annex "A"** of this report.

Products and operations of the Company are further discussed in the Company's Management Discussion and Analysis attached as **Annex "C"**.

Ginebra San Miguel (GSM), the Company's principal product, contributes 41% of the total revenues of the Company, and 46% of the revenues in the local liquor business of the Company. Gran Matador Brandy which was launched in 2003, comprises 19% of the Company's volume and 23% of its total revenues. Most of these products are available nationwide.

Non-liquor business contributed 3% of total revenue of the Company for the year ended December 31, 2010.

Export sales accounted for 0.16 % of total revenues in 2010. In the years 2009 and 2008, export sales contributed 0.25% and 0.38% of total revenues, respectively. The bulk of export sales are in Asia.

Distribution methods of the products or services

The Company distributes its liquor products nationwide to consumers through territorial distributorship by a network of dealers. On the other hand, non-alcoholic beverage products are distributed through the Company's territorial sales offices.

The Supply Chain Group of the Company is responsible for planning and delivering the products from the plants to the dealers. Thereafter, the dealers sell the products by routing them to retailers and consumers across their territories. The Company has one hundred three (103) dealers for its liquor products and nine (9) sales offices for its non-alcoholic beverage products as of year-end 2010. The Company utilizes third party services in the warehousing and delivery of its products.

Status of any publicly-announced new products

GSMI is determined to keep delighting its consumers with more new products, variants, and use of more innovative packaging. The Company's new products are included in **Annex "A"** of this report.

Competition

Alcoholic Beverages

The Company is the market leader in the local hard liquor industry. Major competitors include Tanduay Distillers, Inc., International Distillers Philippines, Consolidated Distillers, Inc. and Distileria Limtuaco, Inc.. Competition in the hard liquor industry revolves around brand equity, price, security of raw material supply, production efficiency and distribution network.

Major players compete in their development of brand equity, as the industry's consumers generally develop affinity and loyalty to the brands that they patronize. The Company effectively takes the lead as it continues to build upon the brand legacy that it established in over a hundred years of operation through effective advertising and promotion programs.

Even as the industry approaches maturity, major players also compete by adopting a product portfolio that potentially caters to shifting consumer preferences. The Company is very receptive to these shifts, which, coupled with the Company's ample resources, enables it to develop and mobilize new product variants to consumers ahead of the rest of the competition. Currently, the Company has leading brands in both the gin and the brandy segments.

The highly elastic demand for mainstream liquor products also leads major players to compete on the basis of pricing. In this area, the Company employs rational pricing policies that are in line with prevailing consumer purchasing power and current operating cost levels. Also, the Company ensures that its products provide utmost value for money to its consumers.

The hard liquor industry is currently dependent on the supply of molasses, the raw material for alcohol. The country's molasses supply in the past five (5) years has been erratic. Shortages have occurred in previous years, resulting to importations. This has put pressure on hard liquor manufacturers as imported molasses is more expensive due to high tariff and freight rates. In response to this, the Company has invested on alternative raw material in the form of cassava. The use of cassava is expected to cushion the sudden fluctuations in molasses supply.

Hard liquor manufacturers also compete in terms of production efficiencies, as the price-sensitive nature of the industry's consumers makes them more reliant on cost improvements than on price increases to brace against profit squeezes from an inflationary operating environment. The Company gets ahead of the competition through strategies that maximize the retrieval of second-hand bottles, the usage of which in production may result to significant improvements in the Company's cost structure.

Lastly, manufacturers compete in the breadth of their distribution network. The Company's distribution network of one hundred three (103) dealers, three (3) Company-owned liquor bottling plants, and four (4) toll manufacturers are strategically dispersed throughout the country, ensuring that consumers are immediately served with high-quality liquor products.

Non-Alcoholic Beverages

The Company manufactures diverse non-alcoholic beverage products comprising various types, namely: water, fruit juices, tea drinks, carbonated softdrinks, and milk. These products are in ready-to-drink and powdered and concentrate formats.

There are a lot of entities who want to venture in this type of market. Major competitors include carbonated beverage manufacturers, such as The Coca-Cola Company, Pepsi-Cola Products Philippines, Asiawide Refreshments Corporation and non-carbonated beverage manufactures such as Universal Robina Corporation, Del Monte Philippines and Nestle Philippines. The Company is currently undertaking efforts to strengthen its market position in this industry.

Raw Materials and Supplies

The Company uses the following materials in its products:

A. Alcohol

The alcohol used in the Company's liquor products is distilled from molasses produced from sugarcane grown and milled in the Philippines. Generally, the Company purchases molasses from traders, which is then delivered to local distillers. After converting the molasses into alcohol, the distillers deliver distilled alcohol back to the Company's facilities as part of the raw materials for liquor. The Company pays a processing fee for this distillation.

The Company acquires 45% of its total requirement from its wholly-owned subsidiary, Distileria Bago, Inc.. It sources its remaining requirement from domestic and foreign open markets.

B. Sugar/Sugar Substitutes

The Company uses sugar and high fructose corn syrup (HFCS), a sugar substitute, in the manufacture of its non-alcoholic beverage products. Generally, the Company purchases sugar and HFCS from traders, which commit themselves to deliver to the Company the specific quality it requires. Majority of the Company's sugar requirements are sourced locally, while the Company's HFCS requirements, though procured locally, are imported by traders.

C. Flavoring

Gin essences and other flavoring agents are used in the production of gin. Chinese medicinal herbs are used to make Vino Kulafu. The Company purchases these ingredients mainly from the following suppliers: Nutra Asia Enterprise, which accounts for 41% of the Company's requirement, Jose Estevez SA, which accounts for 12%, Givaudan Group, which accounts for 18% and the Mane Investissiments which accounts for 28%.

D. Bottles

The Company's liquor products are packaged in glass bottles, majority of which are manufactured by San Miguel Yamamura Packaging Corporation, an SMC subsidiary, Arcya Glass Corporation and Formosan Glass Distributors Corporation. Glass bottles account for a significant portion of the cost of goods sold for the Company's liquor product. The said cost is managed in part by recycling the bottles, and the Company maintains a network of secondhand bottle dealers across the nation that retrieves the bottles from the market place for the Company. The cost of reprocessing used bottles is lower than the cost of purchasing new ones.As for non-alcoholic beverage products, they are packaged in glass and PET bottles, majority of which are manufactured by San Miguel Yamamura Asia Corporation and San Miguel Yamamura Packaging Corporation, both SMC subsidiaries.

E. Other Flavors and Packaging Materials

Other flavors and packaging materials such as cartons are locally sourced. Cartons are purchased from San Miguel Paper Packaging Corporation (formerly San Miguel Rengo Packaging Corporation) and Mindanao Corrugated Fibreboard, Inc., which are subsidiaries of SMC.

<u>Customers</u>

The Company has one hundred three (103) liquor dealers and nine (9) sales offices for its non-alcoholic beverage products as of year-end 2010. No individual dealer accounts for more than ten percent (10%) of the total sales for the year. The Company is not dependent upon a single or few customers, the loss of any of which will have a material adverse effect on the Company and its subsidiaries taken as a whole.

Transactions with and /or dependence on related parties

The Company, in the normal course of business, has significant transactions with related parties such as purchases of raw materials, bottles and other packaging materials and sale of liquor and by-products at market prices.

The Company's transactions with related parties are described in Note 27 of the Company's 2010 audited Consolidated Financial Statements attached hereto as **Annex "D".**

Registered Trademarks/Patents, Etc.

All marks used by the Company in its principal products are either registered or pending registration in the Philippines and in foreign countries where they are sold, in its name or in the name of SMC, its parent Company.

It has also registered its bottles and containers like Añejo Rum container, Ginebra San Miguel (Frasco), Ginebra San Miguel (Round), and Ginebra San Miguel container (with a representation of St. Michael Archangel and a devil).

Government Approval

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

Government Regulation

Changes in regulations and actions by national or local regulators, such as excise tax increases for alcoholic beverages expected in 2011 can result in increased competitive pressures. The Company cushions the effect of this tax increases through price increases in its products and improvements in manufacturing cost.

Research and Development

Research and development costs amounted to P50.1 million, P28.1 million, and P33.7 million for 2010, 2009 and 2008, respectively.

Costs and Effects of Compliance with Environmental Laws

As part of its continuing compliance with and adherence to environmental laws, the Company spent P36.6 million in 2010 in improving the wastewater treatment facilities of the various plants used in its business.

Human Resources and Labor Matters

As of December 31, 2010, the Company has a total of 742 regular employees while DBI has a total of 113 regular employees. These entities do not expect that their number of employees will materially change in the next twelve (12) months.

Details of the employees under GSMI and DBI are as follows:

	Administrative			**Operations**			**Total**
	GSMI	**DBI**	**Total**	**GSMI**	**DBI**	**Total**	
No. of Employees	235	-	**235**	507	113	**620**	**855**

Under CBA	-	-	**-**	100	62	**162**	**162**
Non-CBA	235	-	**235**	407	51	**458**	**693**

The Company is party to two collective bargaining agreements (CBAs) with its employees in its plant in Sta. Barbara, Pangasinan; one, for the monthly-paid employees and another for its daily-paid employees.Its subsidiary, DBI is party to a CBA with the monthly paid employees. For the Company's daily paid employees in Mandaue, Sta. Barbara and Cabuyao plants, the individual members of the respective unions entered into a Memorandum of Agreement (MOA) with the Company in lieu of CBA negotiation for the economic provisions. All non-economic provisions of the previous CBAs were adopted.

The status of the CBA of the Company and DBI's CBAs/MOAs as of December 31, 2010 is as follows:

BUSINESS UNIT / PLANT	UNION AFFILIATION	EXPIRATION OF ECONOMIC PROVISION	REMARKS
GSMI - Cebu Plant (Dailies)	Free Workers Association	December 31, 2012	Twenty-three (23) covered employees individually signed a MOA with Management effective January 29, 2010. The MOA pertains to a three (3)-year agreement for economic package from January 1, 2010 until December 31, 2012. Negotiation of the MOA was conducted through the union.
GSMI - Cabuyao (Dailies)	Independent	January 31, 2013	Thirty-two (32) covered employeesindividually signed a MOA with Management for economic package, effective from February 1, 2010 until January 31, 2013. Negotiation of the MOA was conducted through the Labor Management Council.
GSMI- Sta. Barbara (Monthlies)	Independent	March 31, 2011	A CBA was signed by the Union with eighteen (18) members effective from April 1, 2008 until March 31, 2011.
GSMI- Sta. Barbara (Dailies)	CIO-ALU	January 31, 2011	Forty-six (46) covered employees individually signed a MOA with Management for economic package, effective from February 1, 2008 until January 31, 2011. Negotiation is conducted through the Labor Management Council.
DBI-Bacolod (Monthlies)	CIO – ALU	April 30, 2011	CBA was signed by the Union with fifty-nine (59) members effective from May 1, 2008 up to April 30, 2011.

There is no known threat of strike, and there have been none in the last five (5) years.

The Company maintains a retirement plan pursuant to which all regular monthly-paid employees and daily-paid workers of the Company are eligible members.

The retirement plan is described in Note 29 of the 2010 audited Consolidated Financial Statements of the Company attached hereto as **Annex "D"**.

<u>*Major Risks*</u>

Competitor Risk

A. Alcoholic Beverage

With the industry approaching maturity, major players compete by adopting a product portfolio that caters to shifting consumer preferences. Over the years, the Company has expanded its product portfolio to include brandy, gin variants and ready-to-drink flavored alcoholic beverages. Its brandy line, Gran Matador Brandy, is currently the leader in the brandy segment. GSM Blue, its gin variant for the youth has continuously been growing in volume and is second in the gin category after the Company's own Ginebra San Miguel gin line.

B. Non - Alcoholic Beverage

Though fast-growing, the non-alcoholic beverage industry is broad in scope, thereby inciting competition among diverse beverage products. Also, relatively low entry barriers, coupled with the presence of large entities that offer a multitude of product variants, intensify the degree of competition in this industry. The Company strives to mitigate this risk and make inroads on the non-alcoholic beverage market by developing and offering a wide range of product variants, such as water, ready-to-drink and powdered juice and teas in varying packaging formats that encompass the current scope of this industry.

Regulatory Risk

Changes in regulations and actions by national or local regulators, such as excise tax increases for alcoholic beverages expected in 2011 can result in increased competitive pressures. The Company cushions the effect of this tax increases through price increases in its products and improvements in manufacturing cost.

Raw Material Supply/Price Risk

The Company still faces volatility of local supply and prices of molasses since the current demand-supply situation may not be sustainable. When there is volatility in supply, the Company addresses this by regular monitoring of molasses and alcohol requirement and covering its requirements with forward supply contracts. The Company can also import some of its molasses requirements whenever local supply is short of requirements.

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

Moreover, to address the risk of fluctuating molasses supply and prices, the Company invested in a cassava starch milk plant. Cassava starch milk is an alternative raw material for the production of alcohol. The said plant has a total rated capacity of 200 tons dry substance per day or 900 MT of starch milk. This output will support the requirements of one column of the Company's distillery, DBI, in BagoCity, Negros Occidental.

Currency Risk

The Company's exposure to foreign exchange risk resulted from its business transactions denominated in foreign currencies. It is the Company's policy to ensure that capabilities exist for active and prudent management of its foreign exchange.

Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. It is the Company's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Company ensures that sales of products are made to customers with appropriate credit history and has internal mechanism to monitor the granting of credit and management of credit exposures. The Company has made provisions, where necessary, for potential losses on credits extended. Where appropriate, the Company obtains collateral or arranges master netting agreements with its customers.

The Company's exposure to credit risk arises from default of the counterpart with a maximum exposure equal to the carrying amount of these instruments, net of the value of collaterals, if any.

The Company does not expect any counterparty to default in its obligations, given the rich credit ratings. The Company has no significant concentration of credit risk with any counterparty.

For other risks material to the Company's operations, see Note 33 of the Company's 2010 audited Consolidated Financial Statements attached hereto as **Annex "D"**.

Item 2. Properties

A summary of information on the principal plants that are being used by the Company in manufacturing its products, including their location and condition is attached hereto as **Annex "B"**.

The Company has no principal properties, which are subject to a lien or mortgage or are subject to specific limitations in usage or ownership. There are no imminent acquisitions of any material property, which cannot be funded by the working capital of the Company.

Item 3. Legal Proceedings

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

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

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

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

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

	2009		2010	
Quarter	High	Low	High	Low
1st	13.75	11.25	24.25	19.75
2nd	17.00	12.00	36.00	23.00
3rd	19.25	15.75	32.00	25.00
4th	23.75	18.25	34.90	25.00

The closing price of the Company's common shares as of April 4, 2011, the latest practicable date, is P31.00.

The approximate number of shareholders of preferred and common shares as of December 31, 2010 is 1 and 1,174, respectively.

The top 20 stockholders, as of December 31, 2010, of the Company 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	77.99%
2	PCD Nominee Coporation (Non-Filipino)	19,542,844	0	19,542,844	6.10%
3	PCD Nominee Corporation (Filipino)	17,560,511	0	17,560,511	5.48%
4	San Miguel Corporation Retirement Plan	13,466,200	0	13,466,200	4.20%
5	Ginebra San Miguel Inc. Retirement Plan	9,943,285	0	9,943,285	3.10%
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	PuaYok Bing	55,000	0	55,000	0.02%
10	Roman T. Yap	50,000	0	50,000	0.02%
11	Mario LL. Reyes	50,000	0	50,000	0.02%
12	Lucia C. Unsay	46,500	0	46,500	0.01%
13	Dar B. Licanel	41,500	0	41,500	0.01%
14	Angelric S. Geronimo	41,500	0	41,500	0.01%
15	Richard J. Getones	40,000	0	40,000	0.01%
16	Carmelita S. Biano	36,500	0	36,500	0.01%
17	Rosalina A. Lioanag	36,500	0	36,500	0.01%
18	Celebrada C. Chua	34,800	0	34,800	0.01%
19	Leonardo P. Bico	31,500	0	31,500	0.01%
20	Eufracio E. Mamaril Jr.	31,500	0	31,500	0.01%

Dividends Per Share

P 1.50 per share in 2010 and 2009.The dividends in respect of the preferred shares are paid in priority to any dividend or distribution in favor of holders of common shares. There are no extraordinary restrictions that limit the ability of the Company to pay dividends on its common stock.

Description of the following securities of the Company may be found in the indicated Notes to the 2010 Consolidated Financial Statements, attached herein as **Annex "D"**:

Equity — Note 19
Share-based Payment Plans — Note 32

The Company has not sold any unregistered securities or exempt securities, including issuance of securities constituting an exempt transaction, within the past three (3) fiscal years, save for the common shares issued by the Company under its Employees Stock Purchase Plan, which as confirmed by SEC in its Resolution dated January 21, 2008, is exempt from the registration requirement of the Securities Regulation Code.

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

The information required by Item 6 is attached hereto as **Annex "C"**.

Item 7. Financial Statements

The 2010 audited Consolidated Financial Statements of the Company, including its Statement of Management's Responsibility and Auditor's Report, are attached as **Annex "D"** hereto. The Supplementary Schedules (including report of auditors on Supplementary Schedules) are attached as **Annexes "D-1" to "D-9"** hereof.

Item 8. Information on Independent Accounts and Other Related Matters

(A) External Audit Fees and Services

The accounting firm of Manabat Sanagustin & Co., CPAs served as the Company's external auditors for 2010. Manabat Sanagustin & Co., CPAs has been the Company's external auditors since 2006.

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 2010 and 2009 amounted to about P6 and P5 million respectively (inclusive of retainer fees and out-of-pocket expenses). No other services were rendered by the external auditor to the Company or its subsidiaries.

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

(B) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

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

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The names of the incumbent 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, 75, 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 Cainaman Farms, Inc. and Petron Corporation. He is a former Director of Manila Electric Company (February 2009-May 2009).

Ramon S. Ang, Filipino, 57, 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 also holds, among others, the following positions: Vice Chairman, President and Chief Operating Officer of San Miguel Corporation; Chairman and Chief Executive Officer of Petron Corporation, San Miguel Brewery Inc.; San Miguel Properties, Inc., The Purefoods-Hormel Company, Inc., San Miguel Yamamura Packaging Corporation, Anchor Insurance Brokerage Corporation, Liberty Telecoms Holdings, Inc., SMC Global Power Holdings Corp., San Miguel Brewery Hong Kong Limited (Hong Kong)and Philippine Diamond Hotel & Resort, Inc.. He is also the Vice-Chairman and a Director of Manila Electric Company, as well as the Chairman and President of San Miguel Energy Corporation, Strategic Power Devt. Corp, South Premiere Power Corp., Strategic Power Devt. Corp and San Miguel Electric Corp.. 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.

Carlos Palanca III, Filipino, 59, has been an Independent Director of the Company since 1987. He is also the Chairman of the Company's Audit Committee; and a Member of the Company's Executive Compensation Committee. He also holds the following positions: Chairman of The CP Group (CP Group Holdings Corporation, C. Palanca Corporation, CP Realty, CP Equities Corporation, Blue Chips Investment and Trading Corporation, Palanca Investment and Trading Group, Inc., Doña Rosa Realty Corporation, Carlos Palanca Foundation, Antonio Palanca Foundation, Nine Dragons Development Corporation and CPJ Corporation) and Diageo Philippines and Vice Chairman of Philippine Koyo Bearing Corporation. Mr. Palanca is also a Director of KBP Real Estate Corporation, FMF Development Corporation, Investment Planning Corporation of the Philippines, Asian Alliance Holdings and Development Corporation and Koyo Manufacturing Phils. Corporation.

Leo S. Alvez, Filipino, 68, 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). Ret. Major General Alvez is also a former Security Consultant to the Prosecution Panel of the Senate Impeachment Trial of President Joseph Estrada (2000-2001); Vice Commander of the Philippine Army (1998); and Division Commander of the 7th Infantry Division (1996-1998).

Ma. Belen C. Buensuceso, Filipino, 57, has been a Director of the Company since May 6, 2003. She also holds the following positions: Head, Corporate Mergers and Acquisitions of San Miguel Corporation and Director of San Miguel Yamamura Packaging Corporation. Ms. Buensuceso previously served San Miguel Corporation as Senior Vice President for Corporate Planning and Development (2002-2007).

Carmelo L. Santiago, Filipino, 68, has been an Independent Director of the Company since March 30, 2010. He is also a member of the Company's Executive Compensation Committee, Audit Committee, and Nomination and Hearing Committee. He is also an Independent Director of San Miguel Corporation, San Miguel Brewery Inc., San Miguel Brewery Hong Kong Limited (Hong Kong), San Miguel Properties, Inc., Anchor Insurance Brokerage Corporation, Liberty Telecoms Holdings Inc. and Director of Terbo Concept, Inc. Mr. Santiago is the founder, Chairman and owner of several branches of Melo's Restaurant. He is also the founder of Wagyu Restaurant.

Roberto V. Ongpin, Filipino, 74, has been a Director of the Company since August 9, 2010 and a member of the Company's Executive Compensation Committee. He is currently the Chairman of Philweb Corporation, ISM Communications Corporation, Alphaland Corporation, Atok-Big Wedge Co., Inc., Acentic GmbH (Germany) and Developing Countries Investment Corporation (Bahamas). He is also a director of San Miguel Corporation, Petron Corporation, Makati Shangri-la Hotel & Resort, Inc., Forum Energy plc (London) and Shangri-la Asia Limited (Hongkong). Mr. Ongpin is also the Deputy Chairman of South China Morning Post (Hong Kong).

Gabriel S. Claudio, Filipino, 56, has been a Director of the Company since November 11, 2010. 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 and member of the Council of Advisers of LAKAS-KAMPI CMD. He was also 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), Presidential Legislative Adviser (2001-2007), Cabinet Officer for Regional Development (2001- 2009) and Acting Executive Secretary (2009).

Gerardo C. Payumo, Filipino, 53, is the President of the Company since August 9, 2006 and a Member of the Company's Executive Committee and Nominations and Hearing Committee. He was a former Senior Vice President and Director of the Corporate Procurement Unit of San Miguel Corporation (1998-2006).

Bernard D. Marquez, Filipino, 42, is Vice President of the Company and General Manager of Thai San Miguel Liquor Co., Ltd. (Thailand) since January 2010. He previously held the following positions: 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).

Virgilio S. Jacinto, Filipino, 54, 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. and various local and offshore subsidiaries of SMC. He is also the Corporate Secretary of the following companies: Top Frontier Investment Holdings Inc., 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 University of the Philippines.

Cynthia M. Baroy, Filipino, 47, is Assistant Vice President and Division Chief Finance Officer of the Company. She previously held the following positions: Financial Planning & Analysis Manager of San Miguel Yamamura Packaging Corporation (2005 to April 2009); Finance Manager of Metal Closures & Lithography Business (2003- 2005) and Finance Manager of San Miguel Rengo Packaging Corporation (1999 – 2003).

Cesar B. Gimena, Filipino, 49, is Vice President and Supply Chain Group Manager of the Company. He previously held the position Business Procurement Group Manager of the Company (April 2008-June 2010). He was a 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, 52, is Vice President and Marketing Manager of the Company. Mr. Elises' work experience includes: Assistant Vice President and National Sales Manager (2004) and Area Sales Manager (2003) of the Company; Sales and Sales Services Manager of Philippine Beverage Partners, Inc. (2003-2004) and General Manager for Sugarland Corporation (2001-2003).

Valentino G. Vega, Filipino, 53, is Vice President (since September 2007) and National Sales Manager of the Company (since August 2006). 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, 59, is Vice President (since June 2008) and Technical Services Group Manager of the Company (since November 16, 2001). Ms. Unsay was previously an Assistant Vice President and Liquor, Juices and Water Group Manager in the Corporate Services Unit of San Miguel Corporation (2000-2001) and Assistant Vice President and Manager of Corporate Technical Services of La Tondeña Distillers, Inc. (1994-2000).

Independent Directors

The independent directors of the Company in 2010 are Carlos Palanca III and Carmelo L. Santiago.

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.

Parent Company

As of December 31, 2010, the Company is 78% owned by San Miguel Corporation.

Involvement in Certain Legal Proceedings

None of the directors, nominees for election as director, key executive officers of the Company have been involved in any legal proceeding, including without limitation being the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, or a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities, which is not subsequently reversed, suspended or vacated, or (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.

Item 10. Executive Compensation

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)[1]	2011 (estimated)	P 27.3 Million	P 6.3 Million	P5.6 Million	P 39.2 Million
	2010	P 25.3 Million	P 11.8 Million	P 4.9 Million	P 42.0 Million
	2009	P 18.6 Million	P 3.7 Million	P 3.0 Million	P 25.3 Million

[1]*The President and senior officers of the Company for 2011 are as follows: Gerardo C. Payumo, Valentino G. Vega, Cesar B. Gimena, Cynthia M. Baroy and Lucia D. Unsay; for 2010 and 2009, 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.*

All other officers and directors as a group unnamed	2011 (estimated) 2010 2009	36.3 Million P 36.8 Million P 26.7 Million	13.3 Million P 16.0 Million P 6.8 Million	12.5 Million P 12.7 Million P 8.2 Million	62.1 Million P 65.5 Million P 41.7 Million
TOTAL	2011 (estimated) 2010 2009	63.6 Million P 62.1 Million P 45.3 Million	19.6 Million P 27.8 Million P 10.5 Million	18.1 Million P 17.6 Million P 11.2 Million	101.3 Million P 107.5 Million P 67.0 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 2010 each director received a per diem of Ten Thousand Pesos (P10,000.00) per attendance at Board and 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.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Owners of record of more than 5% of the Company's voting securities as of December 31, 2010 are 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	77.38%

[2]*The Board of Directors of San Miguel Corporation ("SMC") authorizes anyone Group A signatory or any two Group B signatories 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, Francis H. Jardeleza, Ma. Belen C. Buensuceso, Sergio G. Edeza, Joseph N. Pineda and Virgilio S. Jacinto. The Group B signatories of SMC are David S. Santos, Bella O.Navarra, Cecile Caroline U. de Ocampo, Manuel M. Agustin, and Virgilio S. de Guzman.*

[3]*The Preferred Shareholders have the right to convert such preferred shares into common shares at any time prior to the fifth anniversary of the first date of issuance of the preferred shares. The conversion rate is one preferred share to one common share.*

	MandaluyongCity, 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	19,220,444	5.95%
Common	PCD Nominee Corporation (Filipino) 37th Floor, Tower One, Enterprise Center Ayala Ave. corner Paseo de Roxas Ave., Makati City[4]	various[6]	Filipino	17,942,111	5.56%

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, key officers of the Company, directors and nominees for election as director, as of December 31, 2010:

(1) Title of Class	(2) Name of Beneficial Owner	(3) Amount and Nature of Beneficial 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	Gerardo C. Payumo	5,000 (D)	Filipino	0.00%
Common	Carlos Palanca III	5,001 (D)	Filipino	0.00%
Common	Gabriel L. Claudio[8]	5,000 (D)	Filipino	0.00%
Common	Ma. Belen C. Buensuceso	5,000 (D)	Filipino	0.00%
Common	Leo S. Alvez	5,000 (D)	Filipino	0.00%
Common	Carmelo L. Santiago[9]	5,000 (D)	Filipino	0.00%
Common	Roberto V. Ongpin[10]	5,000 (D)	Filipino	0.00%

The aggregate number of shares owned of record by the Chairman and Chief Executive Officer, key officers and directors as a group as of December 31, 2010 is 45,001 shares or approximately 0.0141% of the Company's outstanding capital stock.

[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*

[8]*Mr. Claudio is a director of the Company as of November 11, 2010.*

[9] *Mr. Santiago is a director of the Company as of March 30, 2010.*

[10]*Mr.Ongpin is a director of the Company as of August 9, 2010.*

The aggregate number of shares owned of record by all officers and directors as a group as of December 31, 2010 is 319,501 shares or approximately 0.0998% 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.

There is no person holding more than 5% of the Company's voting securities under a voting trust or similar agreement.

Since the beginning of the last fiscal year, there were no arrangements, which resulted in a change in control of the Company.

Item 12.Certain Relationships and Related Transactions

See Note 27 (Related Party Disclosures) to the 2010 audited Consolidated Financial Statements of the Company attached hereto as **Annex "D".**

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. The Company observes an arm's length policy in its dealings with related parties.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The evaluation by the Company to measure and determine the level of compliance of the Board of Directors and top level management with its Manual of Corporate Governance ("Manual") is vested by the Board of Directors in the Compliance Officer. The Compliance Officer is mandated to monitor compliance by all concerned with the provisions and requirements of the Manual of Corporate Governance. The Compliance Officer has certified that for 2010, the Company has substantially adopted all the provisions of the Manual 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.

PART IV - EXHIBITS AND SCHEDULES

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

(a) Exhibits

The 2010 audited Consolidated Financial Statements are attached as **Annex "D"** and the Supplementary Schedules (including the report of the auditors on the Supplementary Schedules) are attached as **Annexes "D-1"** to **"D-9"**. The other Schedules as indicated in the Index to Schedules are either not applicable to the Company or require no answer.

(b) Reports on SEC Form 17-C

Reports on Form 17-C filed during the last twelve (12)-month period covered by this report are attached as **Annex "E"**.

[The space below is intentionally left blank]

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on April 15, 2011.

By:

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

GERARDO C. PAYUMO
President

CYNTHIA M. BAROY
Division Finance Officer

VIRGILIO S. JACINTO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 15th day of April, 2011 affiants exhibiting to me their respective passports as follows:

NAME	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Gerardo C. Payumo	SS0917286	April 18, 2006	Manila
Cynthia M. Baroy	XX2355750	October 23, 2008	Manila
Virgilio S. Jacinto	EB0971552	September 17, 2010	Manila

Doc. No. 390;
Page No, 79;
Book No. II;
Series of 2011.

MARY ROSE S. TAN
Commission No. 0252-11
Notary Public for Mandaluyong City
Until Dec. 31, 2012
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 47144
PTR No. 0980247; 01/03/11, Mandaluyong City
Lifetime Member No. 09449; 01/04/11 Makati City

SUBSCRIBED AND SWORN to before me this APR 2 8 2011 day of April 2011 affiant exhibiting to me his passport as follows:

NAME	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Eduardo M. Cojuangco, Jr.	XX1347206	June 6, 2008	Manila

Doc No. 445;
Page No. 90;
Book No. 11;
Series of 2011.

MARY ROSE S. TAN
Commission No. 0252-11
Notary Public for Mandaluyong City
Until Dec. 31, 2012
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 47144
PTR No. 0980247; 01/03/11, Mandaluyong City
Lifetime Member No. 09449; 01/04/11 Makati

Annex "A"

List of Company Products

Alcoholic Beverages

1. Ginebra San Miguel
2. G.S.M. Blue
3. Ginebra San Miguel Premium Gin
4. Gran Matador Brandy Solera
5. Gran Matador Brandy Solera Gran Reserva
6. Añejo Rum
7. Antonov Vodka
8. Antonov Flavored Vodka
9. St. George Premium Whisky
10. Don Enrique Mixkila Distilled Spirit
11. Vino Kulafu
12. Don Enrique Silver Brandy
13. Don Enrique Gold Brandy
14. Ginebra San Miguel Flavors
15. Gran Matador Primo (new product, launched in April 2010)

Non-Alcoholic

1. Supremo Cane Vinegar
2. Magnolia Healthtea
3. Magnolia Fruit Drink
4. Magnolia Purewater
5. Magnolia Powdered FruitDrink Mix
6. Magnolia Powdered IcedTea
7. Berri (imported from National Foods Australia PTY Ltd.)
8. Lifedrink

Annex "B"

Description of Property

Company Name / Subsidiary		Address	Rented / Owned	Condition
Beverage				
1	Ginebra San Miguel, Inc			
	Canlubang	Silangan Industrial Estate, Bgy Pittland, Terelay Phase, Cabuyao, Laguna	Owned	Good
	Lucena	Bgy. Gulang-gulang, Lucena City, Quezon	Owned	Good
	Sta. Barbara	Tebag West, Sta. Barbara, Pangasinan	Owned	Good
	Cebu	Subandaku, Mandaue City, Cebu	Owned	Good
	Distileria Bago, Inc. (Alcohol Distillery)	Km 13.5 Bgy. Taloc, Bago City, Negros Occidental	Owned	Good
	San Miguel Properties Centre (SMPC) Bldg.	3rd, 5th & 6th Floors SMPC Bldg., St. Francis Ave., Ortigas Centre, Mandaluyong City	Rented	Good
	Valenzuela Sales Office	#8 T.Santiago St., Canumay West, Plastic City, Valenzuela	Rented	Good
	Pureza Sales Office	Brgy. 425, 489 Pureza, Sta. Mesa Manila	Rented	Good
	GMA/NCDG Sales Office	El Inventor Compound, 1251 Amang Rodriguez Ave., Brgy. Dela Paz, Pasig City	Rented	Good
	San Fernando Sales Office	Brgy. San Isidro, McArthur Highway, San Fernando, Pampanga	Rented	Good
	DOS Pampanga Warehouse	San Fernando, Pampanga	Rented	Good
	Davao Sales Office	Brgy. Talomo, Ulas, Davao City	Rented	Good
	Margarrett	Sitio Iloguin, Sandoval St, Cainta, Rizal	Rented	Good
	Inno Bev	Warehouse II, Kabesang Purong, Brgy. Punturin, Valenzuela City	Rented	Good
	Tropical Fruit Asia Co., (TFAC)	First Bulacan Industrial Complex Bo. Tikay, Malolos Bulacan	Rented	Good
	Integrated Mfg. Service Providers Inc. (IMPSI)	98 Marcos Alvarez Avenue, Talon 1 Las Pinas Metro Manila	Rented	Good
	Lakeside Food and Beverage Co. (LFBC)	Brgy. Tulo, Calamba Laguna	Rented	Good
	GMV Cold Storage	Premiere International Park, Batino, Calamba City, Laguna	Rented	Good
	Purebev Inc.	Km. 42, Governor's Drive Bo. Hugo Perez, Trece Martires Cavite	Rented	Good
	San Miguel Brewery-Polo Plant line 3	McArthur Highway, Marulas, Valenzuela	Rented	Good
	San Miguel PET and Brewery Plant-San Fernando	San Fernando Complex, Bo. Quebiawan, San Fernando, Pampanga	Rented	Good
	San Miguel PET and Brewery Plant-Cebu	San Miguel Brewery Complex, SMBD Hi-way, Mandaue City	Rented	Good
	San Miguel PET and Brewery Plant-Davao	San Miguel Brewery Complex, Darong Davao City	Rented	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	Bicutan Sales Office	Sta.Maria Industrial Estate, Bagumbayan, Taguig, Metro Manila	Rented	Good
	Maybunga Sales Office	Joson Compound, Brgy. Maybunga Pasig City	Rented	Good
	SMCSL Warehouse K, J, I, A	Ouano, Mandaue City	Rented	Good
	VENSU Ventures (DOS GENSAN)	Yap Clinic, Roxas Avenue, General Santos City.	Rented	Good
	Yao Resources Company (DOS ILO-ILO)	JV Jocson Street, Dulona, Arevalo, Iloilo City	Rented	Good
	Leyte SR Development Corporation (TACLOBAN Satellite Warehouse)	Cong. Mate Extension St., Tacloban City	Rented	Good
	Pagadian Sales Office	BF Araw Avenue, Tiguma, Pagadian City	Rented	Good
	Cagayan de Oro Sales Office	Unit 118, LYL Apartment, Kimwa Compound, Barangay Baloy, Cagayan de Oro City	Rented	Good
	San Jacinto Warehouse	Bo. Macayug, San Jacinto, Pangasinan	Rented	Good
	SMCSL Damortis	Brgy. Namonitan, Sto. Tomas, La Union	Rented	Good
	Villasis Warehouse	San Nicolas, Villasis, Pangasinan	Rented	Good
	Metro Bottling Corporation	Gen. Hizon Ave., Sta. Lucia, San Fernando, Pampanga	Rented	Good
	SMDCI Warehouse	Bo. Maimpis, San Fernando, Pampanga	Rented	Good
	Porac Warehouse	Sta. Cruz, Porac, Pampanga	Rented	Good
	East Pacific Star Bottlers, Inc.	San Fermin, Cauayan, Isabela	Rented	Good
	Cabatuan Warehouse	Diamantina, Cabatuan, Isabela	Rented	Good
	Pua's Warehouse	San Fermin, Cauayan, Isabela	Rented	Good
	SMC-SL Warehouse	Silangan Industrial Estate, Bgy Pittland, Terelay Phase, Cabuyao, Laguna	Rented	Good
	Alliance Warehouse	Bgy. Pulo, Cabuyao, Laguna	Rented	Good
	Coronet Warehouse	Sta. Maria Industrial Estate, Bagumbayan, Taguig, Metro Manila	Rented	Good
	STMI Warehouse	Bgy. Lawa, Calamba City, Laguna	Rented	Good
	Cotta Warehouse	Bgy. Cotta, Lucena City	Rented	Good
	Tabangao Depot	Bgy. Tabangao, Batangas City	Rented	Good
	Cotta Depot	Bgy. Cotta, Lucena City	Rented	Good
	Domoit Warehouse	Bgy. Domoit, Lucena City	Rented	Good
	Hearty Beverage Options	Sito Pulang Lupa, Makiling, Calamba Laguna	Rented	Good
	Tulo Warehouse	Bgy. Tulo, Calamba City, Laguna	Rented	Good
	Polo Tolling Warehouse	SMBB Polo Brewery, Brgy. BBB Valenzuela City	Rented	Good
	East Pacific Star Tolling – Ligao	Km 503 Hacienda Mitra, Paulog, Ligao City, Albay	Rented	Good
	Tabaco Warehouse 1	Brgy. Bombon, Tabaco City Albay	Rented	Good
	Tabaco Warehouse 2	Brgy. Pawa, Tabaco City, Albay	Rented	Good

Company Name / Subsidiary		Address	Rented / Owned	Condition
	Tabaco Warehouse 3	No. 241 Purok 7 Bgy. Quinale, Tabaco City, Albay	Rented	Good
	Pili Warehouse 1	Princeton Compound, Zone 1, San Jose, Pili, Camarines Sur	Rented	Good
	Pili Warehouse 2	Brgy. Cadlan Pili, Camarines Sur, Naga City	Rented	Good
	Sorsogon Warehouse	Cabid-an, Sorsogon City, Sorsogon	Rented	Good
	Guinobatan Warehouse	Lower Binagsakan, Guinobatan, Albay	Rented	Good
	Candelaria Warehouse	Brgy. Malabanban, Candelaria Quezon	Rented	Good
	Balayan Distillery Inc.	Brgy. Talisay, Calaca, Batangas	Rented	Good
	Berbacs Chemicals, Inc.	San Antonio, San Pedro, Laguna	Rented	Good
	SMC-SL Batangas Bay Terminal Inc.	Bauan, Batangas	Rented	Good
	Southbay Bulk Terminal, Inc.	Calaca, Batangas	Rented	Good
	Bredco Warehouse	Bredco Port, Bacolod City	Rented	Good

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

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, 2010. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as of December 31, 2010 and 2009, 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, 2010. All necessary adjustments to present fairly the Group's consolidated financial position as of December 31, 2010 and the financial performance and cash flows for the year ended December 31, 2010 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 asset is measured as the net total of the fair value of the plan assets, less unrecognized actuarial gains 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 values are rounded off to the nearest million (P000,000), 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, and have been applied consistently by the Group, 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. Accordingly, the Group changed its accounting policies in the following areas:

GINEBRA SAN MIGUEL, INC.
3rd & 6th Floors, San Miguel Properties Centre St. Fancis Street, Mandaluyong City, Metro Manila, Philippines 1550 Telephone: (632) 689-9100 Fax: (632) 643-2211
A Subsidiary of: SAN MIGUEL CORPORATION

Adopted Effective 2010

The Group has adopted the following PFRSs starting January 1, 2010:

- Revised PFRS 3, *Business Combinations* (2008), effective for annual periods beginning on or after July 1, 2009, incorporates the following changes that are likely to be relevant to the Group's operations:

  - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
  - Contingent consideration will be measured at fair value, with subsequent changes therein recognized in profit or loss.
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
  - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognized in profit or loss.
  - Any non-controlling interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

  The adoption of this revised standard did not have a material effect on the consolidated financial statements.

- Revised PAS 27, *Consolidated and Separate Financial Statements* (2008), effective for annual periods beginning on or after July 1, 2009, requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in profit or loss. The adoption of this revised standard did not have a material effect on the consolidated financial statements.

- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*, provide for the following: a) new application guidance to clarify the existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedge relationship; and b) additional application guidance on qualifying items, assessing hedge effectiveness, and designation of financial items as hedged items. The amendments are effective for annual periods beginning on or after July 1, 2009. The adoption of these amendments to standards did not have a material effect on the consolidated financial statements.

- Philippine Interpretation of IFRIC 17, *Distributions of Non-cash Assets to Owners*, provides guidance on the accounting for non-reciprocal distributions of non-cash assets to owners acting in their capacity as owners. It also applies to distributions in which the owners may elect to receive either the non-cash asset or a cash alternative. The liability for the dividend payable is measured at the fair value of the assets to be distributed. The interpretation is effective for annual periods beginning on or after July 1, 2009. The adoption of this Philippine Interpretations of IFRIC did not have a material effect on the consolidated financial statements.

- *Improvements to PFRSs 2008* - Amendments to PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, specify that if an entity is committed to a plan to sell a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria in paragraphs 6 to 8 of PFRS 5 are met. This applies regardless of the entity retaining an interest (other than control) in the subsidiary. Disclosures for discontinued operations are required by the parent when a subsidiary meets the definition of a discontinued operation. The amendments are effective for annual periods beginning on or after July 1, 2009. The adoption of these improvements to standards did not have a material effect on the consolidated financial statements.

- Amendments to PFRS 2, *Share-based Payment: Group Cash-settled Share-based Payment Transactions*, clarify the scope of PFRS 2, that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and regardless of whether the transaction is equity-settled or cash-settled; and the interaction of PFRS 2 and other standards, that in PFRS 2, a "group" has the same meaning as in PAS 27, *Consolidated and Separate Financial Statements*, that is, it includes only a parent and its subsidiaries. The amendments are effective for annual periods beginning on or after January 1, 2010. The adoption of these amendments to standards did not have a material effect on the consolidated financial statements.

- *Improvements to PFRSs 2009*, contain 15 amendments to 12 standards. The improvements are generally effective for annual period beginning on or after January 1, 2010. The following are the said improvements or amendments to PFRSs, none of which has significant effect on the consolidated financial statements of the Group:

  - PFRS 2 and PFRS 3 (2008). The amendments clarify that business combinations as defined in PFRS 3 (2008) are outside the scope of PFRS 2, notwithstanding that they may be outside the scope of PFRS 3 (2008). Therefore business combinations among entities under common control and the contribution of a business upon the formation of a joint venture will not be accounted for under PFRS 2.
  - PAS 38, *Intangible Assets*. The amendments clarify that (i) an intangible asset that is separable only together with a related contract, identifiable asset or liability is recognized separately from goodwill together with the related item; and (ii) complementary intangible assets with similar useful lives may be recognized as a single asset. The amendments also describe valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination for which no active market exists.
  - Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*. The International Accounting Standard Board (IASB) amended the scope of IFRIC 9 so that embedded derivatives in contracts acquired in business combinations as defined in PFRS 3 (2008), joint venture formations and common control transactions remain outside the scope of IFRIC 9.
  - Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*. The amendments remove the restriction that prevented a hedging instrument from being held by a foreign operation that in itself is being hedged.
  - PFRS 5. The amendments clarify that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in PFRS 5.
  - PFRS 8, *Operating Segments*. The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker.
  - PAS 1, *Presentation of Financial Statements*. The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments.
  - PAS 7, *Statement of Cash Flows*. The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities.
  - PAS 17, *Leases*. The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes the land and building elements, an entity should determine the classification of each element based on paragraphs 7 - 13 of PAS 17, taking into account of the fact that land normally has an indefinite economic life.
  - PAS 36, *Impairment of Assets*. The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in PFRS 8 before applying the aggregation criteria of PFRS 8.
  - PAS 39. The amendments provide (i) additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated; (ii) clarify

that the scope exemption in PAS 39 paragraph 2(g) is restricted to forward contracts, i.e. not options, between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date within a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and (iii) clarify that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income to profit or loss during the period that the hedged forecast cash flows impact profit or loss.

The adoption of the foregoing new or revised standards, amendments to standards and Philippine Interpretations from IFRIC did not have a material effect on the consolidated financial statements. Additional disclosures required by the revised standards and improvements were included in the consolidated financial statements, where applicable.

II. KEY TRANSACTIONS

- On February 25, 2010, the Parent Company acquired additional shares to retain the 40% ownership of the outstanding shares of Thai San Miguel Liquor Co., Limited (TSML), which increased its capitalization by THB100 million, through Ginebra San Miguel International Limited (GSMIL) for THB40.0 million (P56.0 million). On the same date, Siam Holdings Limited, (SHL) entered into a loan agreement with Siam Wine and Liquor Limited (SWL) for the THB 10.0 million to purchase additional shares in TSML.

  On April 8, 2010, the Parent Company acquired additional shares to retain the 40% ownership of the outstanding shares of TSML, which further increased its capitalization by THB400 million, through GSMIL for THB80.0 million (P113.5 million). On the same date, SHL entered into a loan agreement with SWL for the THB20.0 million to purchase additional shares in TSML.

  On December 7, 2010, the Parent Company acquired additional shares to retain the 40% ownership of the outstanding shares of TSML, which further increased its capitalization by THB400 million, through GSMIL for THB40.0 million (P58.1 million). On the same date, SHL entered into a loan agreement with SWL for the THB10.0 million to purchase additional shares in TSML.

- On May 25, 2010, the Parent Company entered into unsecured long-term, interest bearing loans from a local bank amounting to P1.5 billion for the purpose of funding the permanent working capital requirements of the Parent Company. On May 31 and August 25, 2010, P300 million and P1.2 billion was drawn down from the said credit facility, respectively. 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.

III. FINANCIAL PERFORMANCE

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

(In millions)	December 31		
	2010	**2009**	**2008**
Sales	P22,688	P19,549	P15,428
Gross Profit	5,109	4,405	3,311
Selling and Administrative Expenses	(3,665)	(3,352)	(2,922)
Financing Charges - Net	(298)	(192)	(103)
Gain (Loss) on Sale/Disposal of Property and Equipment	0	(20)	(10)
Other Income (Charges) - Net	190	207	(549)
Net Income (Loss)	914	701	(279)

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.

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.

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.

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

2009 vs. 2008

The Group's domestic liquor business demonstrated strong operating results in 2009, even as adverse weather conditions and cost increases persisted in 2009, with volumes surpassing 2008 level by 15%. Ginebra San Miguel, as well as GSM Blue and Gran Matador Brandy, remained to be the main engines of this impressive volume growth, aided by effective thematic campaigns that successfully engaged their core markets. Such campaigns include "Bida" for Ginebra San Miguel and "Imagine" for GSM Blue, as well as promo programs that were successful in generating sustained upsurge in consumption, such as the "Tuloy ang Init - Part II" for Gran Matador, thereby solidifying the Group's supremacy in the local hard liquor industry. The foregoing campaigns, together with the significant improvement in volumes and revenue of the Group's international liquor business, translated into a 27% increase in consolidated revenues from 2008.

Higher production requirement brought about by increased product demand, coupled with increases in raw material, packaging costs and specific taxes, corresponded to a 25% increase in the Group's cost of sales. Gross profit improved by 33% against 2008 as improvements in alcohol distillation, brought about by generally lower energy costs that prevailed in 2009, augmented the said gains in volumes and contained said squeezes in product margins.

In spite of the implementation of aggressive ad campaigns during 2009, selling and marketing expenses grew by only 2% from 2008. On the other hand, increased operational requirements and the full integration of the Group's non-alcoholic beverage business raised the Group's general and administrative expenses from 2008 by 35%.

Interest expense grew by 83% from 2008, as the Group increased short-term borrowings to support its move to build-up its finished goods inventory, in anticipation of cost increases for the remainder of 2009.

Other income and other charges amounted to P207 million and P20 million, respectively, in 2009, a significant improvement from P42 million and P601 million, respectively in 2008, chiefly on account 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.

Sustained expansion of the Group's domestic liquor business, marked improvements in the Group's international liquor business, improvements in alcohol distillation operations and reversal of prior period losses on derivative instruments, though tempered by operating expenses and financing cost increases, led 2009 net income to grow to P701 million, a significant turnaround from the 2008 loss of P279 million.

IV. FINANCIAL POSITION

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 (DBI) 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.

Liability under finance lease - net of current portion, 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).

2009 vs. 2008

Cash and cash equivalents declined by 8% from 2008 to P503 million, as the Group paid for the build-up of its finished goods inventories in anticipation of future cost increases, payables related to the acquisition of the domestic non-alcoholic beverage business of San Miguel Corporation ("SMC"), interest on outstanding borrowings and regular quarterly cash dividends.

Trade and other receivables - net were almost at par with 2008, at P2,121 million, despite an increased revenue base, as the Group sustained improvements in collection efficiencies through stricter account supervision and credit management.

Inventories increased by 13% to P4,948 million as the Group increased its finished goods level in line with its build-up strategy.

Prepaid taxes and other current assets increased by 32% to P847 million as the Group replenished its alcohol inventories, resulting to an increase in its prepaid specific taxes.

Investment properties - net declined by 7%, on account of normal depreciation charges incurred by the Group's asset in 2009.

Intangible asset amounting to P61 million relates to the proportionate share on TSML's intangible asset, representing its license to sell and manufacture liquor in Thailand. The account moved by 6% due to currency translation differences.

The 56% decrease in deferred tax assets - net to P145 million arose mainly from derivative losses that were recognized in profit and loss in 2008 but were only realized for income tax purposes in 2009.

Retirement asset amounting to P46 million represents the excess of the fair value of the Parent Company's plan assets from its defined benefit obligation to its employees. In 2008, the defined benefit obligation of the Parent Company to its employees exceeded the fair value of its plan assets, which prompted the group to recognize instead a retirement benefits liability.

Other noncurrent assets - net decreased by 19% on account of the receipt of payment by East Pacific Star, Inc. ("EPSI") to the Group, in relation to the advances made by the Group in favor of EPSI.

Notes payable increased by 49% to P3,849 million as proceeds from new issues outweighed payments of outstanding notes, due to increased working capital requirements in 2009.

Trade and other payables declined by 34% to P2,282 million as the Group paid down obligations to creditors, as well as payables related to its acquisition of SMC's non-alcoholic beverage business.

Income and other taxes payable increased by 147% to P74 million on account of higher withholding taxes, brought about by increased purchases in 2009.

Long-term debt represents the Group's proportionate share on the long-term loan of TSML. The current portion in 2009 increased by 104%, while the non-current portion declined by 21%, as the Group complied with the principal repayment schedule prescribed by the loan agreement.

Retirement liability amounting to P12 million represents the excess of DBI's defined benefit obligation over the fair value of its plan assets.

Liability under finance lease of P17 million - net of current portion, represents the Group's proportionate share on the lease obligation of transportation equipment used by TGT. The 44% decline from 2008 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 decreased by P31 million on account of settlement of liabilities arising from derivative instruments accounted for as hedges in 2009.

Equity

The increases (decreases) in equity for the years 2010 and 2009 are due to:

(In millions)	December 31	
	2010	**2009**
Net income for the period	P914	P701
Effect of translation adjustments	(6)	(11)
Changes in fair value of cash flow hedges	-	42
Issuances of capital stock	136	2
Cash dividends	(476)	(471)
	P568	**P263**

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

(In millions)	December 31		
	2010	**2009**	**2008**
Net cash flows provided by (used in) operating activities	P(664)	P679	P(79)
Net cash flows used in investing activities	(1,213)	(1,210)	(894)
Net cash flows provided by financing activities	1,828	508	1,046

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

Net cash flows provided by (used in) investing activities include the following:

(In millions)	December 31		
	2010	**2009**	**2008**
Additions to property, plant and equipment	P(1,190)	P(435)	P(277)
Proceeds from sale of property, plant and equipment	0	2	2
Interest received	7	4	5
Decrease (increase) in other noncurrent assets	(30)	118	(420)
Purchase of SMBI assets	-	(899)	(204)

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

(In millions)	December 31		
	2010	**2009**	**2008**
Proceeds from short-term borrowings	P58,450	P30,798	P14,273
Proceeds from long-term borrowings	1,492	-	-
Payments of short-term borrowings	(57,256)	(29,542)	(12,646)
Payments of long-term borrowings	(121)	(59)	-
Payments of finance leases	(15)	(12)	(10)
Payments of dividends	(475)	(471)	(470)
Payments of interest	(265)	(206)	(101)
Proceeds from issuance of capital stock	18	0	0

The effect of exchange rate changes on cash and cash equivalents amounted to P(31) million, P(20) million and P23 million for the years ended December 31, 2010, 2009 and 2008, respectively.

V. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The following items are not available for declaration as dividends:

(In millions)	December 31	
	2010	**2009**
Accumulated equity in net earnings of subsidiaries and joint ventures (included in the unappropriated retained earnings balance)	P143	P40
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**	
	2010	**2009**
Liquidity: **Current Ratio**	**1.41**	**1.33**
Solvency: **Debt to Equity Ratio**	**1.14**	**0.83**
Profitability: **Return on Average Stockholders’ Equity**	**11%**	**9%**

KPI	**For the Year Ended December 31**	
	2010	**2009**
Operating Efficiency:		
Volume Growth	**7%**	**15%**
Revenue Growth	**16%**	**27%**
Operating Margin	**6%**	**5%**

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

KPI	Formula
Current Ratio	$\dfrac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt-to-Equity Ratio	$\dfrac{\text{Total Liabililities (Current + Noncurrent)}}{\text{Stockholders' Equity}}$
Return on Average Stockholders' Equity	$\dfrac{\text{Net Income}}{\text{Average Stockholders' Equity}}$
Volume Growth	$\left(\dfrac{\text{Sum of All Business' Volume}}{\text{Prior Period Volume}}\right) - 1$
Revenue Growth	$\left(\dfrac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}}\right) - 1$
Operating Margin	$\dfrac{\text{Income from Continuing Operations Before Tax}}{\text{Net Sales}}$

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 2010, 2009 and 2008 amounting to P721.2 million, P432.8 million and P210.6 million, respectively, were included as part of “Outside services” under the “Cost of sales” account in the consolidated statements of income.

- On November 11, 2008, the Parent Company entered into a Memorandum of Agreement (“MOA”) with EPSI, 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 EPSI, with respect to: (i) the construction and installation of a beverage bottling facility (the “Facility”), which shall be devoted, on an exclusive basis, for the manufacturing of the Parent Company’s products, (ii) the performance by EPSI of services meeting the requirements of the Parent Company, (iii) the operation and maintenance by EPSI of the Facility and (iv) the turnover of the Facility to the Parent Company, by EPSI. 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 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 Distileria 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.

- The outstanding purchase commitments of the Group as of December 31, 2010 and 2009 amounted to USD138.7 million (P6.1 billion) and USD 23.8 million (P1.1 billion), 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 2010, 2009 and 2008.

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.

Annex "D"

GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010, 2009 and 2008

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PRC-BOA Registration No. 0003
SEC Accreditation No. 0004-FR-2
BSP Accredited

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, 2010 and 2009, 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, 2010, 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, 2010 and 2009, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2010, in accordance with Philippine Financial Reporting Standards.

MANABAT SANAGUSTIN & CO., CPAs

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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. 2639631MB
Issued January 3, 2011 at Makati City

March 8, 2011
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.** is responsible for all information and representations contained in the consolidated financial statements which comprise the consolidated statements of financial position as at December 31, 2010 and 2009, 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, 2010. The consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

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

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

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

CYNTHIA M. BAROY
Chief Finance Officer

GERARDO C. PAYUMO
President & 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 15th day of March 2011, affiant exhibiting to me their Passports, as follows:

NAME	**PASSPORT NO.**	**DATE/PLACE OF ISSUE**
Eduardo M. Cojuangco, Jr.	XX1347206	June 6, 2008 / Manila
Cynthia M. Baroy	XX2355750	Oct. 23, 2008 / Manila
Gerardo C. Payumo	SS0917286	Apr. 18, 2006 / Manila

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Page No. 22;
Book No. II;
Series of 2011.

ROMMEL NAPOLEON M. LUMBAO
Commission No. 0251-11
Notary Public for Mandaluyong City
Until Dec. 31, 2012
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 45954
PTR No. 0980246; 01/03/11; Mandaluyong City
Lifetime Member No. 09448; 01/04/11; Q.C.

HRAD

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GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In Thousands)

		December 31	
	Note	2010	2009
ASSETS			
Current Assets			
Cash and cash equivalents	*6, 33, 34*	**P422,630**	P502,887
Trade and other receivables - net	*7, 14, 27, 33, 34*	**2,901,368**	2,120,813
Inventories	*8, 27*	**7,137,443**	4,947,517
Prepaid taxes and other current assets	*9, 33, 34*	**1,060,868**	847,121
Total Current Assets		**11,522,309**	8,418,338
Noncurrent Assets			
Property, plant and equipment - net	*11*	**6,085,639**	5,386,600
Investment properties - net	*12*	**150,922**	162,219
Intangible asset	*10, 13*	**61,804**	60,766
Retirement asset	*29*	**57,870**	45,940
Deferred tax assets - net	*18*	**108,939**	145,349
Other noncurrent assets - net	*7, 14, 33, 34*	**695,685**	714,415
Total Noncurrent Assets		**7,160,859**	6,515,289
		P18,683,168	P14,933,627
LIABILITIES AND EQUITY			
Current Liabilities			
Notes payable	*15, 33, 34*	**P5,053,614**	P3,849,094
Trade and other payables	*16, 27, 28, 33, 34*	**2,862,638**	2,281,819
Income and other taxes payable		**104,197**	73,939
Current maturities of long-term debt	*17, 33, 34*	**123,563**	118,403
Total Current Liabilities		**8,144,012**	6,323,255
Noncurrent Liabilities			
Retirement liability	*29*	**208**	12,477
Long-term debt - net of current maturities	*17, 33, 34*	**1,802,173**	414,533
Liability under finance lease - net of current portion	*28, 33, 34*	**1,809**	16,571
Total Noncurrent Liabilities		**1,804,190**	443,581
Total Liabilities		**9,948,202**	6,766,836
Equity			
Capital stock	*19*	**396,424**	390,388
Additional paid-in capital	*19*	**2,435,476**	2,304,669
Cumulative translation adjustments	*19, 34*	**(9,439)**	(2,998)
Retained earnings			
Appropriated		**2,500,000**	1,300,000
Unappropriated	*19*	**5,991,914**	6,754,141
Treasury stock	*19*	**(2,579,409)**	(2,579,409)
Total Equity		**8,734,966**	8,166,791
		P18,683,168	P14,933,627

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008

(In Thousands, Except Per Share Data)

	Note	**2010**	2009	2008
SALES	*27*	**P22,688,144**	P19,548,591	P15,427,624
COST OF SALES	*20, 27, 35*	**17,579,137**	15,143,827	12,116,482
GROSS PROFIT		**5,109,007**	4,404,764	3,311,142
OTHER INCOME	*26*	**193,806**	206,590	41,891
SELLING AND MARKETING EXPENSES	*21, 27*	**(2,283,675)**	(1,861,621)	(1,817,782)
GENERAL AND ADMINISTRATIVE EXPENSES	*22, 27*	**(1,381,020)**	(1,489,976)	(1,104,549)
INTEREST EXPENSE	*15, 17, 25*	**(305,005)**	(197,505)	(107,985)
INTEREST INCOME		**6,999**	5,332	4,901
OTHER CHARGES	*26*	**(3,453)**	(19,862)	(601,383)
INCOME (LOSS) BEFORE INCOME TAX		**1,336,659**	1,047,722	(273,765)
INCOME TAX EXPENSE	*18*	**(422,805)**	(346,470)	(5,477)
NET INCOME (LOSS)		**P913,854**	P701,252	(P279,242)
Earnings (Loss) Per Share				
Basic	*31*	**P3.03**	P2.32	(P1.17)
Diluted	*31*	**3.03**	2.32	(1.17)

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(In Thousands)

	Note	**2010**	2009	2008
NET INCOME (LOSS)		**P913,854**	P701,252	(P279,242)
EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS		**(6,441)**	(11,625)	(1,152)
NET GAIN (LOSS) ON CASH FLOW HEDGES	*34*	**-**	60,350	(64,992)
INCOME TAX		**-**	(18,105)	22,747
OTHER COMPREHENSIVE INCOME (LOSS) - NET OF TAX		**(6,441)**	30,620	(43,397)
TOTAL COMPREHENSIVE INCOME (LOSS) - NET OF TAX		**P907,413**	P731,872	(P322,639)

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, 2010, 2009 AND 2008
(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, 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)**	**P8,734,966**
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

Forward

	Note	Capital Stock Common	Preferred	Additional Paid-in Capital	Cumulative Translation Adjustments Translation Reserve	Hedging Reserve	Retained Earnings Appropriated	Unappropriated	Treasury Stock	Total
As of January 1, 2008		P336,467	P53,438	P2,298,174	P9,779	P -	P1,300,000	P7,273,749	(P2,579,409)	P8,692,198
Exchange differences on translation of foreign operations		-	-	-	(1,152)	-	-	-	-	(1,152)
Net loss on cash flow hedges, net of tax	*34*	-	-	-	-	(42,245)	-	-	-	(42,245)
Other comprehensive loss		-	-	-	(1,152)	(42,245)	-	-	-	(43,397)
Net loss for the year		-	-	-	-	-	-	(279,242)	-	(279,242)
Total comprehensive loss for the year		-	-	-	(1,152)	(42,245)	-	(279,242)	-	(322,639)
Issuances of capital stock	*19, 32*	328	-	4,994	-	-	-	-	-	5,322
Cash dividends	*30*	-	-	-	-	-	-	(470,640)	-	(470,640)
As of December 31, 2008		P336,795	P53,438	P2,303,168	P8,627	(P42,245)	P1,300,000	P6,523,867	(P2,579,409)	P7,904,241

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(In Thousands)

	Note	**2010**	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**P1,336,659**	P1,047,722	(P273,765)
Adjustments for:				
Depreciation and amortization	*11, 12, 23*	**469,510**	569,174	425,348
Interest expense and financing charges	*15, 17, 25*	**305,005**	197,505	107,985
Impairment losses on receivables	*7, 21*	**1,226**	29,869	58,249
Loss (gain) on sale/disposal of property and equipment	*26*	**(323)**	19,859	10,414
Net unrealized foreign exchange loss (gain)		**(44,483)**	(6,498)	3,431
Interest income		**(6,999)**	(5,332)	(4,901)
Net derivative (gain) loss	*26*	**(70,984)**	(167,363)	587,471
Operating income before working capital changes		**1,989,611**	1,684,936	914,232
Decrease (increase) in:				
Trade and other receivables		**(777,223)**	(89,101)	187,815
Inventories		**(2,075,125)**	(558,430)	(603,250)
Prepaid taxes and other current assets		**(277,537)**	(350,946)	(324,787)
Increase (decrease) in:				
Trade and other payables		**653,689**	(22,892)	(133,782)
Other taxes payable		**39,284**	33,456	63,843
Retirement liability (asset)		**(24,199)**	703	2,713
Net cash generated from (absorbed by) operations		**(471,500)**	697,726	106,784
Income taxes paid		**(192,804)**	(18,471)	(185,373)
Net cash flows provided by (used in) operating activities		**(664,304)**	679,255	(78,589)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		**6,999**	4,376	4,901
Proceeds from sale of property, plant and equipment		**324**	1,721	2,616
Purchase of SMBI assets		**-**	(899,328)	(203,543)
Additions to property, plant and equipment		**(1,190,006)**	(434,996)	(277,122)
Decrease (increase) in other noncurrent assets		**(30,030)**	118,586	(420,356)
Net cash flows used in investing activities		**(1,212,713)**	(1,209,641)	(893,504)

Forward

	Note	**2010**	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term borrowings		**P58,449,594**	P30,798,346	P14,272,522
Issuance of capital stock		**18,228**	391	113
Long-term borrowings		**1,492,500**	-	-
Payments of:				
Short-term borrowings		**(57,255,813)**	(29,541,689)	(12,646,096)
Cash dividends		**(475,297)**	(470,768)	(470,034)
Interest		**(264,759)**	(206,460)	(100,904)
Long-term borrowings		**(121,417)**	(58,994)	-
Finance leases		**(15,161)**	(12,326)	(9,787)
Net cash flows provided by financing activities		**1,827,875**	508,500	1,045,814
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(31,115)**	(19,968)	22,878
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(80,257)**	(41,854)	96,599
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*6*	**502,887**	544,741	448,142
CASH AND CASH EQUIVALENTS AT END OF YEAR	*6*	**P422,630**	P502,887	P544,741

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 6th Floor, San Miguel Properties Centre, St. Francis Street, Ortigas Center, Mandaluyong City.

The Parent Company is 78.00% - owned and controlled by San Miguel Corporation ("SMC"). SMC, its ultimate parent company, was also incorporated in the Philippines.

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) on March 8, 2011.

2. 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 asset is measured as the net total of the fair value of the plan assets, less unrecognized actuarial gains 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 values 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).

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	Country 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, 2010.

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 P2.5 million. 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.

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

<u>Adoption of New or Revised Standards, Amendments to Standards and Interpretations</u>
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 PFRSs. Accordingly, the Group changed its accounting policies in the following areas:

Adopted Effective 2010

The Group has adopted the following PFRS starting January 1, 2010:

- Revised PFRS 3, *Business Combinations* (2008), effective for annual periods beginning on or after July 1, 2009, incorporates the following changes that are likely to be relevant to the Group's operations:

  - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
  - Contingent consideration will be measured at fair value, with subsequent changes therein recognized in profit or loss.
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
  - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognized in profit or loss.
  - Any non-controlling interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

  The adoption of this revised standard did not have a material effect on the consolidated financial statements.

- Revised PAS 27, *Consolidated and Separate Financial Statements* (2008), effective for annual periods beginning on or after July 1, 2009, requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in profit or loss. The adoption of this revised standard did not have a material effect on the consolidated financial statements.

- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items,* provide for the following: a) new application guidance to clarify the existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedge relationship; and b) additional application guidance on qualifying items, assessing hedge effectiveness, and designation of financial items as hedged items. The amendments are effective for annual periods beginning on or after July 1, 2009. The adoption of these amendments to standards did not have a material effect on the consolidated financial statements.

- Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners,* provides guidance on the accounting for non-reciprocal distributions of non-cash assets to owners acting in their capacity as owners. It also applies to distributions in which the owners may elect to receive either the non-cash asset or a cash alternative. The liability for the dividend payable is measured at the fair value of the assets to be distributed. The interpretation is effective for annual periods beginning on or after July 1, 2009. The adoption of this Philippine Interpretation did not have a material effect on the consolidated financial statements.

- *Improvements to PFRSs 2008* - Amendments to PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, specify that if an entity is committed to a plan to sell a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria in paragraphs 6 to 8 of PFRS 5 are met. This applies regardless of the entity retaining an interest (other than control) in the subsidiary. Disclosures for discontinued operations are required by the parent when a subsidiary meets the definition of a discontinued operation. The amendments are effective for annual periods beginning on or after July 1, 2009. The adoption of these improvements to standards did not have a material effect on the consolidated financial statements.

- Amendments to PFRS 2, *Share-based Payment*: *Group Cash-settled Share-based Payment Transactions,* clarify the scope of PFRS 2, that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and regardless of whether the transaction is equity-settled or cash-settled; and the interaction of PFRS 2 and other standards, that in PFRS 2, a "group" has the same meaning as in PAS 27, *Consolidated and Separate Financial Statements*, that is, it includes only a parent and its subsidiaries. The amendments are effective for annual periods beginning on or after January 1, 2010. The adoption of these amendments to standards did not have a material effect on the consolidated financial statements.

- *Improvements to PFRSs 2009,* contain 15 amendments to 12 standards. The improvements are generally effective for annual period beginning on or after January 1, 2010. The following are the said improvements or amendments to PFRSs, none of which has significant effect on the consolidated financial statements of the Group:

  - PFRS 2 and PFRS 3 (2008). The amendments clarify that business combinations as defined in PFRS 3 (2008) are outside the scope of PFRS 2, notwithstanding that they may be outside the scope of PFRS 3 (2008). Therefore business combinations among entities under common control and the contribution of a business upon the formation of a joint venture will not be accounted for under PFRS 2.

  - PAS 38, *Intangible Assets*. The amendments clarify that: (i) an intangible asset that is separable only together with a related contract, identifiable asset or liability is recognized separately from goodwill together with the related item; and (ii) complementary intangible assets with similar useful lives may be recognized as a single asset. The amendments also describe valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination for which no active market exists.

  - Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*. The International Accounting Standards Board (IASB) amended the scope of IFRIC 9 so that embedded derivatives in contracts acquired in business combinations as defined in PFRS 3 (2008), joint venture formations and common control transactions remain outside the scope of IFRIC 9.

  - Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*. The amendments remove the restriction that prevented a hedging instrument from being held by a foreign operation that itself is being hedged.

  - PFRS 5. The amendments clarify that the required disclosures for noncurrent assets (or disposal groups) classified as held for sale or discontinued operations are specified in PFRS 5.

  - PFRS 8, *Operating Segments*. The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker.

  - PAS 1, *Presentation of Financial Statements*. The amendments clarify that the classification of the liability component of a convertible instrument as current or noncurrent is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments.
    .

  - PAS 7, *Statement of Cash Flows*. The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities.

  - PAS 17, *Leases*. The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7 - 13 of PAS 17, taking account of the fact that land normally has an indefinite economic life.

- PAS 36, *Impairment of Assets*. The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in PFRS 8 before applying the aggregation criteria of PFRS 8.

- PAS 39. The amendments provide: (i) additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated; (ii) clarify that the scope exemption in PAS 39 paragraph 2(g) is restricted to forward contracts, i.e. not options, between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date within a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and (iii) clarify that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income to profit or loss during the period that the hedged forecast cash flows impact profit or loss.

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

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

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

- 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.

- 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 PAS 39 paragraph 41. The interpretation is applicable for annual periods beginning on or after July 1, 2010.

- 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.

- *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.

- *Improvements to PFRSs 2010* contain 11 amendments to 6 standards and 1 interpretation, of which only the following are applicable to the Group.

  - PFRS 3. The amendments: (i) 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); (ii) 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 (iii) 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. Early application is permitted and is required to be disclosed.

  - 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.

  - PFRS 7, *Financial Instruments: Disclosures*. The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements. The amendments are effective for annual periods beginning on or after January 1, 2011.

  - PAS 1. The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income also is 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.

  - 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.

  - 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.

  None of the above amendments are expected to have a significant effect on the consolidated financial statements of the Group.

- *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 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 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 of 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.

- PFRS 9, *Financial Instruments* (2009) was issued as the first phase of the PAS 39 replacement project. The chapters of the standard released in 2009 only related to the classification and measurement of financial assets. 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 contractual cash flow characteristics of the financial asset. In October 2010, a new version of PFRS 9 *Financial Instruments* (2010) was issued which now includes all the requirements of PFRS 9 (2009) without amendment. The new version of PFRS 9 also incorporates requirements with respect to the classification and measurement of financial liabilities and the derecognition of financial assets and financial liabilities. The guidance in PAS 39 on impairment of financial assets and hedge accounting continues to apply. The new standard is effective for annual periods beginning on or after January 1, 2013. PFRS 9 (2010) supersedes PFRS 9 (2009). However, for annual periods beginning before January 1, 2013, an entity may elect to apply PFRS 9 (2009) rather than PFRS 9 (2010).

None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for PFRS 9, *Financial Instruments*, which will be mandatory for the Group's 2013 consolidated financial statements and could change the classification and measurement of financial assets.

The Group will assess the impact of the new or revised standards, amendments to standards and interpretations on the consolidated financial statements upon adoption on their respective effective dates.

<u>Financial Assets and Financial Liabilities</u>
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 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 the 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.

<u>*Financial Assets*</u>

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 and 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 values of financial assets at FVPL amounted to P18.2 million and P11.5 million as of December 31, 2010 and 2009, 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 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, noncurrent receivables, advances and deposits are included in this category (Notes 6, 7, and 14).

The combined carrying values of financial assets under this category amounted to P3.7 billion and P2.9 billion as of December 31, 2010 and 2009, 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, 2010 and 2009, 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. The effective yield component of AFS debt securities is reported as part of "Interest income" in the consolidated statements of income. 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, 2010 and 2009, the Group has no financial assets classified under this category.

<u>Financial Liabilities</u>

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 P1.2 million and P10.1 million as of December 31, 2010 and 2009, 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 and liability under finance lease (Notes 15, 16, 17 and 28).

The combined carrying amounts of financial liabilities under this category amounted to P9.8 billion and P6.7 billion as of December 31, 2010 and 2009, 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 the hedging instrument expires, is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

As of December 31, 2010 and 2009, 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 value of the asset or liability. Otherwise, for all other cash flow hedges, 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, 2010 and 2009, the Group has no outstanding derivatives accounted for as cash flow hedges.

Net Investment Hedge. As of December 31, 2010 and 2009, 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 nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

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 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 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
Buildings and building improvements	20 - 50
Land improvements	5 - 10
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, if appropriate, periodically 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. 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
Buildings and building improvements	20 - 50
Land improvements	5 - 10
Machinery and equipment	3 - 40
Other equipment	2 - 5

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

Investment property is derecognized 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.

<u>Intangible Assets</u>

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 any accumulated 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 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 year-end. 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. 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.

Provisions

Provisions are recognized when the Group has: a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or b) a present obligation that arises from past events but is not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability. 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.

Share Capital

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.

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 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, as described in the previous paragraph.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. 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 lease 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 transitional liability as of January 1, 2005, the date of adoption of PAS 19, *Employee Benefits,* is recognized as an expense over five years from date of adoption.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized, reduced by past service 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 end of the year.

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 equity investments, 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 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 in the 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. As at the reporting date, 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 expense accounts 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.

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 receivables or payables in the consolidated statements of financial position.

<u>Related Parties</u>
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.

<u>Basic and Diluted Earnings Per Common Share (EPS)</u>
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 under PFRS 8 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 PFRSs requires management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements at the reporting date. However, uncertainty about these estimates and assumptions could result in outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments 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.

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 venture 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.

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 operations amounted to P268.9 million and P188.4 million, and P70.7 million in 2010, 2009 and 2008, respectively (Notes 20, 21 and 22).

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).

Estimates

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

Allowance for 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 P174.1 million and P192.7 million as of December 31, 2010 and 2009, respectively. The carrying amounts of trade and other receivables amounted to P2.9 billion and P2.1 billion as of December 31, 2010 and 2009, 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 allowance for inventory losses amounted to P70.2 million and P90.1 million as of December 31, 2010 and 2009, respectively. The carrying amounts of inventories amounted to P7.1 billion and P4.9 billion as of December 31, 2010 and 2009, 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 value 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.

Accumulated depreciation and amortization of investment properties and property, plant and equipment amounted to P5.7 billion and P5.3 billion as of December 31, 2010 and 2009, respectively. Property, plant and equipment, net of accumulated depreciation and amortization amounted to P6.1 billion and P5.4 billion as of December 31, 2010 and 2009, respectively (Note 11). Investment properties, net of accumulated depreciation amounted to P150.9 million and P162.2 million as of December 31, 2010 and 2009, respectively (Note 12). Deferred containers net of accumulated amortization included under "Other noncurrent assets" account in the consolidated statements of financial position amounted to P245.9 million and P312.5 million as of December 31, 2010 and 2009, respectively (Note 14).

Fair Value of Investment Properties. The fair value of investment property presented for disclosure purposes is based on market values, being the estimated amount for which the property 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 property is 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 property. 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 P235.1 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 P166.7 million and P177.9 million as of December 31, 2010 and 2009, respectively (Note 18).

Impairment of Non-financial Assets. PFRS requires that an impairment review be performed on property, plant and equipment, investment properties, containers and intangible assets with finite useful lives 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 of December 31, 2010 and 2009. The aggregate amount of property, plant and equipment, investment properties, containers and idle assets amounted to P6.5 billion and P5.9 billion as of December 31, 2010 and 2009, respectively (Notes 11, 12 and 14).

Present Value of Defined Benefit Obligation. The present value of the retirement obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 29 to the consolidated financial statements and include discount rate, expected return on plan assets and salary increase rate. Actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

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

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

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

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

The Group has a net cumulative unrecognized actuarial gains amounting to P62.2 million and P9.1 million as of December 31, 2010 and 2009, respectively (Note 29).

Asset Retirement Obligation. Determining asset retirement obligation requires estimation of the cost of dismantling, installation and restoring leased properties to their original condition. The Group determined that there are no significant asset retirement obligations as of December 31, 2010 and 2009.

5. Segment Information

Operating Segments

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

The Group is organized into 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.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of accounts 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.

Operating Segments

Financial information about operating segments follow:

	For the Years Ended December 31, 2010, 2009 and 2008								
	Alcoholic			Nonalcoholic			Total		
	2010	2009	2008	**2010**	2009	2008	**2010**	2009	2008
Sales									
External sales	**P21,854,906**	P18,680,390	P15,209,229	**P833,238**	P868,201	P218,395	**P22,688,144**	P19,548,591	P15,427,624
Result									
Segment result	**P1,619,987**	P1,718,962	P514,585	**(P175,675)**	(P665,795)	(P125,774)	**P1,444,312**	P1,053,167	P388,811
Interest expense							**(305,005)**	(197,505)	(107,985)
Interest income							**6,999**	5,332	4,901
Other charges							**(3,453)**	(19,862)	(601,383)
Other income							**193,806**	206,590	41,891
Income tax expense							**(422,805)**	(346,470)	(5,477)
Net income (loss)							**P913,854**	P701,252	(P279,242)
Other Information									
Segment assets	**P16,811,712**	P12,890,072	P12,395,865	**P1,005,028**	P1,123,025	P960,640	**P17,816,740**	P14,013,097	P13,356,505
Intangible asset							**61,804**	60,766	57,267
Other assets							**695,685**	714,415	880,253
Deferred tax assets							**108,939**	145,349	330,262
Consolidated total assets							**P18,683,168**	P14,933,627	P14,624,287
Segment liabilities	**P2,604,934**	P1,931,165	P2,103,437	**P257,912**	P363,131	P1,402,434	**P2,862,846**	P2,294,296	P3,505,871
Notes payable							**5,053,614**	3,849,094	2,588,927
Long-term debt							**1,925,736**	532,936	583,553
Liability under finance lease							**1,809**	16,571	41,695
Income and other taxes payable							**104,197**	73,939	-
Consolidated total liabilities							**P9,948,202**	P6,766,836	P6,720,046
Capital expenditures	**P1,177,423**	P416,749	P402,033	**P12,583**	P18,247	P249,537	**P1,190,006**	P434,996	P651,570
Depreciation and amortization							**469,510**	569,173	425,348
Noncash items other than depreciation							**17,447**	29,869	59,249

6. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2010	2009
Cash in banks and on hand	**P259,420**	P416,267
Short-term investments	**163,210**	86,620
	P422,630	P502,887

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	**2010**	2009
Trade		**P1,309,227**	P1,201,770
Non-trade	*33*	**1,397,407**	848,757
Amounts owed by related parties	*27*	**368,858**	263,009
		3,075,492	2,313,536
Less allowance for impairment losses		**(174,124)**	(192,723)
		P2,901,368	P2,120,813

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

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

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

	2010	2009
Balance at beginning of year	**P192,723**	P195,946
Charges for the year	**1,226**	29,869
Reversals and others	**(19,825)**	(33,092)
Balance at end of year	**P174,124**	P192,723

As at December 31, 2010 and 2009, the aging of receivables and the related allowance provided are as follows:

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)**

2009	Trade	Non-trade	Owed by related parties	Total	Allowance
Current	P717,745	P693,329	P50,225	P1,461,299	P -
Past due					
Less than 30 days	79,376	87,035	3,482	169,893	-
30 - 60 days	46,939	44,842	7,608	99,389	-
61 - 90 days	38,593	8,413	37,337	84,343	-
Over 90 days	319,117	15,138	164,357	498,612	(192,723)
	P1,201,770	P848,757	P263,009	P2,313,536	(P192,723)

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 P7.5 million and P13.5 million as of December 31, 2010 and 2009, 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, 2010 and 2009, the Parent Company has outstanding advances to Ginebra San Miguel, Inc. Retirement Plan (GSMIRP) amounting to P137.0 million and P151.6 million, respectively, included under Amounts owed by related parties. 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:

	2010	2009
Finished goods	**P2,850,022**	P1,604,108
Materials and supplies	**4,128,554**	3,174,330
Containers	**158,867**	169,079
	P7,137,443	P4,947,517

The costs of inventories amounted to P7.2 billion and P5.1 billion as of December 31, 2010 and 2009, respectively.

9. Prepaid Taxes and Other Current Assets

Prepaid taxes and other current assets consist of:

	Note	**2010**	2009
Prepaid taxes		**P980,670**	P801,660
Derivative assets	*33, 34*	**18,163**	11,486
Others		**62,035**	33,975
		P1,060,868	P847,121

"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. Also, 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, 2009, the Parent Company acquired additional shares to retain the 40% ownership of the outstanding shares of TSML through GSMIL for Thailand Baht (THB) 60.0 million (P81.5 million). On December 11, 2009, the Parent Company acquired additional shares to retain the 40% ownership of the outstanding shares of TSML through GSMIL for THB40.0 million (P57.3 million).

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 million (P227.7 million).

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 $1 per share for a total subscription value of $1 thousand (P0.05 million) and 1,000 shares of SHL at par value of $1 per share for a total subscription value of $1 thousand (P0.05 million). 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 THB2.0 million (P2.8 million). On the same date, SWL acquired 1 million shares representing 10% ownership of the outstanding capital stock of TSML for THB106.48 million (P147.8 million). The Group's share of this acquisition is THB52.2 million (P72.2 million) 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 Dollar (USD) 3.1 million (P146.9 million) 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 THB15.0 million and THB10.0 million, 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 million 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, 2010, 2009 and 2008, which is included in the Group's consolidated financial statements:

	2010	2009	2008
Current assets	**P776,976**	P556,033	P458,545
Noncurrent assets	**894,220**	895,782	910,549
Current liabilities	**436,522**	409,245	288,234
Noncurrent liabilities	**310,204**	416,407	525,580
Revenue	**892,513**	473,818	402,024
Cost of sales	**826,161**	397,125	398,485
Other income	**7,371**	999	1,479
Operating expenses	**63,161**	136,234	69,647
Net loss	**10,562**	58,542	64,629

The Group's share in the cash flows of TSML for the years ended December 31, 2010, 2009 and 2008 is as follows:

	2010	2009	2008
Net cash flows provided by (used in) operating activities	**(P258,719)**	(P69,427)	P87,932
Net cash flows provided by (used in) investing activities	**792**	17,013	(69,529)
Net cash flows used in financing activities	**(106,202)**	(110,939)	(20,446)

On October 14, 2008, SWL acquired 5,000 shares representing 10% ownership of the outstanding capital stock of TGT for THB500,000 (P0.7 million). The SHL's share of this acquisition is THB245,000 (P0.3 million) 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 period ended December 31, 2010, 2009 and 2008, which is included in the Group's consolidated financial statements:

	2010	2009	2008
Current assets	**P49,802**	P101,970	P141,723
Noncurrent assets	**14,464**	29,819	43,719
Current liabilities	**276,068**	237,146	215,728
Noncurrent liabilities	**1,622**	16,064	29,275
Revenue	**231,686**	227,651	152,547
Cost of sales	**206,606**	206,079	120,909
Other income	**703**	1,835	687
Operating expenses	**110,684**	80,342	92,430
Net loss	**84,901**	56,935	60,105

The Group's share in the cash flows of TGT for the years ended December 31, 2010, 2009 and 2008 is as follows:

	2010	2009	2008
Net cash flows provided by (used in) operating activities	**(P49,743)**	P622	P17,997
Net cash flows provided by (used in) investing activities	**27,072**	13,899	(43,055)
Net cash flows provided by (used in) financing activities	**(20,782)**	(13,210)	29,275

TSML and TGT started commercial operations in March 2008.

11. Property, Plant and Equipment

Property, plant and equipment consist of:

	Buildings and Building Improvements	Land and Land Improvements	Transportation Equipment	Machinery and Equipment	Furniture, Fixtures and Office Equipment	Other Equipment	Construction in Progress	Total
Cost:								
December 31, 2008	P1,173,772	P632,043	P239,271	P6,960,413	P165,981	P627,135	P481,351	P10,279,966
Additions	50	-	-	93	442	1,189	433,222	434,996
Disposals/reclassifications	18,514	1,616	(23,645)	(133,977)	(56,839)	(79,024)	(454,989)	(728,344)
Currency translation adjustments	1,874	2,600	782	8,445	140	70	124	14,035
December 31, 2009	1,194,210	636,259	216,408	6,834,974	109,724	549,370	459,708	10,000,653
Additions	-	-	-	-	-	-	1,190,006	1,190,006
Disposals/reclassifications	28,944	20,630	6,226	331,261	(23,837)	47,480	(560,538)	(149,834)
Currency translation adjustments	5,888	8,230	2,123	26,438	434	364	258	43,735
December 31, 2010	**1,229,042**	**665,119**	**224,757**	**7,192,673**	**86,321**	**597,214**	**1,089,434**	**11,084,560**
Accumulated depreciation and amortization:								
December 31, 2008	432,461	165,733	185,718	3,304,016	153,668	503,618	-	4,745,214
Additions	45,823	13,135	23,019	390,936	7,450	30,953	-	511,316
Disposals/reclassifications	(7,443)	(8,731)	(71,358)	(395,630)	(74,415)	(86,480)	-	(644,057)
Currency translation adjustments	129	340	275	765	51	20	-	1,580
December 31, 2009	470,970	170,477	137,654	3,300,087	86,754	448,111	-	4,614,053
Additions	30,767	16,057	26,825	292,957	9,992	32,647	-	409,245
Disposals/reclassifications	(1,490)	(9,488)	(11,324)	6,799	(42,881)	26,483	-	(31,901)
Currency translation adjustments	691	1,156	1,215	4,100	251	111	-	7,524
December 31, 2010	**500,938**	**178,202**	**154,370**	**3,603,943**	**54,116**	**507,352**	-	**4,998,921**
Net book value:								
December 31, 2009	P723,240	P465,782	P78,754	P3,534,887	P22,970	P101,259	P459,708	P5,386,600
December 31, 2010	**P728,104**	**P486,917**	**P70,387**	**P3,588,730**	**P32,205**	**P89,862**	**P1,089,434**	**P6,085,639**

Property, plant and equipment include unutilized machinery and equipment consisting of the following: (1) distillation equipment of the Parent Company stored in DBI plant; and (2) nonoperating machinery and equipment in various bottling plants of the Parent Company. Net carrying amounts of unutilized machinery and equipment amounted to P201.5 million and P217.7 million as of December 31, 2010 and 2009, respectively, net of accumulated impairment losses of P269.6 million as of those dates.

Depreciation and amortization charged to operations amounted to P409.2 million, P511.3 million and P414.0 million in 2010, 2009, and 2008, respectively (Note 23). These amounts include annual amortizations of capitalized interest amounting to P8.7 million, P8.3 million and P8.1 million in 2010, 2009 and 2008, respectively.

Interest amounting to P14.9 million and P6.1 million were capitalized to machinery and equipment in 2010 and 2009, respectively (Note 25). The capitalization rate used to determine the amount of interest eligible for capitalization was 5.73% in 2010 and 5.96% in 2009. As of December 31, 2010 and 2009, the unamortized capitalized borrowing costs amounted to P73.4 million and P67.1 million, 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:

	Buildings and Building Improvements	**Land and Land Improvements**	**Machinery and Equipment**	**Other Equipment**	**Total**
Cost:					
December 31, 2008 and 2009	P116,300	P49,297	P632,842	P9,247	P807,686
December 31, 2010	**116,300**	**49,297**	**632,842**	**9,247**	**807,686**
Accumulated depreciation and amortization					
December 31, 2008	59,790	17,466	547,667	9,247	634,170
Additions	4,195	31	7,071	-	11,297
December 31, 2009	63,985	17,497	554,738	9,247	645,467
Additions	4,195	31	7,071	-	11,297
December 31, 2010	**68,180**	**17,528**	**561,809**	**9,247**	**656,764**
Net book value:					
December 31, 2009	P52,315	P31,800	P78,104	P -	P162,219
December 31, 2010	**P48,120**	**P31,769**	**P71,033**	**P -**	**P150,922**

Depreciation charged to operations amounted to P11.3 million for the years ended December 31, 2010 and 2009 (Note 23).

As of March 5, 2010, the fair values of investment properties as determined by an independent firm of appraisers amounted to P235.1 million. 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:

	2010	2009
Balance at beginning of year	**P60,766**	P57,267
Additions	**-**	2,677
Write-off	**(1,566)**	-
Currency translation adjustments	**2,604**	822
Balance at end of year	**P61,804**	P60,766

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, 2010, 2009 and 2008.

14. Other Noncurrent Assets

Other noncurrent assets consist of:

	Note	**2010**	2009
Deferred containers - net		**P245,860**	P312,457
Trade receivables referred to legal counsel	*33, 34*	**95,820**	38,669
Trade receivables from terminated dealers - net of current portion	*7, 33, 34*	**7,494**	13,519
Advances	*10, 27*	**242,915**	145,134
Deposits and others		**103,596**	204,636
		P695,685	P714,415

"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 idle assets with net carrying amounts of P15.3 million and P16.5 million as of December 31, 2010 and 2009, respectively. This account also includes input taxes on the acquisition of SMBI property, plant and equipment amounting to P47.4 million and P63.0 million as of December 31, 2010 and 2009, respectively.

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 3% to 5% and 3% to 8% in 2010 and 2009, respectively.

This account also includes 44.9% of the unsecured short-term Thailand Baht-denominated borrowings of TSML which was obtained from banks for working capital requirements. These loans mature in three months or less and bear annual interest ranging from 2% to 3% in 2010 and 2% to 4% in 2009.

Interest expense on notes payable amounted to P246.7 million, P169.8 million and P73.3 million in 2010, 2009 and 2008, respectively (Note 25).

16. Trade and Other Payables

Trade and other payables consist of:

	Note	**2010**	2009
Trade		**P2,020,767**	P1,474,372
Amounts owed to related parties	*27*	**829,595**	784,057
Liability under finance lease current portion	*28*	**11,099**	13,287
Derivative liabilities	*34*	**1,177**	10,103
		P2,862,638	P2,281,819

Credit term of trade payables is generally 30 days.

17. Long-term Debt

Long-term debt consists of the following:

a) 44.9% of the unsecured, long-term, interest-bearing loan, of TSML from Thai local and foreign banks used to finance its 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) month interval at 5% and 10%, respectively of the outstanding loan facilities starting March 14, 2009.

   As of December 31, 2010 and 2009, the carrying amount of the loan is as follows:

	2010	2009
Principal - net of debt issue cost	**P532,936**	P583,553
Cumulative translation adjustment and others	**20,653**	7,952
Amortization of debt issue cost	**444**	425
Payment	**(121,417)**	(58,994)
	432,616	532,936
Less current maturities	**123,563**	118,403
	P309,053	P414,533

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:

	2010	2009
Balance at beginning of year	**P1,791**	P2,185
Cumulative translation adjustments and others	**60**	31
Amortization	**(444)**	(425)
Balance at end of year	**P1,407**	P1,791

Repayment Schedule
As of December 31, 2010, the annual maturities of this long-term debt are as follows:

Year	**Gross Amount**	**Debt Issue Cost**	**Net**
2011	P124,007	P444	P123,563
2012	124,007	444	123,563
2013	124,007	444	123,563
2014	62,002	75	61,927
	P434,023	**P1,407**	**P432,616**

b) On May 25, 2010, the Parent Company entered into unsecured long-term, interest bearing loans from a local bank amounting to P1.5 billion for the purpose of funding the permanent working capital requirements of the Parent Company. On May 31 and August 25, 2010, P300 million and P1.2 billion was drawn down from the said credit facility, respectively. 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, 2010, the annual maturities of this long-term debt are as follows:

Year	**Gross Amount**	**Debt Issue Cost**	**Net**
2012	P257,143	P3,143	P254,000
2013	428,571	1,571	427,000
2014	428,571	1,571	427,000
2015	385,715	595	385,120
	P1,500,000	**P6,880**	**P1,493,120**

18. Income Taxes

Deferred tax assets and liabilities arise from the following:

	2010	2009
Deferred tax assets:		
Impairment losses on non-operating machinery and equipment	**P83,448**	P83,448
Allowance for impairment losses on receivables	**52,237**	57,817
Allowance for write-down of inventories to net realizable value	**21,060**	25,925
Past service cost	**4,975**	5,866
NOLCO	**1,650**	1,650
Others	**3,322**	3,183
	166,692	177,889
Deferred tax liabilities:		
Derivative assets - net	**(5,096)**	(414)
Unrealized foreign exchange gain	**(13,345)**	(1,949)
Retirement asset - net	**(17,298)**	(10,039)
Unamortized capitalized borrowing costs	**(22,014)**	(20,138)
	(57,753)	(32,540)
	P108,939	P145,349

There was no unrecognized deferred tax asset as of December 31, 2010 and 2009.

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

Year Incurred	Amount	Applied	Balance	Expiry Date
2010	P2	P -	P2	December 31, 2013
2009	5,420	-	5,420	December 31, 2012
2008	80	-	80	December 31, 2011
	P5,502	**P -**	**P5,502**	

The components of income tax expense are shown below:

	2010	2009	2008
Current tax expense	**P386,256**	P179,617	P137,253
Deferred tax expense (benefit)	**36,549**	166,853	(131,776)
	P422,805	P346,470	P5,477

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

	2010	2009	2008
Statutory income tax rate	**30.00%**	30.00%	(35.00%)
Increase (decrease) in income tax rate resulting from:			
Effect of change in tax rate	**-**	-	18.8
Interest income subjected to final tax	**(0.2)**	(0.2)	(0.6)
Nondeductible expenses and others	**1.80**	3.3	18.8
Effective income tax rate	**31.60%**	33.1%	2.0%

On May 24, 2005, Republic Act No. 9337 entitled "An Act Amending the National Internal Revenue Code, as Amended, with Salient Features" (Act), was passed into a law effective November 1, 2005. Among others, the Act includes the following significant revisions to the rules of taxation:

a. Change in the corporate income tax rates from 32% to 35% starting November 1, 2005 and to 30% starting January 1, 2009 and onwards; and

b. Change in interest expense allowed as deductible expense by an amount equivalent to a certain percentage of the interest income subjected to final tax as follows: 42% starting November 1, 2005 and 33% starting January 1, 2009 and onwards.

19. Equity

Common Stock

As of December 31, 2010 and 2009, the number of authorized common shares is 460 million. The holders of common shares with par value of P1 per share, 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.

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

	2010	2009
Balance at beginning of year	**336,950,232**	336,794,732
Issuances during the year	**6,035,700**	155,500
Issued shares at end of year	**342,985,932**	336,950,232
Less treasury shares	**55,549,391**	55,549,391
Issued and outstanding shares at end of year	**287,436,541**	281,400,841

Preferred Stock

As of December 31, 2010 and 2009, the number of authorized preferred shares is 100 million. The holders of preferred shares, with par value of P1 per share, are entitled to participate and receive annual dividends of P1.50 per preferred 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, 2010 and 2009, the Parent Company has 32,786,885 outstanding preferred shares.

Treasury Shares

Details of treasury shares as of December 31, 2010 and 2009 are as follows:

	Number of Shares
Preferred shares held in treasury	20,650,700
Common shares held in treasury	55,549,391

Unappropriated Retained Earnings
Annual dividends amounting to P476.1 million, P471.0 million, and P470.6 million (P1.50 per share) were declared by the Parent Company in 2010, 2009, and 2008, respectively. Of this amount, P49.2 million (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 P2.6 billion as of December 31, 2010 and 2009; and (b) the undistributed net earnings of the subsidiaries and joint ventures amounting to P143.4 million in 2010, P39.7 million in 2009 and P143.1 million in 2008. 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 and 2009, unappropriated retained earnings were in excess of the paid-up capital.

On November 11, 2010, the BOD approved P1.2 billion 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	**2010**	2009	2008
Inventories used		**P15,045,165**	P13,280,714	P10,428,242
Utilities and supplies		**912,612**	532,642	875,938
Outside services	*35*	**880,878**	523,870	241,526
Depreciation and amortization	*11, 12*	**279,669**	279,943	215,693
Personnel expenses	*24*	**181,901**	222,504	205,212
Repairs and maintenance		**131,542**	109,231	78,816
Rent	*28*	**100,943**	151,703	46,814
Research costs		**7,638**	3,549	11,126
Insurance		**7,589**	10,703	7,404
Others		**31,200**	28,968	5,711
		P17,579,137	P15,143,827	P12,116,482

21. Selling and Marketing Expenses

Selling and marketing expenses consist of:

	Note	**2010**	2009	2008
Advertising and promotions		**P1,063,964**	P908,212	P993,770
Delivery and marketing		**635,418**	579,904	494,138
Personnel expenses		**222,109**	169,554	129,872
Outside services		**80,777**	23,980	10,667
Rent	*28*	**73,529**	13,907	9,036
Utilities and supplies		**58,198**	34,911	31,639
Travel and transportation		**31,319**	27,412	26,244
Depreciation and amortization	*11, 12*	**30,423**	21,296	18,350
Repairs and maintenance		**28,395**	18,385	12,835
Corporate special program		**24,651**	12,047	12,468
Research costs		**24,420**	12,889	17,286
Impairment losses on receivables	*7*	**1,226**	29,869	58,249
Others		**9,246**	9,255	3,228
		P2,283,675	P1,861,621	P1,817,782

22. General and Administrative Expenses

General and administrative expenses consist of:

	Note	**2010**	2009	2008
Outside services	*27*	**P270,199**	P504,911	P317,613
Personnel expenses		**455,956**	353,789	261,689
Depreciation and amortization	*11, 12*	**159,418**	267,935	191,305
Rent	*28*	**94,449**	22,760	14,822
Taxes and licenses		**93,621**	88,797	103,337
Corporate special program		**81,626**	56,204	55,774
Travel and transportation		**57,770**	53,518	51,779
Insurance		**54,494**	35,047	23,377
Repairs and maintenance		**39,086**	35,576	20,263
Utilities and supplies		**38,672**	42,054	39,256
Research costs		**18,066**	11,678	5,318
Others		**17,663**	17,707	20,016
		P1,381,020	P1,489,976	P1,104,549

23. Depreciation and Amortization

Depreciation and amortization consist of:

	Note	**2010**	2009	2008
Property, plant and equipment	*11*	**P409,245**	P511,316	P413,973
Pallets		**46,737**	45,166	-
Investment properties	*12*	**11,297**	11,297	11,375
Others		**2,231**	1,395	-
		P469,510	P569,174	P425,348

Depreciation and amortization are distributed as follows:

	Note	**2010**	2009	2008
Cost of sales	*20*	**P279,669**	P279,943	P215,693
Selling and marketing expenses	*21*	**30,423**	21,296	18,350
General and administrative expenses	*22*	**159,418**	267,935	191,305
		P469,510	P569,174	P425,348

24. Personnel Expenses

Personnel expenses consist of:

	Note	**2010**	2009	2008
Salaries and wages		**P414,186**	P410,186	P359,686
Employee benefits		**455,427**	334,958	208,150
Retirement costs (benefits)	*29*	**(9,647)**	703	28,937
		P859,966	P745,847	P596,773

Personnel expenses are distributed as follows:

	Note	**2010**	2009	2008
Cost of sales	*20*	**P181,901**	P222,504	P205,212
Selling and marketing expenses	*21*	**222,109**	169,554	129,872
General and administrative expenses	*22*	**455,956**	353,789	261,689
		P859,966	P745,847	P596,773

25. Interest Expense

Interest expense consist of:

	Note	**2010**	2009	2008
Interest on notes payable	*15*	**P246,665**	P169,770	P73,259
Interest on long-term debt	*17*	**73,256**	33,800	37,825
Capitalized borrowing costs	*11*	**(14,916)**	(6,065)	(3,099)
		P305,005	P197,505	P107,985

26. Other Income and Other Charges

Other income consists of:

	Note	**2010**	2009	2008
Gain on derivatives	*34*	**P70,984**	P167,363	P -
Sale of scrap		**47,687**	14,729	17,414
Foreign exchange gain - net		**44,483**	6,498	-
Rent income	*28*	**18,000**	18,000	18,000
Gain on sale of property and equipment	*11*	**323**	-	-
Others		**12,329**	-	6,477
		P193,806	P206,590	P41,891

Other charges consist of:

	Note	**2010**	2009	2008
Loss on purchase agreement		**P2,821**	P -	P -
Loss on sale/disposal of property and equipment		**-**	19,859	10,414
Loss on derivatives	*34*	**-**	-	587,471
Foreign exchange loss - net		**-**	-	3,431
Others		**632**	3	67
		P3,453	P19,862	P601,383

27. Related Party Disclosures

Significant transactions with related parties are as follows:

	2010	2009	2008
Sales to related parties:			
San Miguel Pure Foods Company, Inc. and subsidiaries	**P120,673**	P481,222	P4,253
San Miguel Brewery, Inc.	**2,022**	-	-
Petron Corporation	**1,900**	-	-
SMC	**-**	413,043	663,428
San Miguel Yamamura Asia Corporation	**-**	-	4,129
San Miguel Yamamura Packaging Corporation	**-**	-	659
	P124,595	P894,265	P672,469
Purchases from related parties:			
San Miguel Yamamura Asia Corporation	**P1,035,540**	P1,070,918	P404,455
Petron Corporation	**893,191**	-	-
SMC Shipping and Lighterage Corporation	**694,347**	673,651	697,787
San Miguel Yamamura Packaging Corporation	**531,984**	788,401	459,556
SMC	**351,301**	329,152	163,652
SMITS, Inc.	**38,417**	26,580	13,638
San Miguel Pure Foods Company, Inc.	**37,090**	-	-
San Miguel Brewery, Inc.	**11,871**	14,422	-
Archen Technologies Inc.	**5,240**	4,179	3,886
San Miguel Paper Packaging Corporation	**2,295**	171,591	257,885
San Miguel Properties, Inc.	**722**	9,785	7,103
Anchor Insurance Brokerage Corporation	**596**	1,319	11,859
SMBI	**-**	112,250	42,000
Mindanao Corrugated Fibreboard, Inc.	**-**	-	1,371
Others	**929**	6,520	7,745
	P3,603,523	P3,208,768	P2,070,937

As of December 31, 2010 and 2009, the outstanding balances of related party receivables and payables are as follows:

	2010	2009
Receivables from related parties:		
GSMIRP	**P137,025**	P151,578
SMC Shipping and Lighterage Corporation	**104,097**	18,159
San Miguel Pure Foods Company, Inc. and subsidiaries	**53,007**	65,749
SMBI	**36,927**	-
SMC	**30,198**	14,392
San Miguel Brewery, Inc.	**5,060**	4,477
San Miguel Yamamura Packaging Corporation	**1,131**	2,994
San Miguel Yamamura Asia Corporation	**-**	3,409
Others	**1,413**	2,251
	P368,858	P263,009
Payables to related parties:		
San Miguel Yamamura Packaging Corporation	**P228,744**	P161,951
SMC Shipping and Lighterage Corporation	**206,433**	91,133
San Miguel Yamamura Asia Corporation	**163,975**	92,116
SMC	**95,259**	310,496
Petron Corporation	**55,875**	-
San Miguel Pure Foods Company, Inc. and subsidiaries	**53,332**	65,135
SMITS, Inc.	**15,395**	11,857
San Miguel Brewery, Inc.	**5,809**	9,048
Archen Technologies Inc.	**159**	3,576
SMBI	**-**	25,052
San Miguel Paper Packaging Corporation	**-**	7,163
San Miguel Distribution Company, Inc.	**-**	3,293
Mindanao Corrugated Fibreboard, Inc.	**-**	2,004
Others	**4,614**	1,233
	P829,595	P784,057

Except for SMC, the foregoing related parties are either majority or wholly-owned by SMC.

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, 2010, 2009 and 2008 amounting to P189.1 million, P331.3 million and P256.2 million, respectively, are included in outside services 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, 2010 and 2009 are unsecured, interest-free and settlement occurs 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, 2010, 2009 and 2008. 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.

On November 1, 2008, the Parent Company entered into an asset purchase agreement with SMBI for the purchase of SMBI's assets consisting of P920.1 million worth of equipment, container and inventories and P118.8 million worth of receivables. Twenty-five percent (25%) of the purchase price was settled upon execution of the agreement, and the remaining balance was fully paid in 2009. On December 8, 2008, the Parent Company also entered into service agreement with SMBI, whereby the latter shall render various services to the Parent Company related to the production, promotion, sale and distribution of non-alcoholic beverages products as well as the operation of beverage assets. In consideration of the services of SMBI, the Parent Company shall pay a monthly service fee in the amount of P21 million. The term of the agreement is for six months commencing on November 1, 2008 and expiring on April 30, 2009 and extendible upon mutual written agreement of the parties (Notes 7, 8 and 11).

Compensation of Key Management Personnel of the Group

	2010	2009	2008
Short-term employee benefits	**P42,016**	P25,298	P25,487
Retirement costs (benefits)	**(1,675)**	(491)	3,318
Share-based payments	**851**	666	2,545
	P41,192	P25,473	P31,350

28. Leasing Agreements

Finance Leases

Group as Lessee

During 2008, TSML and TGT entered into various finance lease agreements with a Thai bank covering automobiles needed for business operations. As of December 31, 2010 and 2009, the Group's share in the carrying amount of leased transportation equipment (Note 11) amounted to P12.9 million and P29.9 million, respectively.

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

	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 commenced on October 1, 2006 and is renewable at the option of the Parent Company.

As of December 31, 2010, 2009 and 2008, the future minimum lease payments under such lease are as follows:

	2010	2009	2008
Within one year	**P18,000**	P18,000	P18,000
After one year but not more than five years	**-**	18,000	36,000
	P18,000	P36,000	P54,000

Rent income recognized in the consolidated statements of income with respect to this lease amounted to P18.0 million for the years ended December 31, 2010, 2009 and 2008 (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.

29. Retirement Plans

The Parent Company and DBI have 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, 2010. Valuations are obtained on a periodic basis.

Retirement cost (benefits) recognized by the Parent Company in profit or loss amounted to (P11.9 million), (P6.6 million) and P26.8 million in 2010, 2009 and 2008, respectively, while those charged by DBI amounted to P2.3 million, P7.2 million and P2.1 million in 2010, 2009 and 2008, 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 2010, 2009 and 2008 and the amounts recognized in the consolidated statements of financial position as of December 31, 2010 and 2009 are as follows:

	2010	2009	2008
Current service cost	**P31,751**	P22,665	P12,356
Interest cost	**44,066**	36,369	11,437
Expected return on plan assets	**(53,218)**	(30,451)	(33,415)
Amortization of actuarial gain	**(32,477)**	(32,685)	(1,285)
Past service cost-non vested benefits	**231**	1,374	1,143
Past service cost-vested benefits	**-**	3,431	38,701
Net retirement costs (benefit)	**(P9,647)**	P703	P28,937
Actual return on (losses from) plan assets	**P208,431**	P160,227	(P73,426)

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:

	2010	2009	2008
Cost of sales	**P -**	P5,456	P3,383
Selling and marketing expenses	**-**	6,078	4,521
General and administrative expenses	**(9,647)**	(10,831)	21,033
	(P9,647)	P703	P28,937

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

	2010			2009		
	GSMI	**DBI**	**Total**	GSMI	DBI	Total
Present value of defined benefit obligation	**P574,026**	**P38,490**	**P612,516**	P467,646	P30,868	P498,514
Fair value of plan assets	**692,999**	**39,170**	**732,169**	520,131	20,479	540,610
	(118,973)	**(680)**	**(119,653)**	(52,485)	10,389	(42,096)
Unrecognized past service cost-non vested	**-**	**(231)**	**(231)**	-	(463)	(463)
Unrecognized actuarial gains	**61,103**	**1,119**	**62,222**	6,545	2,551	9,096
Retirement liability (asset)	**(P57,870)**	**P208**	**(P57,662)**	(P45,940)	P12,477	(P33,463)

Retirement benefits are presented as separate line items in the consolidated financial statements. Retirement asset amounted to P57.9 million and P45.9 million as of December 31, 2010 and 2009, respectively, while retirement liability amounted to P208 thousand and P12.5 million as of December 31, 2010 and 2009, respectively.

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

	2010	2009
Balance at beginning of year	**P498,514**	P350,424
Actuarial losses	**69,609**	40,770
Interest cost	**44,066**	36,369
Current service cost	**31,751**	22,665
Benefits paid	**(31,424)**	(6,330)
Transfers from other plan	**-**	56,299
Past service cost - vested	**-**	3,430
Past service cost - non vested	**-**	695
Transfer to other plan	**-**	(5,808)
Balance at end of year	**P612,516**	P498,514

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

	2010	2009
Balance at beginning of year	**P540,610**	P296,300
Actuarial gains	**155,213**	129,776
Expected return on plan assets	**53,218**	30,451
Benefits paid	**(31,424)**	(6,330)
Contributions by employer	**14,552**	39,922
Transfers from other plan	**-**	56,299
Transfer to other plan	**-**	(5,808)
Balance at end of year	**P732,169**	P540,610

Plan assets consist of the following:

	In Percentages	
	2010	2009
Investments in fixed income portfolio	**40**	51
Investments in stock trading portfolio	**60**	49
	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	
	2010	2009
Discount rate	**8**	9
Expected return on plan assets	**10**	10
Salary increase rate	**8**	8

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

	2010	2009	2008	2007	2006
Present value of the defined benefit obligation	**P612,516**	P498,514	P350,424	P139,388	P122,714
Fair value of plan assets	**732,169**	540,610	296,299	206,920	151,375
Surplus (deficit) in the plan	**119,653**	42,096	(54,125)	67,532	28,661
Experience adjustments on plan liabilities	**69,609**	40,770	(16,550)	(5,768)	(18,565)
Experience adjustments on plan assets	**(155,213)**	(129,776)	(106,841)	5,260	23,359

The Group does not expect to pay any contribution to the defined benefit plans in 2011.

30. Cash Dividends

Cash dividends declared by the Parent Company's BOD to common and preferred shareholders amounted to P1.50 per share as of December 31, 2010 and 2009.

31. Basic and Diluted Earnings Per Share

Basic and diluted EPS is computed as follows:

		2010	2009	2008
		(In Thousands, except Number of Shares and EPS data)		
	Net income (loss)	**P913,854**	P701,252	(P279,242)
(a)	Less dividends on preferred shares: Guaranteed	**49,180**	49,180	49,180
(b)	Net income (loss) available to common shares	**P864,674**	P652,072	(P328,422)
	Common shares outstanding at beginning of year	**281,400,841**	281,245,341	280,918,241
	Weighted average number of shares issued during the year	**3,687,367**	96,208	91,300
(c)	Adjusted weighted average number of common shares outstanding - basic	**285,088,208**	281,341,549	281,009,541
(d)	Weighted average number of common shares outstanding - diluted	**285,088,208**	281,341,549	281,009,541
	Basic EPS (b/c)	**P3.03**	P2.32	(P1.17)
	Diluted EPS (b/d)	**3.03**	2.32	(1.17)

32. Share-Based 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 (as approved by the SEC in January 2008). 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, 2010 and 2009 amounted to P126.0 million and P6.0 million, respectively, presented as part of "Non-trade" under "Trade and other receivables" account (Note 7).

The number of subscribed shares and weighted average exercise price under the ESPP as of December 31, 2010 and 2009 are 6,035,700 at P22.52 and 155,500 at P11.85, respectively.

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 average market price of the shares granted was P26.49, P21.75 and P22.79 per share in 2010, 2009 and 2008, respectively.

The average remaining contractual life of the ESPP was 2 years as of December 31, 2010.

LTIP

SMC maintains LTIP for executives of its subsidiaries, including the Group. The options are exercisable at the fair market value of the 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 the LTIP over its 8-year life. The LTIP is administered by the Executive Compensation Committee of the SMC 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, 2010 and 2009.

The SMC's LTIP granted to the executives of the Group have fully vested since 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 2010.

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, notes payable, 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, and liability under finance lease 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 BOD has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the BOD on its activities.

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 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 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. On the other hand, borrowings issued at fixed rates expose the Group to fair value interest rate risk. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

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 the 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 P2.8 million and P1.3 million in 2010 and 2009, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. There is no impact on the Group's other comprehensive income.

As at December 31, 2010 and 2009, terms and maturity profits of the interest - bearing financial instrument together with its gross amounts are shown in the following tables:

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**

December 31, 2009	<1 year	1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	Total
Floating rate						
Foreign currency-denominated (expressed in Philippine peso)	P118,828	P118,828	P118,828	P118,828	P59,415	P534,727
Interest rate	THBFIX +1.25%	THBFIX +1.25%	THBFIX +1.25%	THBFIX +1.25%	THBFIX +1.25%	
	P118,828	P118,828	P118,828	P118,828	P59,415	P534,727

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:

	2010		2009	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$4,465**	**P195,766**	US$3,002	P138,684
Trade and other receivables	**1,855**	**81,344**	2,228	102,956
	6,320	**277,110**	5,230	241,640
Liabilities				
Trade and other payables	**540**	**23,664**	1,108	51,168
Notes payable	**5,865**	**257,144**	5,333	246,406
Liability under finance lease (including current portion)	**294**	**12,908**	646	29,858
Long term debt (including current maturities)	**9,868**	**432,616**	11,574	534,727
	16,567	**726,332**	18,661	862,159
Net foreign currency-denominated monetary liabilities	**(US$10,247)**	**(P449,222)**	(US$13,431)	(P620,519)

The Group reported net foreign exchange gains (losses) amounting to P44.5 million, P6.5 million and (P3.4 million) in 2010, 2009 and 2008, 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, 2008	47.52
December 31, 2009	46.20
December 31, 2010	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, 2010 and 2009:

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)**
Liability under finance lease (including current portion)	**294**	**206**	**(294)**	**(206)**
	16,568	**11,598**	**(16,568)**	**(11,598)**
	P10,248	**P7,174**	**(P10,248)**	**(P7,174)**

2009	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	(P3,002)	(P2,101)	P3,002	P2,101
Trade and other receivables	(2,228)	(1,560)	2,228	1,560
	(5,230)	(3,661)	5,230	3,661
Trade and other payables	1,108	776	(1,108)	(776)
Notes payable	5,333	3,733	(5,333)	(3,733)
Long term debt (including current maturities)	11,574	8,102	(11,574)	(8,102)
Liability under finance lease (including current portion)	646	452	(646)	(452)
	18,661	13,063	(18,661)	(13,063)
	P13,431	P9,402	(P13,431)	(P9,402)

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 market 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, 2010 and 2009:

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**
Liability under finance lease (including current portion recognized under "Trade and other payables" account in the consolidated statements of financial position)	**12,908**	**17,314**	**14,628**	**2,687**	**-**

2009

	Carrying amount	Contractual cash flow	1 year or less	> 1 year - 2 years	> 2 years - 5 years
Financial Assets					
Cash and cash equivalents	P502,887	P502,887	P502,887	P -	P -
Trade and other receivables - net	2,120,813	2,120,813	2,120,813	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position)	11,486	11,486	11,486	-	-
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account in the consolidated statements of financial position)	332,402	332,402	-	332,402	-
Financial Liabilities					
Notes payable	3,849,094	3,870,569	3,870,569	-	-
Trade and other payables	2,258,429	2,258,429	2,258,429	-	-
Derivative liabilities (included under "Trade and other payables" account in the consolidated statements of financial position)	10,103	10,103	10,103	-	-
Long-term debt (including current maturities)	532,936	597,712	144,034	134,658	319,020
Liability under finance lease (including current portion recognized under "Trade and other payables" account in the consolidated statements of financial position)	29,858	29,879	13,287	14,017	2,575

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. 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.

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 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, 2010 and 2009, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	Note	**2010**	2009
Cash and cash equivalents	*6*	**P422,630**	P502,887
Trade and other receivables - net	*7*	**2,901,368**	2,120,813
Derivative assets	*9*	**18,163**	11,486
Noncurrent receivables and deposits - net	*14*	**387,114**	322,402
		P3,729,275	P2,957,588

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 paid-in capital stock, additional paid-in capital and retained earnings, both appropriated and unappropriated. 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, 2010 and 2009:

	2010		2009	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P422,630**	**P422,630**	P502,887	P502,887
Trade and other receivables - net	**2,901,368**	**2,901,368**	2,120,813	2,120,813
Derivative assets (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position)	**18,163**	**18,163**	11,486	11,486
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account in the consolidated statements of financial position)	**387,114**	**387,114**	322,402	322,402
Financial Liabilities				
Notes payable	**5,053,614**	**5,053,614**	3,849,094	3,849,094
Trade and other payables	**2,850,362**	**2,850,362**	2,258,429	2,258,429
Derivative liabilities (included under "Trade and other payables" account in the consolidated statements of financial position)	**1,177**	**1,177**	10,103	10,103
Long-term debt (including current maturities)	**1,925,736**	**2,101,760**	532,936	532,936
Liability under finance lease (including current portion recognized under "Trade and other payables" account in the consolidated statements of financial position)	**12,908**	**12,908**	29,858	29,858

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents and Trade and Other Receivables. The carrying amount of cash and cash equivalents and receivables approximates fair value primarily due to the relatively short-term maturities of these financial 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.

Noncurrent Receivables and Deposits and Liability under Finance Lease. 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.

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. 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, 2010, discount rates used range from 1.32% to 4.75%. The carrying values of floating rate loans with annually interest rate repricing approximate their fair values.

Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments that are categorized into those accounted for as hedges and those that are not designated as hedges are discussed below.

The Group, 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 P42.2 million.

As of December 31, 2010 and 2009, 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 P42.2 million.

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.

Commodity Options
As of December 31, 2008, the Group has outstanding bought and sold options covering its fuel oil requirements with notional quantity of 32,038 metric tons. These options have monthly maturities in 2009 with specified quantities on each maturity date. The net negative fair value of these options as of December 31, 2008 amounted to P517.2 million. As of December 31, 2010 and 2009, the Group has no outstanding options on the purchase of commodity.

Embedded Derivatives

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

Embedded Currency Forwards
As of December 31, 2010 and 2009, the total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$13.6 million and US$13.2 million, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. As of December 31, 2010 and 2009, the net positive fair value of these embedded currency forwards amounted to P17.0 million and P1.4 million, respectively.

For the years ended December 31, 2010, 2009 and 2008, the Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to P71.0 million, P167.4 million and (P587.5 million), respectively.

Fair Value Changes on Derivatives
The net movements in fair value of all derivative instruments for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Balance at beginning of year	**P1,383**	(P584,593)
Net changes in fair value of derivatives:		
Designated as accounting hedges	**-**	18,704
Non-accounting hedges	**70,984**	167,363
	72,367	(398,526)
Less fair value of settled instruments	**55,381**	(399,909)
Balance at end of year	**P16,986**	P1,383

Hedge Effectiveness Results
As of December 31, 2010 and 2009, the Group has no outstanding derivatives designated as hedge.

Fair Value Hierarchy
In accordance with PFRS 7, 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 liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities.

The table below analyzes financial instruments carried at fair value, by valuation method as of December 31, 2010 and 2009. 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.
- Level 3: inputs for the asset or liability that are not based on observable market data.

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**

2009

	Level 1	Level 2	Level 3	Total
Financial Assets				
Derivative assets	P -	P11,486	P -	P11,486
Financial Liabilities				
Derivative liabilities	-	10,103	-	10,103

As of December 31, 2010 and 2009, 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.

The disclosure on fair value hierarchy is only presented for December 31, 2010 and 2009 as comparative information is not required in 2009, which was the first year of application of the amended PFRS 7.

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 2010, 2009 and 2008 amounting to P721.2 million, P432.8 million and P210.6 million, respectively, were included as part of “outside services” under the “Cost of Sales” account (Note 20).

- On November 11, 2008, the Parent Company entered into a Memorandum of Agreement ("MOA") with East Pacific Star, Inc. ("EPSI"), 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 EPSI, 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 EPSI of services meeting the requirements of the Parent Company, (iii) the operation and maintenance by EPSI of such beverage bottling facility and (iv) the turnover of such facility to the Parent Company, by EPSI. 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 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.

- The outstanding purchase commitments of the Company as of December 31, 2010 and 2009 amounted to US$138.7 million (P6.1 billion) and US$23.8 million (P1.1 billion), 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 2010, 2009 and 2008.

KPMG

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SEC Accreditation No. 0004-FR-2
BSP Accredited

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES

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 8, 2011. 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 Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68.1 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

MANABAT SANAGUSTIN & CO., CPAs

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SEC Accreditation No. 0026-AR-2
Tax Identification No. 124-282-616
BIR Accreditation No. 08-001987-7-2010
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PTR No. 2639631MB
Issued January 3, 2011 at Makati City

March 8, 2011
Makati City, Metro Manila

GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES

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

December 31, 2010

* *These schedules, which are required by Part IV(e) of RSA Rule 48, have been omitted because they are either not required, not applicable or the information required to be presented is already included in the Company's consolidated financial statements or the notes thereto.*

GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES ANNEX D - 1

Schedule B. **Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders**
(Other than Related Parties)
As of December 31, 2010

Employee No.	Name	Balance at Beginning of Period	Additions	Amounts Collected	Amounts written off	Current	Not current	Balance at the end of period (2010)
700000039	ALBAY, CHARITO DEL ROSARI	18,611.40		18,611.40		-	-	-
700001012	MARQUEZ, BERNARD D.		14,337.00			14,337.00	-	14,337.00
700001708	ABULENCIA, ALFREDO	-	29,597.43			29,597.43	-	29,597.43
700002019	INOCENCIO, RYAN BINGCANG		8,000.00			8,000.00	-	8,000.00
700002065	MICHAEL SAJUL	-	50,416.58			50,416.58	-	50,416.58
700002542	ACOBA, JOSE MARI LUSTRE	39,575.00		9,180.00		-	30,395.00	30,395.00
700003085	AFICIAL SR., DENNIS SANTO	4,972.52	5,805.56			5,805.56	4,972.52	10,778.08
700003093	AGBULOS, RIZALINO ROSARIO	15,000.00		7,000.00		-	8,000.00	8,000.00
700004138	ROSALES, ROWENA AGUSTIN	21,944.72		15,000.00		-	6,944.72	6,944.72
700004154	ALAPOT, ERNESTO	-	14,944.72			14,944.72	-	14,944.72
700004189	ALBAY, CHARITO DEL ROSARI		26,550.00			26,550.00	-	26,550.00
700005541	TUAZON, JENNY ANN S.	15,000.00		10,500.00		-	4,500.00	4,500.00
700006939	ALVAREZ, PATRICIO DE CAST		28,727.31			28,727.31	-	28,727.31
700007013	ALVAREZ, HUBERTO DE GUZMA	9,584.86		1,584.86		-	8,000.00	8,000.00
700007617	ARMANDO R. AMBROCIO	23,611.20		3,142.99		-	20,468.21	20,468.21
700008280	CHARISA E. DUMO		20,000.00			20,000.00	-	20,000.00
700009881	ENRIQUE Q. ANTONIO	-	25,000.00			25,000.00	-	25,000.00
700010006	ANTOLIHAO, JOEL PILAPIL		11,348.10			11,348.10	-	11,348.10
700012459	ARLOS, EDGARDO WAGAN		1,194.75			1,194.75	-	1,194.75
700013196	ATIENZA, FROILAN DELA CRU		10,778.08			10,778.08	-	10,778.08
700013234	ATENCIO, GLACIELYN L.	8,803.95		7,609.20		-	1,194.75	1,194.75
700014842	BAJAR JR., FELIX CANTUBA	38,185.00	9,398.40			9,398.40	38,185.00	47,583.40
700015075	BALANGUE, MICHAEL ANTHONY	84,410.03		72,243.07		-	12,166.96	12,166.96
700016403	BALICO, VALENTIN TAN	41,300.00		41,300.00		-	-	-
700019402	BARTE, JOHN CABUSAS	5,805.72		5,805.72		-	-	-
700020133	MOMBAY, MA ALMA BAUTISTA	36,515.00	47,651.84			47,651.84	36,515.00	84,166.84
700022055	BAWIN, JOSELITO NARVAJA		49,666.72			49,666.72	-	49,666.72
700024597	BESIREE BERNABE	20,139.08	38,888.96			38,888.96	20,139.08	59,028.04
700024724	BERNAL, ERMIN CACHIN	15,014.13	5,263.91			5,263.91	15,014.13	20,278.04
700026204	BISANA, ROLANDO B.	113,263.16		77,778.87		-	35,484.29	35,484.29
700027251	BOSTRE, EDWIN	38,194.75	15,916.45			15,916.45	38,194.75	54,111.20
700029955	CABATBAT, PETER GALIVO	20,833.60	6,611.12			6,611.12	20,833.60	27,444.72
700031526	CADIZ, NELSON IDO		54,219.77			54,219.77	-	54,219.77
700032409	CASCO, JOSELITO O.	5,821.28	57,428.72			57,428.72	5,821.28	63,250.00
700032581	CALDERON, DENNIS RICAFREN		60,214.84			60,214.84	-	60,214.84
700032727	MASONGSONG, MA. TERESA C.	38,861.16		19,060.92		-	19,800.24	19,800.24
700032778	CALIZO, FREDDIE ARJONA	19,555.84		4,611.12		-	14,944.72	14,944.72
700033235	JOEL R. CALUYA	140,765.38		137,181.13		-	3,584.25	3,584.25
700033669	CAMELLO, PAUL VINCENT AQU		2,389.50			2,389.50	-	2,389.50
700035351	CANLOBO, MANUEL RAMILO	45,838.08		6,171.48		-	39,666.60	39,666.60
700035734	MARIA CAROLYN C. ZARRAGA	-	5,400.00			5,400.00	-	5,400.00
700036854	CARIG, VILLAMOR SENESAN	18,750.28	8,694.44			8,694.44	18,750.28	27,444.72
700036927	CARIÑO, SILVERIO SIBAYAN		8,000.00			8,000.00	-	8,000.00
700037818	ROLDAN, MARGARITA CASABAR	39,583.40		33,333.12		-	6,250.28	6,250.28
700038911	CASTILLO, MERCEDES BITENG	36,527.74		36,527.74		-	-	-
700042366	JACINTO V. CENTENO, JR.	52,083.64	3,737.38			3,737.38	52,083.64	55,821.02
700043176	HARRIET CECILIA AUSTERO	-	2,389.50			2,389.50	-	2,389.50
700043567	CHICA, DAVID VILLAR	2,986.88	36,473.70			36,473.70	2,986.88	39,460.58
700043591	CHICA, EDUARDO TRINIDAD		10,740.00			10,740.00	-	10,740.00
700043613	CHING, RAMIL OBLEPIAS	6,697.00	14,043.00			14,043.00	6,697.00	20,740.00
700046167	MAGANES, REGINO MADAYAG	6,944.72	27,694.45			27,694.45	6,944.72	34,639.17
700047848	JUDERICK CRESCINI	96,800.00		-		-	96,800.00	96,800.00
700050547	CRUZ, EDGARDO CASTILLO	38,880.00	8,703.40			8,703.40	38,880.00	47,583.40
700054933	CUTARAN, IVAN F.	65,400.00	46,766.80			46,766.80	65,400.00	112,166.80
700055301	GONZALES, MELANIE DACAYO	32,082.95	38,000.45			38,000.45	32,082.95	70,083.40
700055433	DADOS, EMELITO NICOLAS	44,361.40		1,471.40		-	42,890.00	42,890.00
700055948	FLORIDA C. DALLUAY	68,055.96		62,361.20		-	5,694.76	5,694.76
700057509	DE GUZMAN, RAUL MEJIA		20,500.24			20,500.24	-	20,500.24
700057649	DE GUZMAN, ERNESTO JR. TA	11,250.28	10,305.56			10,305.56	11,250.28	21,555.84
700057754	DELA CRUZ, RICARDO GUANCI	15,416.96	27,273.08			27,273.08	15,416.96	42,690.04
700057789	DELA CRUZ, PELAGIO DOMING	9,291.16	12,150.84			12,150.84	9,291.16	21,442.00
700058866	DIFUNTORUM, NAPOLEON ONAT	20,476.00	9,190.64			9,190.64	20,476.00	29,666.64
700061581	DOMANTAY, OSCAR PATA		12,524.76			12,524.76	-	12,524.76

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Employee No.	Name	Balance at Beginning of Period	Additions	Amounts Collected	Amounts written off	Current	Not current	Balance at the end of period (2010)
700062537	DUREMDES, JESUS TORRES	25,833.56	4,698.44			4,698.44	25,833.56	30;532.00
700062863	DY, JACINTO JR. FORMOZO	48,611.44		23,583.40		-	25,028.04	25,028.04
700062995	BAJAR, HAYDEE EBARVIA	16,569.72	8,625.28			8,625.28	16,569.72	25,195.00
700063681	ELLA, ELMER JUMAWAN		26,030.00			26,030.00	-	26,030.00
700063894	ELISES, NELSON S.	3,438.59		3,438.59		-	-	-
700064246	EMPEYNADO, BENJAMIN JR. A		47,583.40			47,583.40	-	47,583.40
700064858	ESCALAMBRE, JUAN ANTONIO		4,779.00			4,779.00	-	4,779.00
700065702	ENRIQUEZ, ROLANDO ALVARED		4,779.00			4,779.00	-	4,779.00
700067482	JAIME P. FACTOR	-	2,389.50			2,389.50	-	2,389.50
700069906	FERNANDEZ, REYNALDO CARIÑ		10,778.08			10,778.08	-	10,778.08
700070823	DELA FLOR, ANTHONY DE PAR		1,194.75			1,194.75	-	1,194.75
700073857	FRANCISCO, JESUS SISON	14,174.96		14,174.96		-	-	-
700079197	ANGELRIC S. GERONIMO	39,984.00		31,984.00		-	8,000.00	8,000.00
700079227	GERONIMO, ANGELITO FAUSTI		3,584.25			3,584.25	-	3,584.25
700080012	MICHAEL ALLAN R. GO	42,633.00	6,116.94			6,116.94	42,633.00	48,749.94
700082724	GOOPIO, JOSE EDUARDO GALV	44,312.52	3,270.88			3,270.88	44,312.52	47,583.40
700082872	SORIA, KAREN GRANDE	44,116.93		44,116.93		-	-	-
700083291	GUANZON, LEOPOLDO JR. TAY		1,194.75			1,194.75	-	1,194.75
700084859	CASEM, ARIEL DE GUZMAN	64,444.40		58,470.65		-	5,973.75	5,973.75
700085440	VARGAS, ERNESTO JR. CARIN	31,104.00	4,916.00			4,916.00	31,104.00	36,020.00
700087475	HABACON, TERESITA G.	37,500.08	837,228.27			837,228.27	37,500.08	874,728.35
700089699	IDOS, VLADIMIR SIMON	4,458.05	3,541.95			3,541.95	4,458.05	8,000.00
700091308	INES, ALBERT ALCANTARA	35,272.20	12,556.44			12,556.44	35,272.20	47,828.64
700091332	ANGELES, CONNIE LEODONES	60,222.33		60,222.33		-	-	-
700092134	JACINTO, JOSE ROMULO DE SILVA	39,583.40		33,333.12		-	6,250.28	6,250.28
700093211	JAVELLANA, JEFFREY JAMES		1,194.75			1,194.75	-	1,194.75
700094188	JIMENEZ, GEORGE AGUTEP		13,555.84			13,555.84	-	13,555.84
700094633	JONSON, JEORGE W.	-	107,447.44			107,447.44	-	107,447.44
700094927	CARROL M. JOSEPH	109,473.68		109,473.68		-	-	-
700096733	LAFORTEZA, BERNARDO ARENA	20,276.92	3,278.92			3,278.92	20,276.92	23,555.84
700096792	LAGARDE, WILFREDO RADO	43,060.00	3,828.96			3,828.96	43,060.00	46,888.96
700097201	SANTOS, SIDFREY	35,000.00		-		-	35,000.00	35,000.00
700097845	LAMSEN, LORETO LAYNO	10,833.62	3,444.45			3,444.45	10,833.62	14,278.07
700099325	LASIN, TEODORICO T.	0.01	13,065.24			13,065.24	0.01	13,065.25
700099457	MANALO, DINAH LAURON	51,054.63		16,342.77		-	34,711.86	34,711.86
700100293	LAZO, FELICISIMO ROCERO		3,584.25			3,584.25	-	3,584.25
700101672	LEONILLO, LEWISITO D.	15,000.00		-		-	15,000.00	15,000.00
700102431	ELIBADO, LIDO BRIOLA		47,583.40			47,583.40	-	47,583.40
700103041	SICAT, BRYAN G		14,875.00			14,875.00	-	14,875.00
700103594	LLORIN, ZALDINDO RAMIRO	17,360.75	10,189.25			10,189.25	17,360.75	27,550.00
700104523	SALVADOR T. LOPEZ	15,415.00		9,839.50		-	5,575.50	5,575.50
700105422	LUNA, LUIS GEORGE	-	3,584.25			3,584.25	-	3,584.25
700105503	LUNA, WINEFREDO R.	50,000.00		41,790.00		-	8,210.00	8,210.00
700106046	MACAREG, LEO ABULENCIA		10,778.16			10,778.16	-	10,778.16
700107069	MADRID, SENEN R.	-	1,194.75			1,194.75	-	1,194.75
700107565	MACARAIG, JERRY POMBUENA		16,333.60			16,333.60	-	16,333.60
700107646	TAMAYO, ESTRELLA MAGISAN		1,194.75			1,194.75	-	1,194.75
700107824	MACALINO, JOSE ALFONSO	44,647.64		44,647.64		-	-	-
700111678	MANALANG, ALMA LIM	6,305.84	18,159.16			18,159.16	6,305.84	24,465.00
700111694	MANALO, RAMIRO SADSAD		16,300.00			16,300.00	-	16,300.00
700112011	MANANGAN, PEDRO CALIZO		29,278.00			29,278.00	-	29,278.00
700112941	CALAUNAN, DIGNA MANAOIS	11,250.28		2,916.68		-	8,333.60	8,333.60
700112992	MALABUYOC, RODOLFO CAMPAS	18,744.28		1,054.28		-	17,690.00	17,690.00
700113026	MALIGALIG, FERNANDO JR LA	14,855.40		2,030.40		-	12,825.00	12,825.00
700115932	MANUEL, FERNANDO GERONIMO	20,139.16	9,912.26			9,912.26	20,139.16	30,051.42
700117005	MARANAN, REYNALDO FLORES		28,296.62			28,296.62	-	28,296.62
700119024	MARZOÑA, ANGELA BARANDON		25,305.00			25,305.00	-	25,305.00
700120863	MARTINEZ, SUSANA FELICIAN	166,518.56		118,445.64		-	48,072.92	48,072.92
700122963	MARCELINO P. MAYHAY	-	2,606.70			2,606.70	-	2,606.70
700123951	MEJICO, ALFREDO MALAPOTE	50,686.92		11,103.52		-	39,583.40	39,583.40
700124222	LIOANAG, ROSALINA A.	33,592.17		29,211.42		-	4,380.75	4,380.75
700129895	MORTA, RITCHE BONTOGON		3,584.25			3,584.25	-	3,584.25
700132373	NICOLAS, RODYVER TUBIG	12,628.50	10,889.00			10,889.00	12,628.50	23,517.50

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Employee No.	Name	Balance at Beginning of Period	Additions	Amounts Collected	Amounts written off	Current	Not current	Balance at the end of period (2010)
700132381	NICOLAS, ARNEL	10,264.00	7,426.00			7,426.00	10,264.00	17,690.00
700133043	NOBLEZA, LILIA TIBAY	66,979.28		56,701.20		-	10,278.08	10,278.08
700135631	APELIZAN, ROBERTO MUNEZ		9,389.20			9,389.20	-	9,389.20
700135747	ORA, ARMANDO PARAS		14,944.81			14,944.81	-	14,944.81
700137871	PAGSOLINGAN, BERNARDO ARA		10,778.08			10,778.08	-	10,778.08
700137901	SATURNINO G. PAJARILLO, JR.	-	31,584.25			31,584.25	-	31,584.25
700137987	PALAGANAS, ROLANDO CATUNG		21,889.12			21,889.12	-	21,889.12
700141011	PARCO, EMMANUEL LINGCORAN		30,764.93			30,764.93	-	30,764.93
700141801	PASCUAL, JOSE REGINALD DE	113,750.28		76,250.28		-	37,500.00	37,500.00
700142298	PASUMBAL, JOEL	-	8,210.00			8,210.00	-	8,210.00
700143219	DELA PENA, NESTOR DE LEON	61,180.95		375.15		-	60,805.80	60,805.80
700143642	PEREDA, ARLENE JAVIER		46,036.16			46,036.16	-	46,036.16
700143715	ARGONZA, CESAR TAN		8,000.00			8,000.00	-	8,000.00
700144371	PERIA, IMELDA CASTILLO	40,333.34	10,000.19			10,000.19	40,333.34	50,333.53
700144606	PESIGAN, ROBERTO OBLEFIAS	26,805.65	5,500.07			5,500.07	26,805.65	32,305.72
700148393	QUINTO, ROMULO GUIBONE		12,166.96			12,166.96	-	12,166.96
700150215	RAMOS, HERCULANO JR. MEJI		13,555.84			13,555.84	-	13,555.84
700152269	RELUCIO, RODILLO BASSIG	25,139.12	5,777.72			5,777.72	25,139.12	30,916.84
700155136	ROMAN, RICO	-	20,848.05			20,848.05	-	20,848.05
700156868	RODRIGUEZ, CYRIL PONCE	5,252.79		5,252.79		-	-	-
700159204	ROSALES, GARY	0.50	13,888.62			13,888.62	0.50	13,889.12
700163201	SALINAS, ROLANDO BARONGAN	16,805.92		472.32		-	16,333.60	16,333.60
700163635	SAMSON, HENRY O.	-	27,722.48			27,722.48	-	27,722.48
700168254	SANTOS, JUEL FERNANDEZ		29,166.86			29,166.86	-	29,166.86
700169692	SADI SANTOS	-	37,732.34			37,732.34	-	37,732.34
700171603	SASIL, JESUS JR. MOYA		35,879.95			35,879.95	-	35,879.95
700172413	SENA, CATALINO PANGANIBAN	43,745.00		43,745.00		-	-	-
700175471	MARIO SITJAR	-	2,389.50			2,389.50	-	2,389.50
700176745	VISTA, SONIA SORIANO		3,584.25			3,584.25	-	3,584.25
700176877	VILLADELGADO, EMMA JOCELY		8,000.00			8,000.00	-	8,000.00
700178381	SUPNET, DAVID VISPERAS	31,805.84		1,583.36		-	30,222.48	30,222.48
700179574	ARLITZ D. TALEON		82,850.00			82,850.00	-	82,850.00
700180006	OPADA, PERLITO		1,194.75			1,194.75	-	1,194.75
700180661	TANCINCO, LYNDON GALVEZ		22,693.30			22,693.30	-	22,693.30
700185779	TOLENTINO, LARMAN MENDOZA		34,570.00			34,570.00	-	34,570.00
700186582	SARMIENTO, RONELIO SAN JO	63,750.08		63,750.08		-	-	-
700186732	DELA TORRE, EDWIN ABAD		15,253.08			15,253.08	-	15,253.08
700187364	JOSE OMAR M. TORRES	15,555.84		1,899.10		-	13,656.74	13,656.74
700189383	TRINOS, EUGENE GUANZON		11,265.00			11,265.00	-	11,265.00
700189421	TRUGO, ARCHIE	11,555.00	34,889.99			34,889.99	11,555.00	46,444.99
700189774	TUMANG, AUGUSTO VARGAS	48,466.84		17,133.56		-	31,333.28	31,333.28
700190462	UNSAY, LUCIA D.	0.14	44,920.48			44,920.48	0.14	44,920.62
700190586	UY, JOEL	130,743.02		110,121.36		-	20,621.66	20,621.66
700190691	VALENCIA, RAMONCITO L.	-	2,389.50			2,389.50	-	2,389.50
700192899	VELOSO, EDGARDO LUIS D.	-	70,083.40			70,083.40	-	70,083.40
700194832	VILLAMOR, ELIZABETH HERUE		83.30			83.30	-	83.30
700195863	VILLANUEVA, MARLYN M.	-	13,584.25			13,584.25	-	13,584.25
700198544	VISPERAS, ROGELIO VELORIA		17,722.48			17,722.48	-	17,722.48
700199109	OGOY, ELENA VISPERAS	26,545.30		5,058.90		-	21,486.40	21,486.40
700199508	WASAWAS, JESSIEBERT REOYA	38,741.00	17,812.57			17,812.57	38,741.00	56,553.57
700201011	RADAZA, MARICEL CARILLO		53,300.47			53,300.47	-	53,300.47
700201014	ZARAGOZA, EDWIN MONSANTO		53,573.39			53,573.39	-	53,573.39
700232122	CELERIDAD, ALBERTO ARBAS		13,150.04			13,150.04	-	13,150.04
700291838	ELISES, NELSON SARANGHILO		4,779.00			4,779.00	-	4,779.00
700291986	ELLEAZAR, EXEQUIEL JR AQU	20,416.72	11,129.98			11,129.98	20,416.72	31,546.70
700313092	ANGELES, FE FELIX		1,194.75			1,194.75	-	1,194.75
700355496	AUGUSTO F. GREGORIO III	8,750.00		6,360.50		-	2,389.50	2,389.50
700358789	GUEVARA, JOEL BRIONES	55,971.90		15,441.57		-	40,530.33	40,530.33
700395501	LADAO, EDUARDO JR., T.	36,111.20		32,083.12		-	4,028.08	4,028.08
700410152	BAUTO, EMELINA LEUS		23,000.00			23,000.00	-	23,000.00
700421324	ARIEL S. LORENZO		73,000.00			73,000.00	-	73,000.00
700445452	MANLUNAS, NENITA FONOLLER		8,000.00			8,000.00	-	8,000.00
700527300	GERARDO C. PAYUMO	46,851.00		46,851.00		-	-	-

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(Other than Related Parties)
As of December 31, 2010

Employee No.	Name	Balance at Beginning of Period	Additions	Amounts Collected	Amounts written off	Current	Not current	Balance at the end of period (2010)
700529206	PELAYO, EDWIN BACCAY	59,722.40		59,722.40		-	-	-
700592552	SABAULAN, ROBERTO MONTES		10,752.75			10,752.75	-	10,752.75
700625892	SARIA, EDUARDO DAYACAP		32,779.20			32,779.20	-	32,779.20
700640409	SORIANO, JESUS CASTRO		4,284.25			4,284.25	-	4,284.25
700642290	CABALLERO JOSEFINA SULLE	21,129.36		16,350.36		-	4,779.00	4,779.00
700643998	VIVAS, MARGIE SUMIDO		20,500.00			20,500.00	-	20,500.00
700719811	BATI, FRANCISCO BISMARCK		8,000.00			8,000.00	-	8,000.00
700801429	PRUDENTE, ANDY RESABA		4,779.00			4,779.00	-	4,779.00
700802360	MACALALAG, EMMANUEL BODO		290,377.66			290,377.66	-	290,377.66
700802662	ESTOQUE, MARIVIC TOLENTINO	38,888.96		33,333.12		-	5,555.84	5,555.84
700802697	PERALTA, SERENICO MAUBAN		10,641.02			10,641.02	-	10,641.02
700802832	JASON FRANK G. BRIMON	-	100,210.00			100,210.00	-	100,210.00
700802840	SAN JUAN, RAYMUNDO T.	-	8,000.00			8,000.00	-	8,000.00
700803235	MANINGAT, CARLOS D.	50,000.00		48,805.25		-	1,194.75	1,194.75
700805394	SANTOS, ELENA CARMELA A.	43,055.36		22,138.40		-	20,916.96	20,916.96
700806129	LAURELLE S. INFANTE	48,611.12		33,333.12		-	15,278.00	15,278.00
700806226	CAYNILA, MACARIO R.	0.00	60,623.74			60,623.74	0.00	60,623.74
700806510	PINEDA, CHRISTOPHER JOHN	34,999.99	7,893.31			7,893.31	34,999.99	42,893.30
700807133	BAGALACSA, RUSTUM JR DUÑG		19,250.00			19,250.00	-	19,250.00
700807397	MACARAIG, ANTHONY MARI SA		7,500.00			7,500.00	-	7,500.00
700807532	DE LA ROSA, ANNA KATRINA	13,997.70	11,849.77			11,849.77	13,997.70	25,847.47
700807630	GARCIA, FELIX JR. PLATA	47,791.47		6,107.33		-	41,684.14	41,684.14
700808911	CANLUBO, OLIVER PAGASPAS	42,478.00		42,478.00		-	-	-
700809233	CO, DAMIRSON AMOYAN		1,190.00			1,190.00	-	1,190.00
700810193	REYNALYN ABALUS	-	5,722.84			5,722.84	-	5,722.84
700810681	PAGSANHAN, MAILA NICOLASO		2,389.50			2,389.50	-	2,389.50
700811220	NELVIN P. LARANJO	40,972.28		11,666.49		-	29,305.79	29,305.79
700811688	DE GUZMAN, MELVILLE C.	8,000.00	29,166.80			29,166.80	8,000.00	37,166.80
700811882	PHILIP T. CAINGAT		25,050.00			25,050.00	-	25,050.00
700811890	LESTER E. DELOS SANTOS		650.00			650.00	-	650.00
700811939	BERMOY, WILLIAM TABARES		33,750.00			33,750.00	-	33,750.00
700811963	ROMMEL H. VIRAY	45,135.00		19,105.00		-	26,030.00	26,030.00
700812110	AGBAY, JENNIFER	-	39,999.83			39,999.83	-	39,999.83
700812293	MARIN, MARILEN M.		8,000.00			8,000.00	-	8,000.00
700812536	SHEILA ANGELES	85,218.80		85,218.80		-	-	-
700813176	JACKIE TORRES	51,644.78	6,873.27			6,873.27	51,644.78	58,518.05
700813370	ARISTHEDES B. DUNAY		21,150.00			21,150.00	-	21,150.00
700813672	MICIANO, LEON MIGUEL ZOLE	27,500.00		7,385.00		-	20,115.00	20,115.00
700813974	LUMUBOS, IDELLE LIZA GREP	41,111.13		41,111.13		-	-	-
700814032	JUANILLO, MICAH PASCUA	41,666.72		33,333.12		-	8,333.60	8,333.60
700815314	JIMENEZ, NORMA JANE DEL R	59,028.04		51,136.53		-	7,891.51	7,891.51
700815322	MALLARI, RICARDO JR. SEVI		8,000.00			8,000.00	-	8,000.00
700815756	MONTES, MARK HAROLD MARFE		37,930.67			37,930.67	-	37,930.67
700816132	BAUTISTA, MARIA FLORES S.	42,361.16		21,292.87		-	21,068.29	21,068.29
700816493	HARLEY A TIU		41,555.84			41,555.84	-	41,555.84
700817953	TEJADA, VIOLETA QUI	36,111.20		36,111.20		-	-	-
700818569	NINI, MYAN JEMINA A.	27,222.12		18,666.88		-	8,555.24	8,555.24
700819620	SISCON, GIGINA DUPHNE A.	6,000.00	16,900.05			16,900.05	6,000.00	22,900.05
700822752	SANDY T. ARANETA		33,542.00			33,542.00	-	33,542.00
700822841	CONDOY, CARLO RAY PACQUIN		26,055.76			26,055.76	-	26,055.76
700822868	ALMEDA, CHRISTINE MARIE M		55,777.92			55,777.92	-	55,777.92
700822876	LOPEZ, RAYMOND LLAMOSO		47,583.40			47,583.40	-	47,583.40
700822930	MALABANAN, MICHAEL JAY ME		56,578.40			56,578.40	-	56,578.40
700822949	DOLENDO, RAYMOND ABIS		11,435.00			11,435.00	-	11,435.00
700824127	BURGOS, OLIVER VILLANUEVA		47,583.40			47,583.40	-	47,583.40
700824135	ONELLA, RICARDO DALISAY		47,583.40			47,583.40	-	47,583.40
700824143	BERCE, ALEJANDRO VILLALUZ		52,444.48			52,444.48	-	52,444.48
700824151	PABALAN, ROLDAN BASCO		30,240.00			30,240.00	-	30,240.00
700824160	QUERIDO, FRANCIS JAN ARIT		48,277.84			48,277.84	-	48,277.84
700824178	TORRES, ERIC MACALALAD		23,000.00			23,000.00	-	23,000.00
700824402	SANTOS, JORGETTE KRISTINE		41,817.50			41,817.50	-	41,817.50
700824640	PASTOR, ERNESTO TABABA		8,000.00			8,000.00	-	8,000.00
700825271	JUSTINIANO, DIANNA LYN S.	36,805.64		22,083.12		-	14,722.52	14,722.52

GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES ANNEX D - 1

Schedule B. **Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**
As of December 31, 2010

Employee No.	Name	Balance at Beginning of Period	Additions	Amounts Collected	Amounts written off	Current	Not current	Balance at the end of period (2010)
700826618	MAULIT, JOANNE MARIE P.	40,277.84		40,277.84		-	-	-
700826855	BULARAN, ANN MARIE CHARMAINE D.	40,972.28		33,333.12		-	7,639.16	7,639.16
700827037	ALAYON, ANTONIO JR. DELA		16,750.00			16,750.00	-	16,750.00
700827070	SINGSON, MICHELLE SOLER	50,000.00		31,249.80		-	18,750.20	18,750.20
700827576	ANA LIZIEL V. COSGAYON		64,202.39			64,202.39	-	64,202.39
700827770	ESPINOSA, ARIES Z.	51,433.36		51,482.48		0.00	(49.12)	(49.12)
700827797	JILL DLS CLAVILLAS	-	8,147.09			8,147.09	-	8,147.09
700827894	CARMELANY B. GARCIA	59,444.48		48,333.12		-	11,111.36	11,111.36
700827959	SANICO, CESAR SEDILLO		12,779.00			12,779.00	-	12,779.00
700828335	PARAYNO, MARIELLE ATO		23,083.56			23,083.56	-	23,083.56
700828700	DUMO, CHARISA ESTRADA	45,833.36		33,333.12		-	12,500.24	12,500.24
700828874	BAUTISTA, MEILANI MAY DEL		10,000.00			10,000.00	-	10,000.00
700832790	MACABAGDAL, CARLA BIANCA	75,611.12	18,166.88			18,166.88	75,611.12	93,778.00
700833460	LLANOS, ARDEN PEÑALOSA		36,291.65			36,291.65	-	36,291.65
700835129	LEE, EDWARD SUS		15,000.00			15,000.00	-	15,000.00
700835374	DE VERA, AARON RAMOS		23,278.00			23,278.00	-	23,278.00
700835412	GEMMA MAY LOPEZ		12,632.00			12,632.00	-	12,632.00
700836842	BENOZA, ANALYN LADRA		8,000.00			8,000.00	-	8,000.00
700838462	MONCES, CYLBRYAN MENDOZA		47,583.40			47,583.40	-	47,583.40
700840874	DELA CRUZ, AARON JAMES MO		20,500.00			20,500.00	-	20,500.00
700841048	MADRASO, MARY ANN A.	49,305.56		33,333.12		-	15,972.44	15,972.44
700841056	TABAY, ROSALIE	-	21,527.96			21,527.96	-	21,527.96
700841226	MORALEDA, CHARESSE MAYEN D.	-	92,416.84			92,416.84	-	92,416.84
700844829	CUEVA, LOURDES LEGASPI	3,299.61		3,299.61		-	-	-
700844845	HERRERA, RACHELLE RODRIGU		8,000.00			8,000.00	-	8,000.00
700844896	DEMDAM, ANA LIZA H.	26,390.38		26,390.38		-	-	-
700845000	ARCEBUCHE, PAOLO CATURA	38,185.00		14,945.00		-	23,240.00	23,240.00
700845191	FERNANDO, JEROME THADDEUS		13,625.00			13,625.00	-	13,625.00
700845388	TAMSI, ROSEMARY JAE DOLFO		2,800.00			2,800.00	-	2,800.00
700845604	REGINOLD C. ARABACA	30,095.20	2,033.10			2,033.10	30,095.20	32,128.30
700845620	GIOVANNI P. ALBERCA		51,389.12			51,389.12	-	51,389.12
700845639	CANDEZA, REYNALDO VALEROS	15,278.00	67,793.16			67,793.16	15,278.00	83,071.16
700845655	MANGUNE, ERNEST RAMIL	101,207.19		11,826.59		-	89,380.60	89,380.60
700846350	ECHEVARRIA, SHERWIN T		25,083.23			25,083.23	-	25,083.23
700846953	COLINA, JENETH ARMAMENTO		7,103.30			7,103.30	-	7,103.30
700847143	BULAUN, LIZEL LAYUG	47,916.68		33,333.12		-	14,583.56	14,583.56
700847399	GO, PHILLIP JAYSON CHUA		102,027.80			102,027.80	-	102,027.80
700847925	ANDO, DARWIN MARZON		11,424.24			11,424.24	-	11,424.24
700848018	IRIS GRACE C, PAGDANGANAN	35,471.36	72,945.32			72,945.32	35,471.36	108,416.68
700848204	TATEL, JOSEPHINE R.	14,996.00	125,310.10			125,310.10	14,996.00	140,306.10
700848450	MORERA, MARIROSE GUTIERRE		27,125.00			27,125.00	-	27,125.00
700848506	CARREON, EDITHA REMOLACIO		2,389.50			2,389.50	-	2,389.50
700854158	DE VILLA, REJUN REDONDO	45,135.00		45,135.00		-	-	-
700854379	NIEVALES, JESUS LUIS JUCA	21,800.00	2,138.30			2,138.30	21,800.00	23,938.30
700854611	CLARON, MARIANE GLADYS M.	9,900.00	21,125.00			21,125.00	9,900.00	31,025.00
700855529	SALVADOR, ANGELITO CUNANA	31,666.96		16,111.12		-	15,555.84	15,555.84
700856088	ANCHETA, NORA	5.00	12,627.00			12,627.00	5.00	12,632.00
700856444	CALDO, JAMBY	50,000.00		45,221.00		-	4,779.00	4,779.00
700856517	LAOANG, RENATO JOSE JR. S		39,805.84			39,805.84	-	39,805.84
700856584	SEMBRANA, JOJI SABADO		19,855.84			19,855.84	-	19,855.84
700856592	NATHANIEL M. GATBONTON	94,937.38		51,937.58		-	42,999.80	42,999.80
700856606	GARCIA, GERALDO VISPERAS		12,166.96			12,166.96	-	12,166.96
700856690	BARTE, ERWIN CAMILET		9,168.01			9,168.01	-	9,168.01
700857173	JUNIO, VIVIAN DAUS	23,889.16		10,916.64		-	12,972.52	12,972.52
700857203	REMPILLO, ROEL	-	2,823.30			2,823.30	-	2,823.30
700857904	CELEDONIO, ARMANDO CALUB	70,694.16		53,851.12		-	16,843.04	16,843.04
700858498	LACABA, LEO LANZARROTE		8,000.00			8,000.00	-	8,000.00
700858790	NAPIZA, BRIAN MONTALES	44,576.52		35,834.02		-	8,742.50	8,742.50
700860590	CRIS PHILIP S. MARQUEZ	-	53,944.75			53,944.75	-	53,944.75
700860735	DE QUIROS, RONALD RIMA		16,625.21			16,625.21	-	16,625.21
700861014	CRUZ, ABE RYA MARAÑON		48,125.00			48,125.00	-	48,125.00
700861200	LAURON, FLORDELIZA TANGID	22,222.08	17,184.40			17,184.40	22,222.08	39,406.48
700861960	LORENZO G. HERNANDEZ	62,897.36		43,730.40		-	19,166.96	19,166.96

GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES ANNEX D - 1

Schedule B. **Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders**
(Other than Related Parties)
As of December 31, 2010

Employee No.	Name	Balance at Beginning of Period	Additions	Amounts Collected	Amounts written off	Current	Not current	Balance at the end of period (2010)
700862070	DARRA-NIKKI M. SEVILLA	-	64,519.50			64,519.50	-	64,519.50
700862975	ALMA M. PEREA	-	21,483.03			21,483.03	-	21,483.03
700862983	AILEEN F. ZARA	-	4,562.20			4,562.20	-	4,562.20
700862991	SIBULO, CLARISA CRUZ		19,250.00			19,250.00	-	19,250.00
700863130	ABADILLA, SONNY ACENAS		8,000.00			8,000.00	-	8,000.00
700864706	CESAR B. GIMENA	-	89,472.31			89,472.31	-	89,472.31
700865079	JAMSHID A. CALMA	-	27,686.77			27,686.77	-	27,686.77
700865672	ESPINOSA, RONALD URBIS		16,333.60			16,333.60	-	16,333.60
700865915	UY, ANGELINE F.	16,500.00		14,110.50		-	2,389.50	2,389.50
700866121	VALINO, BILLIE JEANE	42,361.48		26,722.32		-	15,639.16	15,639.16
700867012	LIBOON, ELENITA F.	13,500.00	59,166.56			59,166.56	13,500.00	72,666.56
700867080	STA. ROSA, ROSALINDA REYES	29,166.80		29,166.80		-	-	-
700867276	LITO MANGAPOT	10,972.52	11,055.52			11,055.52	10,972.52	22,028.04
700867411	BENDICIO, JOEL TAMAYO		13,555.84			13,555.84	-	13,555.84
700867420	CERVAS, MELVIN BALTAZAR		10,778.08			10,778.08	-	10,778.08
700867586	LIRAC, MICHAEL RIVERA		32,722.51			32,722.51	-	32,722.51
700867594	CADOS, VICTOR ARITAO	12,778.12		12,778.12		-	-	-
700867608	DECENA, STEVE BARROZO		13,555.84			13,555.84	-	13,555.84
700868116	JUCABAN, ROMEO L.	15,789.47		13,001.72		-	2,787.75	2,787.75
700868469	PALAGANAS, EDWIN ERFE		17,555.84			17,555.84	-	17,555.84
700868477	DIZON, RUBEN JR. QUIBRANT		10,778.08			10,778.08	-	10,778.08
700868493	LAURON, ROLAND CAGAS	43,742.52		27,442.52		-	16,300.00	16,300.00
700868680	MERIDEL T. SY		24,000.00			24,000.00	-	24,000.00
700868990	BAJACAN, CARLOS MABANGOS		7,168.50			7,168.50	-	7,168.50
700869554	DOMINGUEZ, PIERANGELO A.	-	4,779.00			4,779.00	-	4,779.00
700870633	ARUGAY, MELINDA A.	-	4,166.96			4,166.96	-	4,166.96
700870765	SAVELLANO, CRISANTA GONZA		2,178.75			2,178.75	-	2,178.75
700870820	DOMINGO, MARGARITA	2,778.08	26,388.72			26,388.72	2,778.08	29,166.80
700870870	CHAN, JOSE ROLANDO	180,033.83		180,033.83		-	-	-
700871044	REYES, AIMEE F.	3,000.00	7,725.00			7,725.00	3,000.00	10,725.00
700872576	OSGAYON, ANA LIZIEL V.	33,055.56		33,055.56		-	-	-
700884014	MELLA, ELMER JR. PASCUAL		9,944.75			9,944.75	-	9,944.75
700899224	RESARE, JOSELINO FLORES	41,086.00		17,336.05		-	23,749.95	23,749.95
700899380	VERONICA CHUA	37,500.41	17,026.55			17,026.55	37,500.41	54,526.96
700899488	ASUNCION, MANUEL LUIS RIV	21,250.00	6,156.56			6,156.56	21,250.00	27,406.56
700899569	CANLAS, PAUL LOU DELA CRU	39,710.00		26,190.00		-	13,520.00	13,520.00
700899607	MARISOL E. JACINTO	11,111.36		11,111.36		-	-	-
700899658	TUPAZ, PAOLO JOSE	45,139.24		42,861.07		-	2,278.17	2,278.17
700899860	LIM, DALE LEONIL CHUA	23,595.00		3,661.00		-	19,934.00	19,934.00
700954365	GARCIA, MICHAEL CANDA		3,584.25			3,584.25	-	3,584.25

GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES

Schedule D. **Receivables from Related Parties**
December 31, 2010
(In Thousands)

Name of Related Parties	Beginning Balance	Ending Balance
GSMI Retirement Plan	₱ 151,578	₱ 137,025
San Miguel Pure Foods Company, Inc.	65,749	53,007
SMC Shipping and Lighterage Corporation	18,159	104,097
San Miguel Corporation	14,392	30,198
San Miguel Beverages, Inc.	-	36,927
San Miguel Brewery, Inc.	4,477	5,060
San Miguel Yamamura Asia Corporation	3,409	-
San Miguel Yamamura Packaging Corporation	2,994	1,131
Others	2,251	1,413
	₱ 263,009	**₱ 368,858**

GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES

Schedule E. Property, Plant and Equipment
As of December 31, 2010
(In Thousands)

Gross carrying amount

Classification	Beginning Balance	Additions to Cost	Transfers/ Reclassifications	Currency Translation Adjustments	Ending Balance
Land and improvements	₱ 636,259	₱ -	₱ 20,630	₱ 8,230	₱ 665,119
Buildings and improvements	1,194,210	-	28,944	5,888	1,229,042
Machinery and equipment	6,834,974	-	331,261	26,438	7,192,673
Transportation equipment	216,408	-	6,226	2,123	224,757
Furniture, fixtures and office equipment	109,724	-	(23,837)	434	86,321
Other equipment	549,370	-	47,480	364	597,214
Construction in progress	459,708	1,190,006	(560,538)	258	1,089,434
	₱ 10,000,653	₱ 1,190,006	₱ (149,834)	₱ 43,735	₱ 11,084,560

Accumulated depreciation and amortization

Description	Beginning Balance	Additions Charged to Costs and Expenses	Transfers/ Reclassifications	Currency Translation Adjustments	Ending Balance
Land improvements	₱ 170,477	₱ 16,057	₱ (9,488)	₱ 1,156	₱ 178,202
Buildings and improvements	470,970	30,767	(1,490)	691	500,938
Machinery and equipment	3,300,087	292,957	6,799	4,100	3,603,943
Transportation equipment	137,654	26,825	(11,324)	1,215	154,370
Furniture, fixtures and office equipment	86,754	9,992	(42,881)	251	54,116
Other equipment	448,111	32,647	26,483	111	507,352
	₱ 4,614,053	₱ 409,245	₱ (31,901)	₱ 7,524	₱ 4,998,921

Carrying amount

Description	Beginning Balance	Ending Balance
Land improvements	₱ 465,782	₱ 486,917
Buildings and improvements	723,240	728,104
Machinery and equipment	3,534,887	3,588,730
Transportation equipment	78,754	70,387
Furniture, fixtures and office equipment	22,970	32,205
Other equipment	101,259	89,862
Construction in progress	459,708	1,089,434
	₱ 5,386,600	₱ 6,085,639

GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES

Schedule F. **Investment Property**
As of December 31, 2010
(In Thousands)

Gross carrying amount

Classification	Beginning Balance	Additions to Cost	Transfers from PPE	Ending Balance
Land and improvements	₱ 49,297	₱ -	₱ -	₱ 49,297
Buildings and improvements	116,300	-	-	116,300
Machinery and equipment	632,842	-	-	632,842
Other equipment	9,247	-	-	9,247
	₱ 807,686	₱ -	₱ -	₱ 807,686

Accumulated depreciation and amortization

Description	Beginning Balance	Additions Charged to Costs and Expenses	Transfers/ Reclassifications	Ending Balance
Land improvements	₱ 17,497	₱ 31	₱ -	₱ 17,528
Buildings and improvements	63,985	4,195	-	68,180
Machinery and equipment	554,738	7,071	-	561,809
Other equipment	9,247	-	-	9,247
	₱ 645,467	₱ 11,297	₱ -	₱ 656,764

Carrying amount

Description	Beginning Balance			Ending Balance
Land improvements	₱ 31,800	-	-	₱ 31,769
Buildings and improvements	52,315	-	-	48,120
Machinery and equipment	78,104	-	-	71,033
Other equipment	-	-	-	-
	₱ 162,219	-	-	₱ 150,922

GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES

Schedule G. Intangible Assets
December 31, 2010
(In Thousands)

Cost

Classification	Beginning Balance	Additions	Amortization	Currency Translation Adjustments	Ending Balance
License	₱ 60,766	₱ (1,566)	₱ -	₱ 2,604	₱ 61,804
Software cost	42,050	-	-	-	42,050
	₱ 102,816	₱ (1,566)	₱ -	₱ 2,604	₱ 103,854

Accumulated amortization

Description	Beginning Balance	Additions Charged to Expenses			Ending Balance
License	₱ -	₱			₱ -
Software cost	42,050	-		-	42,050
	₱ 42,050	₱ -		-	₱ 42,050

Carrying amount

Description	Beginning Balance				Ending Balance
License	₱ 60,766				₱ 61,804
Software cost	-				-
	₱ 60,766				₱ 61,804

GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES

Schedule H. **Other Assets**
December 31, 2010
(In Thousands)

Description	Beginning Balance	Additions At Cost	Deductions: Charged to Costs and Expenses	Deductions: Charged to Other Accounts	Other Changes- Additions (Deductions)	Ending Balance
Deferred Containers - net	₱ 312,457	₱ 825	₱ (43,571)	₱ -	₱ (23,851)	₱ 245,860
Trade receivables from terminated dealers - net of current portion	13,519	-	-	-	(6,025)	7,494
Trade receivables referred to legal	38,669	57,151	-	-	-	95,820
Advances	145,134	97,781	-	-	-	242,915
Deposits & others	204,636	-	-	-	(101,040)	103,596
	₱ 714,415	**₱ 155,757**	**₱ (43,571)**	**₱ -**	**₱ (130,916)**	**₱ 695,685**

GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES

Schedule I. **Long-term Debt**
December 31, 2010
(In Thousands)

Title of Issue	Agent / Lender	Outstanding Balance	Current Portion of Debt	Transaction Cost Current	Amount Shown as Current	Long-term Noncurrent Portion Debt	Non Current Transaction Cost	Amount Shown as Long-term	Current and Long-term Debt	Interest Rate	Number of Periodic Installments	Interest Payments	Final Maturity
Fixed	Security Bank Corporation	₱ 300,000	₱ -	₱ -	₱ -	₱ 300,000	₱ 1,322	₱ 298,678	₱ 298,678	8.30%	Amortized	Semi-annual	May-15
Fixed	Security Bank Corporation	1,200,000	-	-	-	1,200,000	5,558	1,194,442	1,194,442	7.63%	Amortized	Semi-annual	May-15
Floating	ABN AMRO	217,012	62,004	222	61,782	155,008	482	154,526	216,308	THBFIX + agreed margin	Amortized	Quarterly	Feb-14
Floating	United Overseas Bank	217,011	62,003	222	61,781	155,008	481	154,527	216,308	THBFIX + agreed margin	Amortized	Quarterly	Feb-14
		₱ 1,934,023	₱ 124,007	₱ 444	₱ 123,563	₱ 1,810,016	₱ 7,843	₱ 1,802,173	₱ 1,925,736				

GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES

Schedule J. **Indebtedness to Affiliates and Related Parties (Long-term Loans from Related Companies)**
December 31, 2010
(In Thousands)

Name of Related Parties	Beginning Balance	Ending Balance
San Miguel Yamamura Packaging Corporation	₱ 161,951	₱ 228,744
SMC Shipping and Lighterage Corporation	91,133	206,433
San Miguel Yamamura Asia Corporation	92,116	163,975
San Miguel Corporation	310,496	95,259
Petron Corporation	-	55,875
San Miguel Pure Foods Company, Inc.	65,135	53,332
SMITS, Inc.	11,857	15,395
San Miguel Brewery, Inc.	9,048	5,809
Archen Technologies	3,576	159
San Miguel Paper Packaging Corporation	7,163	-
San Miguel Distribution Company, Inc.	3,293	-
Mindanao Corrugated Fibreboard, Inc.	2,004	-
San Miguel Beverages, Inc.	25,052	-
Others	1,233	4,614
	₱ 784,057	₱ 829,595

GINEBRA SAN MIGUEL, INC. AND SUBSIDIARIES

Schedule L. Capital Stock
As of December 31, 2010

Title of Issue	Number of shares Authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Preferred shares	100,000,000	32,786,885	-	32,786,885	-	-
Common shares	460,000,000	287,436,541	11,448,335	216,972,000	9,189,967	49,826,239
	560,000,000	**320,223,426**	**11,448,335**	**249,758,885**	**9,189,967**	**49,826,239**

Manabat Sanagustin & Co., CPAs
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PRC-BOA Registration No. 0003
SEC Accreditation No. 0004-FR-2
BSP Accredited

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 of and for the year ended December 31, 2010, and have issued our report thereon dated March 8, 2011.

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.

MANABAT SANAGUSTIN & CO., CPAs

JORGE MA. S. SANAGUSTIN
Partner
CPA License No. 0030399
SEC Accreditation No. 0026-AR-2
Tax Identification No. 124-282-616
BIR Accreditation No. 08-001987-7-2010
Issued June 30, 2010; Valid until June 29, 2013
PTR No. 2639631MB
Issued January 3, 2011 at Makati City

March 8, 2011
Makati City, Metro Manila

GINEBRA SAN MIGUEL, INC.
6^{th} 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, 2010) In Thousands
Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, January 1, 2010*		**P6,610,768**
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings	856,972	
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)	29,891	
Unrealized actuarial gain	42,772	
Fair value adjustments (M2M gains)	49,689	
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	122,352	**734,620**
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		**7,345,388**
Add (Less):		
Dividend declarations during the period	(476,081)	
Appropriations of Retained Earnings during the period	(1,200,000)	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	(2,579,409)	
	-	**(4,255,490)**
TOTAL RETAINED EARNINGS, DECEMBER 31, 2010 AVAILABLE FOR DIVIDEND		**P3,089,898**

GINEBRA SAN MIGUEL, INC.
AGING OF ACCOUNTS RECEIVABLES
AS OF DECEMBER 31, 2010
Audited

TYPE OF ACCOUNTS RECEIVABLE		TOTAL	Current	< 30 days past due	30 - 60 days past due	60 - 90 days past due	Over 90 days past due
a). Trade Receivables	P	1,375,326,741	710,012,121	140,037,149	41,131,662	31,789,032	452,356,777
Less: Allowance for Doubtful Accounts		174,124,222					174,124,222
NET TRADE RECEIVABLES		**1,201,202,519**	**710,012,121**	**140,037,149**	**41,131,662**	**31,789,032**	**278,232,555**
b). Non-Trade Receivables		1,700,165,941	770,371,987	174,704,005	191,523,585	59,925,067	503,641,297
NET NON-TRADE RECEIVABLES		**1,700,165,941**	**770,371,987**	**174,704,005**	**191,523,585**	**59,925,067**	**503,641,297**
NET RECEIVABLES	**P**	**2,901,368,460**	**1,480,384,107**	**314,741,156**	**232,655,247**	**91,714,098**	**781,873,852**

Annex "E"

2010 REPORTS ON SEC FORM 17-C

Date Reported	Subject
March 30, 2010	Please be informed that at the Regular Meeting of the Board of Directors of Ginebra San Miguel, Inc. (the "Corporation") held on March 30, 2010, the Board approved the appointment of Mr. Carmelo Santiago as independent director of the Corporation vice Inigo Zobel. Mr. Santiago was also appointed member of the Corporation's Audit Committee, Executive Compensation Committee, and Nominations and Hearing Committee. The Board also appointed Mr. Ferdinand K. Constantino as Chairman of the Corporation's Executive Compensation Committee. Further, please be informed of that the Stocholders' Meeting of the Corporation will be held on May 13, 2010. The record date for the stockholders entitled to vote at the said meeting is April 16, 2010. The stock and transfer books will be closed from April 17 to April 21, 2010. The deadline for submission of proxies is on April 27, 2010 and the validation of proxies is on May 4, 2010.
March 30, 2010	Please be informed that at the Regular Meeting of the Board of Directors of Ginebra San Miguel, Inc. (the "Corporation") held on March 30, 2010, the Board approved the declaration of a cash dividend of P0.375 per share payable on May 7, 2010 to all stockholders of record as of April 16, 2010. The closing of the books shall be from April 17 to April 21, 2010.
April 7, 2010	Further to our disclosure (please see attached) dated March 30, 2010, attached herewith is a Certification of Independent Director which sets out the qualifications and present affiliations of Mr. Carmelo L. Santiago.
May 6, 2010	Please be informed that at the meeting of the Board of Directors of Ginebra San Miguel, Inc. (the "Corporation"), held today, May 6, 2010, the Board declared a cash dividend of P0.375 per share payable on June 8, 2010 to all stockholders of record as of May 21, 2010. The stock and transfer books of the Corporation will be closed from May 22, 2010 to May 28, 2010.
May 13, 2010	Please be informed that at the Annual Stockholders' Meeting of Ginebra San Miguel, Inc. ("GSMI") held today, May 13, 2010, at the Executive Dining Room, 2nd Floor SMC Head office Complex, Mandaluyong City, the following directors were duly elected: Eduardo M. Cojuangco, Jr. Ramon S. Ang Enrique M. Cojuangco Gerardo C. Payumo Carlos Palanca III Leo S. Alvez Ma. Belen C. Buensuceso Ferdinand K. Constantino Carmelo L. Santiago

	At the Organizational Board Meeting, the following by-law officers were duly elected: Eduardo M. Cojuangco, Jr. - Chairman and Chief Executive Officer Enrique M. Cojuangco - Vice Chairman Gerardo C. Payumo - President Francis H. Jardeleza - Corporate Secretary Cynthia M. Baroy - Treasurer Conchita P. Jamora - Assistant Corporate Secretary Orlando A. Santiago - Assistant Corporate Secretary The following Committee members were also elected: EXECUTIVE COMMITTEE 1. Eduardo M. Cojuangco, Jr. – Chairman 2. Ramon S. Ang 3. Enrique M. Cojuangco 4. Gerardo C. Payumo AUDIT COMMITTEE 1. Carlos Palanca III – Chairman 2. Leo S. Alvez 3. Ferdinand K. Constantino 4. Carmelo L. Santiago EXECUTIVE COMPENSATION COMMITTEE 1. Ferdinand K. Constantino – Chairman 2. Carlos Palanca III 3. Leo S. Alvez 4. Carmelo L. Santiago NOMINATIONS AND HEARING COMMITTEE 1. Leo S. Alvez – Chairman 2. Enriquie M. Cojuangco 3. Gerardo C. Payumo 4. Carmelo L. Santiago 5. David S. Santos – Ex Oficio Member
May 13, 2010	Please see attached press release entitled “GSMI bounces back strongly in 2009.”
May 17, 2010	Further to our disclosure, please see attached Certification of Independent Directors which sets out the qualifications as independent directors of Messrs. Carmelo L. Santiago and Carlos Palanca III.
August 9, 2010	We disclose that in the meeting of the Board of Directors of Ginebra San Miguel Inc. (respectively, the “Board” and the “Company”) held on August 9, 2010: 1. The Board elected Mr. Roberto V. Ongpin as member of the Board vice Mr. Enrique M. Cojuangco. Mr. Cojuangco has been elected as a

	member of the House of Representatives. Mr. Ongpin, Filipino, 73, is a director of San Miguel Corporation since September 1, 2009. He also holds the following positions: Director of Petron Corporation, AranetaProperties, Inc., Top Frontier Investment Holdings, Inc. and Shangri-La Asia (Hong Kong); Chairman of PhilWeb Corporation, ISM Communications Corporation, Eatern Telecommunications Philippines, Inc. Developing Countries Investment Corporation, Alphaland Corporation, Atok-Big Wedge Co., Inc., and Acentic GmbH; Non-executive Director, Forum Energy PLC (UK) and Deputy Chairman, South China Morning Post (Hong Kong). 2. The Board also appointed Mr. Ramon S. Ang, currently a director, as Vice-Chairman also vice Mr. Enrique M. Cojuangco. 3. As a consequence of the above changes, the Board also appointed Mr. Roberto V. Ongpin as member of the Nominations and Hearing Committee and Mr. Ferdinand K. Constantino as member of the Executive Committee, both vice Mr. Enrique M. Cojuangco. 4. The Board declared a cash dividend of P0.375 per share payable on September 6, 2010 to all stockholders of record as of August 23, 2010. The closing of the books shall be from August 24, 2010 to August 27, 2010.
September 2, 2010	The Company announces that Atty. Francis H. Jardeleza tendered his resignation as Corporate Secretary and as Compliance Officer. This is in line with his retirement as General Counsel of San Miguel Corporation, the Company's parent company. His resignation as the Company's Corporate Secretary and as Compliance Officer will be effective upon the appointment of his successor by the Company's Board of Directors at its next meeting.
November 11, 2010	We disclose that in the meeting of the Board of Directors of Ginebra San Miguel Inc. (respectively, the "Board" and the "Company") held on November 11, 2010: 1. The Board elected Mr. Gabriel S. Claudio as member of the Board vice Mr. Ferdinand K. Constantino who resigned effective November 11, 2011 to focus on his other functions and responsibilities in the SMC Group. Mr. Claudio is currently a member of the Board of Trustees of TOBY's Sports Foundation, Inc. and a member of the National Board of Advisers of LAKAS-KAMPI CMD. He was the Chairman of the Metropolitan Waterworks & Sewerage System's Board of Trustees from March to June 2010 and was a director of Development Bank of the Philippines from January 2009 to March 2010. He previously held various positions in the government such as Acting Executive Secretary- Office of the President (July –August 2009), Presidential Political Adviser (August 2008-December 2009), Director of the Philippine Charity Sweepstakes Office (August 2007-August 2008), Presidential Political Adviser (July 2004-August 2007) and Cabinet Officer for Regional Development (March 2001- December 2009).

	He holds a degree in AB Communication Arts and was awarded Most Outstanding Graduating Communications Arts Major in 1975. Mr. Claudio owns 5,000 shares in the Company. 2. The Board also appointed Atty. Virgilio S. Jacinto as the Company's Corporate Secretary and Compliance Officer, vice Atty. Francis H. Jardeleza who has retired, as previously disclosed. Atty. Jacinto is currently the General Counsel, Corporate Secretary and Compliance Officer of San Miguel Corporation (SMC). Previously, he was Vice President and First Deputy General Counsel of SMC from February 2006 to September 2010. He is also an incumbent Director of San Miguel Brewery Inc., Petron Corporation, FILSOV Shipping Company, Inc., and Venture Securities, Inc.. He is the Corporate Secretary of Ecofarm Systems and Resources, Inc., J & E Development Corporation, Jewelmer International Corporation, Terramar Aqua Resources, Inc. and Venture Securties, Inc.. Prior to joining SMC, Atty. Jacinto was a Director and Corporate Secretary of United Coconut Planters Bank from 1998 to 2001. He holds a Master of Laws degree from Harvard Law School and an Associate Professor at the University of the Philippines, College of Law. Atty. Jacinto does not own any shares in the Company. 3. The Board declared a cash dividend of P0.375 per share payable on December 13, 2010 to all stockholders of record as of November 26, 2010. The closing of the books shall be from November 27, 2010 to December 3, 2010.