CR02323-2014

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   - ○ Preliminary Information Statement
   - ● Definitive Information Statement
2. Name of Registrant as specified in its charter
   GINEBRA SAN MIGUEL INC.
3. Province, country or other jurisdiction of incorporation or organization
   Metro Manila, Philippines
4. SEC Identification Number
   142312
5. BIR Tax Identification Code
   000-083-856-000
6. Address of principal office
   3rd & 6th Floors, San Miguel Properties Centre, St. Francis Street, Ortigas Center, Mandaluyong City, Philippines
   Postal Code
   1550
7. Registrant's telephone number, including area code
   (632) 689-9100
8. Date, time and place of the meeting of security holders
   May 8, 2014, Thursday, 2:00 P.M. at Executive Dining Room, 2nd Floor, San Miguel Corporation-Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City
9. Approximate date on which the Information Statement is first to be sent or given to security holders
   Apr 14, 2014
10. In case of Proxy Solicitations:

   Name of Person Filing the Statement/Solicitor
   Ginebra San Miguel Inc.
   Address and Telephone No.
   3rd & 6th Floors, San Miguel Properties Centre, St. Francis Street, Ortigas Center, Mandaluyong City, Philippines; Telephone No. (632) 689-9100

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	290,075,941
Preferred	32,786,885

13. Are any or all of registrant's 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, Inc. - Common Shares

Ginebra San Miguel, Inc.
GSMI

PSE Disclosure Form 17-5 - Information Statement for Annual or Special Stockholders' Meeting
References: SRC Rule 20 and Section 17.10 of the Revised Disclosure Rules

Date of Stockholders' Meeting	May 8, 2014
Type (Annual or Special)	Annual
Time	2:00 P.M.
Venue	Executive Dining Room, 2nd Floor, San Miguel Corporation-Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City
Record Date	Apr 11, 2014

Inclusive Dates of Closing of Stock Transfer Books

Start Date	Apr 12, 2014
End date	Apr 22, 2014

Other Relevant Information
Please see attached Definitive Information Statement of GSMI filed with the Securities and Exchange Commission on April 11, 2014.

Filed on behalf by:

Name	Virgilio Jacinto
Designation	Compliance Officer and Corporate Secretary

C O V E R S H E E T

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S. E. C. Registration Number

	G	I	N	E	B	R	A												
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	I	N	C	.															

(Company's Full Name)

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

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

Conchita P. Jamora
Contact Person

(632) 689-9100
Company Telephone Number

Reply with Definitive Information Statement

1	2

Month

3	1

Day

20-IS
FORM TYPE

Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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GINEBRA SAN MIGUEL SINCE 1834

April 11, 2014

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
APR 1 1 2014
MARKET REGULATION DEPT.
BY:
TIME:

Director Vincente Graciano P. Felizmenio, Jr.
Markets and Securities Regulation Department
Securities and Exchange Commission
SEC Building, EDSA, Greenhills,
Mandaluyong City

Re: Ginebra San Miguel Inc. Information Statement

Dear Director Felizmenio:

In compliance with your letter dated April 4, 2014, we submit herewith the Company's Definitive Information Statement together with the Statement of Management Responsibility of the Financial Statements and the 2013 Consolidated Audited Financial Statements.

We have also updated the relevant information as of March 31, 2014.

We trust that you will find the attached documents in order.

Very truly yours,

Virgilio S. Jacinto
Corporate Secretary

GINEBRA SAN MIGUEL INC.

NOTICE OF REGULAR MEETING
OF STOCKHOLDERS
May 8, 2014

The Regular Meeting of the Stockholders of Ginebra San Miguel Inc. will be held on **Thursday**, **May 8, 2014**, **2:00 P.M.** at the **Executive Dining Room, 2nd Floor, San Miguel Corporation (SMC) - Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City**.

The Agenda of the Meeting is as follows:

1. Certification of Notice and Quorum
2. Approval of the Minutes of the Regular Stockholders' Meeting held on May 9, 2013
3. Presentation of the Annual Report
4. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
5. Approval of the Amendment to Article III of the Amended Articles of Incorporation of the Company to change the Principal Office of the Company from Metro Manila, Philippines to 3rd and 6th Floors, San Miguel Properties Centre, St. Francis Street, Ortigas Center, Mandaluyong City, Philippines.
6. Approval of the Amendment to Article I, Section 1 of the Amended By-Laws of the Company to change the date of the regular meeting of the stockholders from second Thursday of May to last Thursday of May
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters that may properly be brought before the meeting
10. Adjournment

Minutes of the last Regular Stockholders' Meeting and resolutions of the Board of Directors since the date of the 2013 Regular Stockholders' Meeting will be available for examination during office hours at the Office of the Corporate Secretary located at 7th Floor, SMC-Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City.

The deadline for submission of proxies is on April 22, 2014. For stockholders that are partnerships, corporations or associations, the proxy must be accompanied by a Secretary's Certificate setting out the authority of their designated proxies. A sample of the proxy form is included in this notice for your reference. Proxies need not be notarized. Validation of proxies is on April 25, 2014 at 10:00 A.M. at the SMC Stock Transfer Service Corporation Office, 2nd Floor, SMC-Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City. For your convenience in registering your attendance in the meeting, please present some form of identification, such as passport, driver's license, or company I.D. Registration will start at 12:30 P.M. and the registration booths will be closed at 2:00 P.M.

Virgilio S. Jacinto
Corporate Secretary

PROXY

The undersigned stockholder of GINEBRA SAN MIGUEL INC. (the "Company"), hereby appoints __________ or in his/her absence, the Chairman of the Meeting, as attorney-in-fact and proxy, to represent and vote all shares registered in his/her/its name at the regular meeting of the stockholders of the Company scheduled on Thursday, May 8, 2014 at 2:00 P.M. at the Executive Dining Room, 2nd Floor, San Miguel Corporation-Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City, and any of its adjournment(s), as fully as the undersigned could do if present and voting in person, ratifying all actions taken on matters that may properly come before such meeting or its adjournment(s). The undersigned directs the proxy to vote on the agenda items which have been expressly indicated with "X" below.

PROPOSAL	ACTION			
	FOR ALL	WITHHOLD FOR ALL	EXCEPTION	FULL DESCRIPTION PROXY
1. Election of Directors				
Nominees are: Eduardo M. Cojuangco, Jr. Ramon S. Ang Bernard D. Marquez Ferdinand K. Constantino Leo S. Alvez Gabriel S. Claudio Joseph N. Pineda Minita V. Chico-Nazario* Angelina S. Gutierrez* **Independent Director* **INSTRUCTIONS*****:** *To withhold authority to vote for any individual nominee(s), please mark Exception box and list the name(s) under.*				
	FOR	AGAINST	ABSTAIN	
2. Approval of the Minutes of the 2013 Regular Stockholders' Meeting				
3. Presentation of the Annual Report				
4. Approval of the Amendment to Article III of the Amended Articles of Incorporation of the Corporation to change the Principal Office of the Corporation from Metro Manila, Philippines to 3rd and 6th Floors, San Miguel Properties Centre, St. Francis Street, Ortigas Center, Mandaluyong City, Philippines				
5. Approval of the Amendment to Article I, Section 1 of the Amended By-Laws of the Corporation to change the date of the regular meetings of the stockholders from second Thursday of May to last Thursday of May				
6. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers				
7. Appointment of External Auditor				

Signed this ___ day of _____ 2014 at __________.

________________________________ ________________________________

PRINTED NAME OF STOCKHOLDER SIGNATURE OF STOCKHOLDER/ AUTHORIZED SIGNATORY

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE **APRIL 22, 2014**. THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS. A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSED HIS INTENTION TO VOTE IN PERSON. NOTARIZATION OF THIS PROXY IS NOT REQUIRED.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   _____ Preliminary Information Sheet
   __√__ Definitive Information Sheet

2. Name of Registrant as specified in its Charter:

   GINEBRA SAN MIGUEL INC.

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

   Metro Manila, Philippines

4. SEC Identification Number: **142312**

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

6. Address of principal office: Postal Code:

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

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

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

Date:	**May 8, 2014, Thursday**
Time:	**2:00 P.M.**
Place:	**Executive Dining Room, 2nd Floor San Miguel Corporation-Head Office Complex No. 40 San Miguel Avenue, Mandaluyong City**

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

   April 14, 2014

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

Title of Each Class	Authorized	Outstanding
(As of March 31, 2014)		
Common	460,000,000	290,075,941
Preferred	100,000,000	32,786,885
	560,000,000	322,862,826

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

_√_ Yes _____ No

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

Philippine Stock Exchange, Inc. - Common Shares

INFORMATION STATEMENT

GENERAL INFORMATION

Date, Time and Place of Annual/Regular Meeting

Date: **May 8, 2014, Thursday**
Time: **2:00 P.M.**
Place: **Executive Dining Room, 2nd Floor**
San Miguel Corporation (SMC)-Head Office Complex
No. 40 San Miguel Avenue, Mandaluyong City

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

The Information Statement is to be first sent to security holders approximately on **April 14, 2014**.

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

Should you be unable to attend the meeting but would like to be represented thereat, please submit your proxies to the Office of the Corporate Secretary, at the 7th Floor, SMC-Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City. A sample proxy form is attached to this Information Statement for your reference. For stockholders that are partnerships, corporations or associations, please submit with the proxy a sworn certification of your resolutions evidencing authority of your designated proxies.

The deadline for submission of proxies is on April 22, 2014. Validation of proxies will be on April 25, 2014 at 10:00 A.M. at the SMC Stock Transfer Service Corporation Office, 2nd Floor, SMC-Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City.

Dissenters' Right of Appraisal

Under Section 82, Title X of the Corporation Code, stockholders dissenting from and voting against the following corporate actions may demand payment of the fair value of their shares as of the day prior to the date on which the vote was taken for such corporate action: amendment to the corporation's articles and by-laws which has the effect of changing and restricting the rights of any shareholder or class of shares; or of authorizing preferences in any respect superior to those of outstanding shares of any class; or of extending or shortening the term of corporate existence; sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporation's property and assets; merger or consolidation; and investment of corporate funds in another corporation or business for any purpose other than its primary purpose. The stockholders' right of appraisal may be exercised within a period of thirty (30) days from the date on which the vote on the corporate action was taken.

There are no corporate matters or actions at the 2014 Regular Stockholders' Meeting of Ginebra San Miguel Inc. (the "Company") that will entitle dissenting stockholders to exercise their right of appraisal as provided in Title X of the Corporation Code.

Interest of Certain Persons in Matters to be Acted Upon

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

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

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

Number of shares outstanding as of March 31, 2014:

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

All stockholders as of April 11, 2014 are entitled to vote at the Regular Stockholders' Meeting.

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

Security Ownership of Certain Record and Beneficial Owners

Owners of record of more than 5% of the Company's voting securities as of March 31, 2014 are as follows:

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

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	San Miguel Corporation[2] No. 40 San Miguel Avenue, Mandaluyong City, parent company of the issuer	San Miguel Corporation	Filipino	216,972,000	77.36%
Preferred[3]				32,786,885	
Common	PCD Nominee Corporation (Filipino) Ground Floor, Makati Stock Exchange Ayala, Ave., Makati City[4]	various	Filipino	47,743,656	14.79%

As of March 31, 2014, there are 7,995,962 common shares which are owned by foreigners, which is only 2.48 % of the Company's total outstanding shares.

The following are the number of shares of the Company's capital stock (all of which are voting shares) owned of record by the Chairman and Chief Executive Officer, key officers and directors of the Company as of March 31, 2014:

(1) Title of Class	(2) Name of Record Owner	(3) Amount and Nature of Ownership	(4) Citizenship	(5) Percent of Class
Common	Eduardo M. Cojuangco, Jr.	5,000 (D)[5]	Filipino	0.00%
Common	Ramon S. Ang	5,000 (D)	Filipino	0.00%
Common	Ferdinand K. Constantino	5,000 (D)	Filipino	0.00%
Common	Angelina S. Gutierrez	5,000 (D)	Filipino	0.00%
Common	Gabriel S. Claudio	5,000 (D)	Filipino	0.00%
Common	Bernard D. Marquez	30,000 (D)	Filipino	0.00%
Common	Leo S. Alvez	5,000 (D)	Filipino	0.00%
Common	Minita V. Chico-Nazario	5,000 (D)	Filipino	0.00%
Common	Joseph N. Pineda	5,000 (D)	Filipino	0.00%

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

[3] *The Preferred Shareholders shall be entitled to vote in the same manner as Common Shareholders in accordance with the Company's Amended By-Laws.*

[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] *(D)-Direct*

The aggregate number of shares owned of record by the Chairman and Chief Executive Officer, key officers and directors of the Company as a group, as of March 31, 2014, is 70,000 shares or approximately 0.0217% of the Company's outstanding capital stock.

The aggregate number of shares owned of record by all officers and directors as a group as of March 31, 2014 is 378,000 shares or approximately 0.1171% of the Company's outstanding capital stock.

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

DIRECTORS AND EXECUTIVE OFFICERS

Directors, Including Independent Directors and Nominees, and Executive Officers

The names of the incumbent directors, nominees for election as directors for 2014, 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, 78, 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 positions in the following listed companies: Chairman and Chief Executive Officer of San Miguel Corporation; Chairman of San Miguel Pure Foods Company, Inc. and Director of Petron Corporation. He is also the Chairman of ECJ and Sons Agricultural Enterprises, Inc. and the Eduardo Cojuangco, Jr. Foundation, Inc.; and Director of Caiñaman Farms, Inc. He was previously a director of Manila Electric Company (February 2009-May 2009). He attended the University of the Philippines – Los Baños College of Agriculture and California Polytechnic College in San Luis, Obispo, U.S.A.

Ramon S. Ang, Filipino, 60, 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 positions in the following listed companies: Vice Chairman, President and Chief Operating Officer of San Miguel Corporation; Chairman and Chief Executive Officer of Petron Corporation; and San Miguel Pure Foods Company, Inc.; and President and Chief Operating Officer of PAL Holdings, Inc. His other current positions, include among others, the following: President and Chief Executive Officer of Top Frontier Investment Holdings Inc., Chairman and Chief Executive Officer of Petron Marketing Corporation and SMC Global Power Holdings Corp.; Vice Chairman of San Miguel Yamamura Haiphong Glass Co. Limited (Vietnam); Chairman and President of San Miguel Properties, Inc., San Miguel Consolidated Power Corporation, Rapid Thoroughfares Inc., Atea Tierra Corporation, Cyber Bay Corporation, Philippine Oriental Realty Development Inc. and Bell Telecommunications Company, Inc.; Chairman of San Miguel Brewery Inc., San Miguel Brewery Hongkong Limited, Distileria Bago, Inc., San Miguel Foods, Inc., The Pure Foods Hormel Company, Inc., San Miguel Yamamura Packaging Corporation, South Luzon Tollway Corporation, Liberty Telecoms Holdings, Inc., Anchor Insurance Brokerage Corp., Sea Refinery Corporation and Philippine Diamond Hotel & Resort Inc.; President and Chief Operating Officer of Philippine Airlines, Inc.; President and Chief Executive Officer of Trustmark Holdings Corporation and Zuma Holdings and Management Corporation; and Director of Air

Philippines Corporation. Mr. Ang is the former President of San Miguel Brewery Inc. (2007-April 2009) and has held directorships in various subsidiaries of San Miguel Corporation in the last five years. He has a Bachelor of Science degree in Mechanical Engineering from Far Eastern University.

Bernard D. Marquez, Filipino, 45, is the President of the Company since May 12, 2011 and is a Member of the Company's Executive Committee, Executive Compensation Committee and Nomination and Hearing Committee. He is currently a Director of Thai San Miguel Liquor Co., Ltd. (TSML), and President of Distileria Bago, Inc., East Pacific Star Bottlers Phils Inc., Agricrops Industries Inc. and Healthy Condiments, Inc. He previously held the following positions: Vice President and General Manager of TSML (January 2010-March 2011) and Vice President and General Manager of San Miguel Beverages, Inc. (March 2007-December 2009). He holds a degree in B.A. Economics from Ateneo de Manila University and a master's degree in Business Management from the Asian Institute of Management. He has also completed his academic units for Master in Public Administration at the University of the Philippines.

Ferdinand K. Constantino, Filipino, 62, has been a Director of the Company since May 10, 2012 and is the Chairman of the Company's Executive Compensation Committee and a Member of the Company's Executive Committee and Audit Committee. He holds, among others, the following positions: Senior Vice President, Chief Finance Officer and Treasurer of San Miguel Corporation; Director of San Miguel Corporation, San Miguel Brewery Inc., San Miguel Yamamura Packaging Corporation, Magnolia, Inc., San Miguel Global Power Corp. and Bank of Commerce; and President of Anchor Insurance Brokerage Corporation. Mr. Constantino previously served as Chief Finance Officer of San Miguel Brewery Inc. (2007-2009); Chief Finance Officer of Manila Electric Company (February 2009- May 2009); Director of San Miguel Pure Foods Company, Inc. (2008-2009) and San Miguel Properties, Inc. (2001-2009); and has held directorships in various subsidiaries of San Miguel Corporation during the last five years. He holds a degree in AB Economics from the University of the Philippines and completed academic requirements for an MA Economics degree in the same university. He also took a strategic Finance Course in IMD-Lausanne, Switzerland.

Leo S. Alvez, Filipino, 71, 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. He earned his Bachelor of Science Degree at the Philippine Military Academy and Masters in Business Administration at the University of the Philippines.

Gabriel S. Claudio, Filipino, 59, has been a Director of the Company since November 11, 2010 and a Member of the Company's Nomination and Hearing Committee. He has served as political advisor to two Philippine Presidents. He occupied several cabinet positions: Presidential Political Adviser, Presidential Legislative Adviser, Head of the Presidential Legislative Liaison Office, Acting Executive Secretary and Cabinet Coordinating Officer for Regional Development. He is presently Chairman of the Board of Trustees of the Conflict Resolution Group Foundation, Inc., a Member of the Board of Trustees of TOBY's Sports and Youth Foundation, a Director of the Risks and Opportunities Assessment Management, Inc., and a part owner of Pinac Restaurant. He was Chairman of the Board of Trustees of the Metropolitan Waterworks & Sewerage System (MWSS) and a Director of the Development Bank of the Philippines (DBP) and the Philippine Charity Sweepstakes Office (PCSO). He earned his AB Communications Arts degree from the Ateneo de Manila University.

Minita V. Chico-Nazario, Filipino, 74, is an Independent Director of the Company since March 9, 2012, Chairperson of the Company's Audit Committee and Member of the Company's Executive Compensation Committee. She is also an Independent Director of San Miguel Properties, Inc. and Top Frontier Investment Holdings Inc. She is currently a Director of Banco San Juan (Rural Bank) and Legal Consultant of Union Bank of the Philippines. She is also the incumbent Dean of the College of Law of the University of Perpetual Help in Las Piñas City. She has previously held the following positions: Legal Consultant of Philippine Amusement and Gaming Corporation (January 2010-June 2010) and Metro Manila Development Authority (March 2010-June 2010); and Chairman of the Board of Directors (June 2010-August 2010) and Director (September 2010-September 2011) of PNOC Exploration Corporation. She has served the judiciary in various capacities for forty-seven years, as Presiding Justice of the Sandiganbayan (February 2003-February 2004) and Associate Justice of the Supreme Court (February 10, 2004-December 5, 2009). She obtained her law degree from the University of the Philippines and is a member of the New York State Bar.

Angelina S. Gutierrez, Filipino, 76, is an Independent Director of the Company since May 10, 2012 and is a Member of the Company's Audit Committee and Nomination and Hearing Committee. At present, she is the Chairman of the Board of Directors of Aliw Broadcasting Corporation and an Independent Director of Philippine Polypropelene, Inc. and San Miguel Pure Foods Company, Inc. She is also the current Dean of the Graduate School of Law of Pamantasan ng Lunsod ng Maynila. She has served the judiciary in various capacities, as Judge of the Metropolitan Trial Court of Manila, Branch 19, Judge of the Regional Trial Court of Manila, Branch 37, Justice of the Court of Appeals and Associate Justice of the Supreme Court. She obtained her law degree from the University of Sto. Tomas and has attended legal and judicial courses abroad: Harvard Law School, University of Texas, University of Nevada and University of Southern California.

Joseph N. Pineda, Filipino, 50, has been a Director of the Company since May 9, 2013 and is a Member of the Company's Nomination and Hearing Committee. He is the Senior Vice President and Deputy Chief Finance Officer of San Miguel Corporation. He is currently the Chairman of the Board of Directors of SMC Shipping and Lighterage Corporation and Process Synergy, Inc. He also holds, among others, the following positions: Director and Treasurer of San Miguel Holdings Corp., San Miguel Energy Corporation, SMC Stock Transfer Service Corporation and SMITS, Inc.; and Director of Sea Refinery Corporation, Anchor Insurance Brokerage Corp., A.G.N. Philippines, Inc. and Rapid Thoroughfares Inc. He holds directorships in various domestic and international subsidiaries of San Miguel Corporation. He is a graduate of San Beda College with a degree in AB- Economics and has earned MBA units at De La Salle University.

Virgilio S. Jacinto, Filipino, 57, 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; and Director of San Miguel Brewery Inc., Petron Corporation, FILSOV Shipping Company, Inc. and Northern Cement Corporation. Atty. Jacinto is also the Corporate Secretary and Compliance Officer of Top Frontier Investment Holdings, Inc. and Corporate Secretary of Ecofarm Systems and Resources, Inc., J & E Development Corporation, Jewelmer International Corporation and Terramar Aqua Resources, Inc. He also holds directorships in various domestic and international subsidiaries of San Miguel Corporation. He is also an Associate Professor at the College of Law of the University of the Philippines. Atty. Jacinto obtained his law degree from the University of the Philippines where he was class salutatorian and placed sixth in the 1981 Bar Examinations. He holds a Master of Laws degree from Harvard University.

Cynthia M. Baroy, Filipino, 50, is Assistant Vice-President and Chief Finance Officer of the Company. She previously held the following positions: Financial Planning and Analysis Manager of San Miguel Yamamura Packaging Corporation; Finance Manager of Metal Closures & Lithography Business; and, Finance Manager of San Miguel Rengo Packaging Corporation.

Nelson S. Elises, Filipino, 55, is Vice-President and Marketing Manager of the Company. Mr. Elises's work experience includes: Assistant Vice-President and National Sales Manager and Area Sales Manager of the Company; Sales and Sales Services Manager of Philippine Beverage Partners, Inc.; and General Manager for Sugarland Corporation.

Clemente O. Alburo, Filipino, 63, is Vice-President and Manufacturing and Engineering Services Manager of the Company. Mr. Alburo was previously a Technical Operations Manager of San Miguel Beverages, Inc. and Technical Operations Director of Coca-Cola Bottlers Philippines, Inc.

Rosalina A. Lioanag, Filipino, 50, is Assistant Vice-President and Business Procurement Group Manager of the Company. Ms. Lioanag was previously the Company's Product Supply and Planning Manager, Non-Alcoholic Beverages Sales Manager, Supply Chain Group Manager, Supply Chain Area Operations for North Luzon and Logistics Manager.

Term of Office

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

The nominees for election to the Board of Directors on May 8, 2014 are as follows:

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

Independent Directors

The incumbent Independent Directors of the Company and nominees for election as Independent Directors of the Board of Directors on May 8, 2014 are as follows:

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

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

The Certification of Justices Chico-Nazario and Gutierrez (Ret.), incumbent Independent Directors of the Company are attached hereto as Annexes "A-1" and "A-2", respectively.

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

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

The Nomination and Hearing Committee, which pre-screens and shortlists all candidates nominated to become a member of the Board of Directors, have determined that all the above-mentioned nominees have all the qualifications and none of the disqualifications set forth in the Company's Amended By-Laws, Amended Manual on Corporate Governance and other applicable issuances of the SEC.

Significant Employees

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

Family Relationships

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among the directors, executive officers, or nominees for election as directors.

Certain Relationships and Related Transactions

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

Parent Company

As of March 31, 2014, the Company is 77.36% owned by San Miguel Corporation.

Involvement in Certain Legal Proceedings

None of the directors, nominees for election as director, executive officers or control persons of the Company have been involved in the following legal proceedings, including being the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his/her involvement in any type of business, securities, commodities or banking activities, which is not subsequently reversed, suspended or vacated, or (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, which has not been reversed, suspended or vacated, for the past five (5) years up to the latest date that is material to the evaluation of his/her ability or integrity to hold the relevant position in the Company.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

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

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
Total Compensation of the President and Senior Officers[6]	2014 (estimated)	P28.1 Million	P7.9 Million	P7.6 Million	P43.6 Million
	2013	P 25.5 Million	P 3.1 Million	P6.8 Million	P 35.4 Million
	2012	P 23.7 Million	P 3.9 Million	P6.9 Million	P 34.5 Million
All other officers and directors as a group unnamed	2014 (estimated)	P36.0 Million	P8.8 Million	P10.9 Million	P55.7 Million
	2013	P33.6 Million	P4.0 Million	P13.0 Million	P50.6 Million
	2012	P 40.2 Million	P 7.0 Million	P 14.0 Million	P 61.2 Million
TOTAL	2014 (estimated)	P64.1 Million	P16.7 Million	P18.5 Million	P99.3 Million
	2013	P59.1 Million	P7.1 Million	P19.8 Million	P86.0 Million
	2012	P 63.9 Million	P 10.9 Million	P20.9 Million	P 95.7 Million

[6] *The current President and senior officers of the Company are as follows: Bernard D. Marquez, Clemente O. Alburo, Rosalina A. Lioanag, Cynthia M. Baroy and Nelson S. Elises. For 2013, they are as follows: Bernard D. Marquez, Clemente O. Alburo, Rosalina A. Lioanag, Cynthia M. Baroy and Nelson S. Elises. For 2012, they are Bernard D. Marquez, Valentino G. Vega, Cesar B. Gimena, Cynthia M. Baroy and Lucia D. Unsay. 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.*

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 2013, each director received a per diem of Ten Thousand Pesos (P10,000.00) per attendance at Board and Board Committee meetings of the Company.

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

The named executive officers of the Company, just like other full-time and permanent employees of the Company, subject to certain requirements,[7] are eligible to subscribe to Company shares under the Company's Employees Stock Purchase Plan (the "Plan"). As of December 31, 2013, the current named officers have an aggregate subscription of 158,000 shares under the Plan.

The Plan was intended primarily to promote a sense of ownership and greater work commitment among employees of the Company and its subsidiaries. Three Million (3,000,000) shares from the Company's authorized and unissued shares were reserved for the Plan. The subscription price per share under the Plan is equal to the weighted average market closing prices of the last quarter immediately preceding the application/subscription period, less a discount of fifteen percent (15%). The shares covered by the Plan are no longer available for subscription as the offering period provided under the Plan expired on January 21, 2013.

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.

ACTION WITH RESPECT TO REPORTS

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

1. Minutes of the 2013 Regular Stockholders' Meeting with the following items:
    a) Approval of the Minutes of the Regular Stockholders' Meeting held on May 9, 2012;
    b) Presentation of the Annual Report;
    c) Ratification of all acts of the Board of Directors and Corporate Officers;
    d) Appointment of External Auditor; and
    e) Election of Board of Directors

2. Annual Report of the Company for the year ended December 31, 2013.

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[7] *All full-time and permanent employees of the Company and its subsidiaries, who have rendered at least one (1) year of continuous service on a regular status (one year after regularization) at the Exercise Date (defined under the Plan), are entitled to subscribe to shares of the capital stock of the Company under the Plan, subject to the terms and conditions provided therein, which subscription shall be subject to the employees' credit profile. Members of the Board of Directors who are not employees of the Company or its subsidiaries are not eligible to participate in the Plan.*

3. Ratification of all the acts of the Board of Directors and Officers since the 2013 Regular Stockholders' Meeting, adopted in the ordinary course of business such as:
   a) Appointment of officers; and
   b) Approval of signing authorities and limits.

Minutes of the 2013 Regular Stockholders' Meeting and resolutions of the Board of Directors since the date of the said meeting will be available for examination during office hours at the office of the Corporate Secretary.

AMENDMENT OF THE ARTICLES OF INCORPORATION AND BY-LAWS

Amendment of Article III of the Amended Articles of Incorporation of the Company

On March 26, 2014, the Board of Directors approved to change the principal office of the Corporation from Metro Manila, Philippines to 3rd and 6th Floors, San Miguel Properties Centre, St. Francis Street, Ortigas Center, Mandaluyong City, Philippines and to amend Article III of the Amended Articles of Incorporation to reflect such change.

Thus, Article III of the Amended Articles of Incorporation of the Company is proposed to be revised as follows:

> "THIRD: The principal office of the Corporation is located at 3rd and 6th Floors, San Miguel Properties Centre, St. Francis Street, Ortigas Center, Mandaluyong City, Philippines."

The proposed amendment will enable the Company to comply with Memorandum Circular No. 6, Series of 2014 issued by the SEC directing corporations to state in their Articles of Incorporation the specific address of their principal office, including, if feasible, the street number, street name, barangay, city or municipality, and if applicable, the name of the building, the number of the building and name or number of the room or unit.

Amendment of Article I, Section 1 of the Amended By-Laws of the Company

On March 26, 2014, the Board of Directors approved to change the date of the regular meeting of the stockholders from second Thursday of May to last Thursday of May, and to amend Article I, Section 1 of the Amended By-Laws of the Company to reflect such change.

Thus, Article I, Section 1 of the Amended By-Laws of the Company is proposed to be revised as follows:

> "Section 1. Regular Meeting – The regular meeting of the stockholders shall be held on the last Thursday of May of each year at the stated date and hour, as may be determined by the Board of Directors. The Board of Directors may, however, provide that the regular meeting shall be held at another date and time as shall be specified in the notice of the meeting."

The new date of the regular stockholders' meeting will provide the Company sufficient time to prepare and submit its financial and reportorial requirements in compliance with applicable laws, rules and regulations relative, among others, to the holding of the regular stockholders' meeting.

VOTING PROCEDURES

For the amendment of the Amended Articles of Incorporation, the affirmative vote of stockholders representing at least two-thirds (2/3) of the outstanding capital stock present or represented by proxy at the meeting is necessary for its approval. On the other hand, with respect to the amendment of the Amended By-Laws, the affirmative vote of stockholders representing at least a majority of the outstanding capital stock present or represented by proxy at the meeting is necessary for the approval thereof. In the election of directors, the nine (9) nominees with the greatest number of votes will be elected directors. The approval of the other proposals or matters submitted to a vote will require an affirmative vote of the stockholders representing the majority of the shares of stock present or represented by proxy at the meeting.

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

FINANCIAL AND OTHER INFORMATION

Brief Description of the General Nature and Business of the Company

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

LIQUOR BUSINESS

The Company was formed on July 10, 1987 as the legal entity for the acquisition by SMC of the production assets of an existing liquor production company that had been in operation since 1902. Today, the Company operates three liquor bottling plants, which are located in the following areas: (1) Mandaue City, Cebu; (2) Sta. Barbara, Pangasinan; and (3) Cabuyao, Laguna. The Company also utilizes external toll manufacturers to produce liquor products in Calamba, Laguna and Valenzuela City.

Among its subsidiaries are (1) Distileria Bago, Inc., a distillery that converts sugar cane molasses into alcohol with its plant located at Bago City, Negros Occidental, which became a wholly-owned subsidiary of GSMI in 1996; and (2) Agricrops Industries Inc. ("AII"), which was incorporated in 2001 as a wholly-owned subsidiary of GSMI to primarily engage in the production of cassava-starch milk, an alternative raw material for the production of alcohol. As of December 31, 2013, AII has not yet started commercial operations.

To fast-track entry into regional markets, GSMI in November 2004 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. GSMI and the Seller also entered into a Joint Venture Agreement ("JVA"). The JVA established the terms and conditions regarding the ownership and operation of CNT and the joint control rights, obligations and responsibilities of GSMI and the Seller, as stockholders. In November 2004, GSMI incorporated Ginebra San Miguel International Limited ("GSMIL") and subsequently assigned its rights and obligations under the SPA and the JVA to GSMIL, including its rights to purchase 40% ownership of the outstanding shares of CNT. The acquisition of CNT was completed in December of the same year. CNT was later renamed Thai San Miguel Liquor Co., Ltd. ("TSML").

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

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

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

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"), for the purchase of SMBI's assets consisting of receivables, equipment, containers and inventories (collectively, "SMBI Assets"). SMBI is engaged in the manufacture and distribution of non-alcoholic beverages. With the acquisition of the SMBI Assets, the Company ventured into the manufacturing of non-alcoholic beverages.

Financial Statements

The Audited Consolidated Financial Statements of the Company as of December 31, 2013 with Auditor's Report and Statement of Management's Responsibility are attached hereto as **Annex "B"**.

Management's Discussion and Analysis or Plan of Operation

The Management's Discussion and Analysis or Plan of Operation of the Company as of December 31, 2013 is attached hereto as **Annex "C"**.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

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

Market Price of and Dividends on the Company's Common Equity and Related Stockholder Matters

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

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

	2012		2013	
Quarter	High	Low	High	Low
1st	24.60	22.50	17.98	15.00
2nd	23.70	20.00	19.96	12.50
3rd	21.00	17.50	25.40	13.60
4th	19.40	16.50	27.40	21.00

For the first quarter of 2014, the Company's high and low prices is 23.00 and 18.30, respectively.

The closing price of the Company's common shares as of April 2, 2014, the latest practicable trading date, is P19.88.

The approximate number of shareholders of preferred and common shares as of March 31, 2014 is 1 and 757, respectively.

No dividend declarations were made in 2012 and 2013.

There were no securities sold by the Company which were not registered under the SRC and there were no securities issued by the Company which are exempt or under an exempt transaction under the SRC within the past three (3) years, save for the common shares issued by the Company under its Employees Stock Purchase Plan (the "Plan") which were registered with the SEC. In a resolution dated January 21, 2008, the SEC determined that the Company's proposed issuance under the Plan of 3,000,000 common shares to qualified employees of the Company, its subsidiaries and affiliates, is limited in character and that prior registration thereof is no longer necessary in the interest of the public or for the protection of the investors in accordance with Section 10.2 of the SRC. The shares covered by the Plan are no longer available for subscription as the offering period provided under the Plan expired on January 21, 2013.

The top 20 stockholders of the Company as of March 31, 2014 are as follows:

Rank	Name of Stockholders	Common	Preferred	Total No. of Shares	% of Total O/S
1	San Miguel Corporation	216,972,000	32,786,885	249,758,885	77.36%
2	PCD Nominee Corporation (Filipino)	47,743,656	0	47,743,656	14.79%
3	Ginebra San Miguel Inc. Retirement Plan	9,943,285	0	9,943,285	3.08%
4	PCD Nominee Corporation (Non-Filipino)	7,955,762	0	7,955,762	2.47%
5	La Suerte Cigar & Cigarette Factory	200,000	0	200,000	0.06%
6	Lim Tay	80,000	0	80,000	0.02%
7	Pua Yok Bing	55,000	0	55,000	0.02%
8	Rosalina A. Lioanag	51,500	0	51,500	0.02%
9	Dar B. Licanel	51,500	0	51,500	0.02%
10	Roman T. Yap	50,000	0	50,000	0.02%
11	Lucia C. Unsay	50,000	0	50,000	0.02%
12	Emmanuel B. Macalalag	46,500	0	46,500	0.01%
13	Leonardo P. Bico	46,500	0	46,500	0.01%
14	Novemia S. Bico	36,500	0	36,500	0.01%
15	Teodorico T. Lasin	36,500	0	36,500	0.01%
16	Ritchie B. Morta	35,000	0	35,000	0.01%
17	Nelson S. Elises	31,500	0	31,500	0.01%
18	Bernard D. Marquez	30,000	0	30,000	0.009%
19	Monina N. Cortez	30,000	0	30,000	0.009%
20	Romulo G. Quinto	30,000	0	30,000	0.009%

Independent Public Accountants

The accounting firm of Manabat Sanagustin & Co., CPAs ("MSC") served as the Company's external auditor for the last fiscal year.

MSC has been the Company's external auditor since 2006. As such, the Company complied with the rule on rotation for the signing partner every after five (5) years under Part I (3) (b) (ix) of SRC Rule 68, as amended, with respect to the re-engagement of the said audit firm. Effective February 1, 2014, MSC launched its new name, "R.G. Manabat & Co.".

The Board of Directors, upon the recommendation of the Audit Committee, will nominate R.G. Manabat & Co. as the Company's external auditor for 2014. The representatives of the said audit firm are expected to be present during the Regular Stockholders' Meeting and will be available to respond to appropriate questions, if necessary. They will also have the opportunity to make a statement, if they so desire.

Audit and Audit Related Fees

Fees for the services rendered by the external auditor to the Company and its subsidiaries in connection with the Company's annual financial statements and other statutory and regulatory filings for 2013 and 2012 (inclusive of retainer fees and out-of-pocket expenses) amounted to about P 7 million per year.

The stockholders approved the appointment of the Company's external auditor. The Audit Committee reviews the terms of engagement and scope of services of the external auditor and endorsed the same for the approval of the Board of Directors and ensures that audit services rendered shall not impair or derogate the independence of the external auditor or violate SEC regulations.

Compliance with leading practice on Corporate Governance

The evaluation by the Company to measure and determine the level of compliance of the Board of Directors and top-level management with its Manual on Corporate Governance as amended on March 30, 2010 (the "Manual"), is vested by the Board of Directors in the Compliance Officer. The Compliance Officer is mandated to monitor compliance by all concerned with the provisions and requirements of the Manual. The Company has substantially adopted all the provisions of the Manual on Corporate Governance as prescribed by SEC Memorandum Circular No. 2, Series of 2002.

UNDERTAKING

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

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

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Mandaluyong on APR 1 1 2014.

GINEBRA SAN MIGUEL INC.

By:

Virgilio S. Jacinto
Corporate Secretary

Annex "A-1"

CERTIFICATE OF QUALIFICATION OF INDEPENDENT DIRECTOR

SEC Central Receiving and Records Division HRAD JUN 07 2013 BY: RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS 12

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

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

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

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

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

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

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

Done this JUN 05 2013 day of June 2013 at Mandaluyong City.

Minita Chico-Nazario

MINITA V. CHICO-NAZARIO
Affiant

SUBSCRIBED AND SWORN to before me this JUN 05 2013 day of June 2013 at Mandaluyong City, affiant personally appeared before me and exhibited to me her Passport No. XX4064787 issued on June 30, 2009 at DFA Manila.

Doc. No. 94;
Page No. 21;
Book No. II;
Series of 2013.

Sacasas

CARMELA L. SACASAS
Commission No. 0370-12
Notary Public for Mandaluyong City
Until December 31, 2013
SMYPC, 8th Floor, San Miguel Properties Centre
No.7 St. Francis Street, Mandaluyong City
Roll No. 50767
PTR No. 1625562; 01/08/13; Mandaluyong City
IBP Lifetime Member No. 924671; 01/10/13; Makati City

ANNEX "A"

AFFILIATIONS

Company/Organization	Position/Relationship	Period of Service
San Miguel Properties, Inc.	Independent Director	May 9, 2012 to present
Banco San Juan	Director	June 2010 to present
Union Bank of the Philippines	Legal Consultant	July 2010 to present
College of Law, The University of Perpetual Help, Las Piñas City	Dean	June 2011 to present
Integrated Bar of the Philippines, Manila IV	Member	Up to present
Women Lawyers Association of the Philippines	Member	Up to present
U.P. Women's Club	Member	Up to present
U.P. Women Lawyers' Circle	Member	Up to present

Annex "A-2"

MAY 09 2013

2

CERTIFICATE OF QUALIFICATION OF INDEPENDENT DIRECTOR

I, **ANGELINA S. GUTIERREZ**, Filipino, of legal age and a resident of 9333 Dungon St., San Antonio Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

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

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

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

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

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

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

Done this 9th day of May 2013 at Mandaluyong City.

ANGELINA S. GUTIERREZ
Affiant

SUBSCRIBED AND SWORN to before me this 9th day of May 2013 at Mandaluyong City, affiant personally appeared before me and exhibited to me her TIN No. 130-188-514.

Doc. No. 467;
Page No. 95;
Book No. IV;
Series of 2013.

CARMELA T. BELARDE
Commission No. 0[illegible]-12
Notary Public for Mandaluyong City
Until Dec. 31, 2013
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 57052
PTR No. 1619906; 01/03/13; Mandaluyong City
IBP Lifetime Member No. 010580; 02/09/12; Makati City

ANNEX "A"

WORK ENGAGEMENTS/ AFFILIATIONS

Company/Organization	Position/Relationship	Period of Service
Graduate School of Law, Pamantasan ng Lungsod ng Maynila	Dean	May 31, 2008 to present
Aliw Broadcasting Corporation (Radio DWIZ)	Chairman of the Board of Directors	May 15, 2008 to present
Mandatory Continuing Legal Education Provider	Partner, Juris Praesidium	June 1, 2008 to present
Society for Judicial Excellence of the Supreme Court	Chairman Emeritus of the Board of Trustees	September 2006 to present
Institute for Deliquency Control University of Southern California	Secretary for Life, 87th Class	July 1989 to present
Dallas Goup Foundation	Director, Board of Trustees	January 2009 to present
UST Law Alumni Foundation Inc.	Chairman	June 2007 to present
Radio Station DWIZ	Chairman of the Board of Directors	Present
Philippine Polypropelene, Inc.	Independent Director	Present

Annex "B"

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

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

Branches: Subic · Cebu · Bacolod · Iloilo

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

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, 2013 and 2012, 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, 2013, 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.

PRC-BOA Registration No. 0003, valid until December 31, 2016
SEC Accreditation No. 0004-FR-3, Group A, valid until November 22, 2014
IC Accreditation No. F-0040-R, Group A, valid until September 11, 2014
BSP Accredited, Category A, valid until December 17, 2014

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, 2013 and 2012, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2013, in accordance with Philippine Financial Reporting Standards.

R.G. MANABAT & CO.

JIMMY S. QUIÑONES
Partner
CPA License No. 0085650
SEC Accreditation No. 0679-AR-1, Group A, valid until March 30, 2014
Tax Identification No. 112-072-024
BIR Accreditation No. 08-001987-17-2014
Issued January 22, 2014; valid until January 21, 2017
PTR No. 4225140MC
Issued January 2, 2014 at Makati City

March 26, 2014
Makati City, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Ginebra San Miguel Inc. (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2013, 2012 and 2011, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

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

CYNTHIA M. BAROY
Chief Finance Officer

BERNARD D. MARQUEZ
President

SUBSCRIBED AND SWORN to before me this 10th day of April 2014, affiant exhibiting to me their Passport, as follow:

NAME	**PASSPORT NO.**	**DATE OF ISSUE**	**PLACE OF ISSUE**
Eduardo M. Cojuangco, Jr.	XX0410612	February 16, 2012	Manila
Bernard D. Marquez	XX1245198	May 4, 2010	Phil. Embassy Bangkok
Cynthia M. Baroy	EB7884362	April 16, 2013	Manila

Notary Public
MAILA R. NICOLASORA
Commission No. 0259-13
Notary Public for Mandaluyong City
Until Dec. 31, 2014
GSMI, 6th Floor San Miguel Properties Centre,
No. 7, St. Francis Street, Mandaluyong City
Roll No. 45082
PTR No. 2015247; 2/24/14; Mandaluyong City
IBP Lifetime Member No. 883462; 1/10/12; Quezon City

Doc. No. 159 ;
Page No. 33 ;
Book No. II ;
Series of 2014.

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

		December 31		January 1
	Note	**2013**	2012 As restated (Note 3)	2012 As restated (Note 3)
ASSETS				
Current Assets				
Cash and cash equivalents	*7, 33, 34*	**P513,312**	P497,503	P255,249
Trade and other receivables - net	*4, 8, 27, 33, 34*	**3,770,087**	3,823,891	2,995,368
Inventories	*4, 9*	**3,864,413**	5,962,766	6,533,621
Prepaid taxes and other current assets	*10, 33, 34*	**1,442,769**	1,323,141	884,185
Total Current Assets		**9,590,581**	11,607,301	10,668,423
Noncurrent Assets				
Investments in joint ventures	*11*	**720,189**	788,732	871,349
Property, plant and equipment - net	*4, 12*	**6,802,089**	6,886,217	6,091,806
Investment property - net	*4, 13*	**-**	148,926	157,998
Goodwill	*4, 5*	**226,863**	226,863	-
Deferred tax assets	*4, 18*	**1,510,886**	1,015,735	600,104
Other noncurrent assets - net	*4, 14, 27, 33, 34*	**1,018,348**	1,016,570	830,515
Total Noncurrent Assets		**10,278,375**	10,083,043	8,551,772
		P19,868,956	P21,690,344	P19,220,195

LIABILITIES AND EQUITY				
Current Liabilities				
Notes payable	*15, 33, 34*	**P9,980,800**	P9,432,200	P7,684,687
Trade and other payables	*16, 27, 28, 33, 34*	**2,570,579**	3,409,911	2,239,232
Income and other taxes payable		**234,763**	78,877	116,057
Current maturities of long-term debt - net of debt issue costs	*17, 33, 34*	**541,286**	541,286	255,571
Total Current Liabilities		**13,327,428**	13,462,274	10,295,547
Noncurrent Liabilities				
Retirement liabilities	*29*	**156,691**	250,595	213,485
Long-term debt - net of current maturities and debt issue costs	*17, 33, 34*	**842,262**	1,383,548	1,239,119
Deferred tax liabilities	*18*	**210**	419	-
Total Noncurrent Liabilities		**999,163**	1,634,562	1,452,604
Total Liabilities		**14,326,591**	15,096,836	11,748,151

Forward

	Note	December 31 2013	2012 As restated (Note 3)	January 1 2012 As restated (Note 3)
Equity	*19*			
Capital stock		**P399,063**	P399,063	P399,063
Additional paid-in capital		**2,539,454**	2,539,447	2,526,625
Reserve for retirement plan		**(86,704)**	(130,530)	(105,491)
Cumulative translation adjustments		**(59,604)**	(65,823)	(36,673)
Retained earnings:				
Appropriated		**2,500,000**	2,500,000	2,500,000
Unappropriated		**2,829,565**	3,930,760	4,767,929
Treasury stock		**(2,579,409)**	(2,579,409)	(2,579,409)
Total Equity		**5,542,365**	6,593,508	7,472,044
		P19,868,956	P21,690,344	P19,220,195

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(In Thousands, Except Per Share Data)

	Note	2013	2012 As restated (Note 3)	2011 As restated (Note 3)
SALES	*27*	**P14,399,076**	P14,002,195	P14,489,346
COST OF SALES	*20, 35*	**11,232,328**	10,561,157	11,389,420
GROSS PROFIT		**3,166,748**	3,441,038	3,099,926
SELLING AND MARKETING EXPENSES	*21*	**(2,479,205)**	(2,556,378)	(2,417,025)
GENERAL AND ADMINISTRATIVE EXPENSES	*22*	**(1,513,570)**	(1,500,982)	(1,529,630)
INTEREST EXPENSE	*15, 17, 25*	**(651,241)**	(586,059)	(418,345)
EQUITY IN NET LOSSES OF JOINT VENTURES	*11*	**(74,763)**	(53,467)	(46,925)
INTEREST INCOME		**4,289**	3,311	2,983
OTHER INCOME - Net	*26*	**42,403**	101,626	32,497
LOSS BEFORE INCOME TAX		**(1,505,339)**	(1,150,911)	(1,276,519)
INCOME TAX BENEFIT	*18*	**(404,144)**	(313,742)	(368,942)
NET LOSS		**(P1,101,195)**	(P837,169)	(P907,577)
Basic and Diluted Loss Per Share	*31*	**(P3.97)**	(P3.06)	(P3.30)

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(In Thousands)

	Note	2013	2012 As restated (Note 3)	2011 As restated (Note 3)
NET LOSS		**(P1,101,195)**	(P837,169)	(P907,577)
OTHER COMPREHENSIVE INCOME (LOSS)				
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS				
Equity reserve for retirement plan	*29*	**62,609**	(35,770)	(245,536)
Income tax expense (benefit)		**18,783**	(10,731)	(73,661)
Share in other comprehensive income (loss) of joint ventures		**6,219**	(29,150)	(37,442)
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		**50,045**	(54,189)	(209,317)
TOTAL COMPREHENSIVE LOSS - Net of tax		**(P1,051,150)**	(P891,358)	(P1,116,894)

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, 2013, 2012 AND 2011
(In Thousands)

	Note	Capital Stock		Additional Paid-in Capital	Reserve for Retirement Plan	Cumulative Translation Adjustments	Retained Earnings		Treasury Stock	Total
		Common	Preferred				Appropriated	Unappropriated		
As of January 1, 2013, As previously reported		**P345,625**	**P53,438**	**P2,539,447**	**P -**	**(P54,721)**	**P2,500,000**	**P3,678,540**	**(P2,579,409)**	**P6,482,920**
Adjustments due to Philippine Accounting Standards (PAS) 19 and Philippine Financial Reporting Standards (PFRS) 11	*3*	-	-	-	**(130,530)**	**(11,102)**	-	**252,220**	-	**110,588**
As of January 1, 2013, As restated		**345,625**	**53,438**	**2,539,447**	**(130,530)**	**(65,823)**	**2,500,000**	**3,930,760**	**(2,579,409)**	**6,593,508**
Share in other comprehensive income of joint ventures	*11*	-	-	-	-	**6,219**	-	-	-	**6,219**
Equity reserve for retirement plan		-	-	-	**43,826**	-	-	-	-	**43,826**
Other comprehensive income		-	-	-	**43,826**	**6,219**	-	-	-	**50,045**
Net loss		-	-	-	-	-	-	**(1,101,195)**	-	**(1,101,195)**
Total comprehensive income (loss)		-	-	-	**43,826**	**6,219**	-	**(1,101,195)**	-	**(1,051,150)**
Stock options		-	-	7	-	-	-	-	-	7
As of December 31, 2013		**P345,625**	**P53,438**	**P2,539,454**	**(P86,704)**	**(P59,604)**	**P2,500,000**	**P2,829,565**	**(P2,579,409)**	**P5,542,365**
As of January 1, 2012, As previously reported		P345,625	P53,438	P2,526,625	P -	(P35,936)	P2,500,000	P4,527,740	(P2,579,409)	P7,338,083
Adjustments due to PAS 19 and PFRS 11	*3*	-	-	-	(105,491)	(737)	-	240,189	-	133,961
As of January 1, 2012, As restated		345,625	53,438	2,526,625	(105,491)	(36,673)	2,500,000	4,767,929	(2,579,409)	7,472,044
Share in other comprehensive loss of joint ventures	*11*	-	-	-	-	(29,150)	-	-	-	(29,150)
Equity reserve for retirement plan		-	-	-	(25,039)	-	-	-	-	(25,039)
Other comprehensive loss		-	-	-	(25,039)	(29,150)	-	-	-	(54,189)
Net loss		-	-	-	-	-	-	(837,169)	-	(837,169)
Total comprehensive loss		-	-	-	(25,039)	(29,150)	-	(837,169)	-	(891,358)
Stock options	*19*	-	-	12,822	-	-	-	-	-	12,822
As of December 31, 2012		P345,625	P53,438	P2,539,447	(P130,530)	(P65,823)	P2,500,000	P3,930,760	(P2,579,409)	P6,593,508

Forward

	Note	Capital Stock		Additional Paid-in Capital	Reserve for Retirement Plan	Cumulative Translation Adjustments	Retained Earnings		Treasury Stock	Total
		Common	Preferred				Appropriated	Unappropriated		
As of January 1, 2011, As previously reported		P342,986	P53,438	P2,435,476	P -	(P9,439)	P2,500,000	P5,991,914	(P2,579,409)	P8,734,966
Adjustments due to PAS 19 and PFRS 11	3	-	-	-	66,384	10,208	-	165,606	-	242,198
As of January 1, 2011, As restated		342,986	53,438	2,435,476	66,384	769	2,500,000	6,157,520	(2,579,409)	8,977,164
Share in other comprehensive loss of joint ventures	11	-	-	-	-	(37,442)	-	-	-	(37,442)
Equity reserve for retirement plan		-	-	-	(171,875)	-	-	-	-	(171,875)
Other comprehensive loss		-	-	-	(171,875)	(37,442)	-	-	-	(209,317)
Net loss		-	-	-	-	-	-	(907,577)	-	(907,577)
Total comprehensive loss		-	-	-	(171,875)	(37,442)	-	(907,577)	-	(1,116,894)
Issuance of common shares	19, 32	2,639	-	91,149	-	-	-	-	-	93,788
Cash dividends	19, 30	-	-	-	-	-	-	(482,014)	-	(482,014)
As of December 31, 2011		P345,625	P53,438	P2,526,625	(P105,491)	(P36,673)	P2,500,000	P4,767,929	(P2,579,409)	P7,472,044

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(In Thousands)

	Note	2013	2012 As restated (Note 3)	2011 As restated (Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax		**(P1,505,339)**	(P1,150,911)	(P1,276,519)
Adjustments for:				
Depreciation, amortization and impairment	*12, 13, 23*	**742,214**	653,790	461,395
Interest expense	*15, 17, 25*	**651,241**	586,059	418,345
Equity in net losses of joint ventures	*11*	**74,763**	53,467	46,925
Gain on sale of property and equipment	*26*	**(705)**	(199)	(378)
Net derivative loss (gain)	*26*	**(1,007)**	(11,283)	18,253
Interest income		**(4,289)**	(3,311)	(2,983)
Net unrealized foreign exchange gain	*26*	**(7,980)**	(1,785)	(1,873)
Operating income (loss) before working capital changes		**(51,102)**	125,827	(336,835)
Decrease (increase) in:				
Trade and other receivables		**(148,509)**	(1,388,803)	(374,829)
Inventories		**1,974,149**	590,495	373,954
Prepaid taxes and other current assets		**(287,120)**	(430,575)	166,607
Increase (decrease) in:				
Trade and other payables		**(721,519)**	1,275,117	(755,833)
Other taxes payable		**144,998**	(37,180)	1,157
Retirement liabilities		**45,730**	1,339	69,641
Cash generated from (used in) operations		**956,627**	136,220	(856,138)
Interest received		**4,289**	3,311	2,983
Income taxes paid		**(490)**	(613)	(3,500)
Net cash flows provided by (used in) operating activities		**960,426**	138,918	(856,655)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of property and equipment		**590**	150	336
Additions to property, plant and equipment	*12*	**(256,908)**	(308,470)	(1,180,785)
Acquisition of a subsidiary, net of cash and cash equivalents acquired	*5*	**-**	(142,672)	-
Increase in other noncurrent assets		**(72,330)**	(135,825)	(175,053)
Net cash flows used in investing activities		**(328,648)**	(586,817)	(1,355,502)

Forward

	Note	2013	2012 As restated (Note 3)	2011 As restated (Note 3)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term borrowings		**P101,992,376**	P129,445,172	P88,406,258
Issuance of common shares		**33,448**	28,978	38,855
Payments of:				
Short-term borrowings		**(101,443,776)**	(127,697,659)	(85,518,041)
Interest		**(658,581)**	(591,189)	(445,256)
Long-term borrowings		**(542,857)**	(371,429)	-
Cash dividends		**(456)**	(117,975)	(353,050)
Net cash flows provided by (used in) financing activities		**(619,846)**	695,898	2,128,766
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**3,877**	(5,745)	(1,160)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**15,809**	242,254	(84,551)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**497,503**	255,249	339,800
CASH AND CASH EQUIVALENTS AT END OF YEAR	*7*	**P513,312**	P497,503	P255,249

See Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Percentages, Per Share Data and Number of Shares)

1. Reporting Entity

Ginebra San Miguel Inc. (GSMI or the Company), a subsidiary of San Miguel Corporation (SMC), was incorporated in the Philippines. Top Frontier Investment Holdings, Inc. (Top Frontier) is the ultimate parent company of the Group. The accompanying consolidated financial statements comprise the financial statements of the Company and its Subsidiaries (collectively referred to as the "Group") and the Group's interests in joint ventures. The Company is a public company under Section 17.2 of the Securities Regulation Code and its shares are listed on The Philippine Stock Exchange, Inc.

The Company is engaged in manufacturing and selling of alcoholic and nonalcoholic beverages.

The registered office address of the Company is 6th Floor, San Miguel Properties Centre, St. Francis Street, Ortigas Center, Mandaluyong City.

2. Basis of Preparation

Statement of Compliance
The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

The consolidated financial statements were authorized for issue by the Board of Directors (BOD) on March 26, 2014.

Basis of Measurement
The consolidated financial statements of the Group have been prepared on a historical cost basis of accounting except for the following items which are measured on an alternative basis at each reporting date:

Items	Measurement Basis
Derivative financial instruments	Fair value
Defined benefit retirement asset (obligation)	Fair value of the plan assets less the present value of the defined benefit retirement obligation

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and the following wholly-owned subsidiaries:

Name of Subsidiary	Country of Incorporation
Distileria Bago, Inc. (DBI)	Philippines
East Pacific Star Bottlers Phils Inc. (EPSBPI) [(a)]	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

(a) Consolidated starting January 27, 2012 (Note 5)

A subsidiary is an entity controlled by the Group. The Group controls an entity if and only if, the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

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.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, the Group: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of the cumulative transaction differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss; and, (iii) reclassify the Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

3. Significant Accounting Policies

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

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

Adopted Effective 2013

The Group has adopted the following PFRS effective January 1, 2013 and accordingly, changed its accounting policies in the following areas:

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

  As a result of the adoption of the amendments to PAS 1, the Group has modified the presentation of items comprising other comprehensive income in the consolidated statements of comprehensive income. Items that may be reclassified to profit or loss subsequently are presented separately from items that will not be reclassified. The amendments affect presentation only and have no impact on the Group's financial position and performance. Comparative information has been re-presented accordingly.

- Disclosures: Offsetting Financial Assets and Financial Liabilities *(Amendments to PFRS 7, Financial Instruments: Disclosures).* The amendments include minimum disclosure requirements related to financial assets and financial liabilities that are: (a) offset in the consolidated statements of financial position; or (b) subject to enforceable master netting arrangements or similar agreements. They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the consolidated statements of financial position.

  The adoption of these amendments did not have an effect on the consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements,* introduces a new approach in determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when: (a) it has power over an investee; (b) it is exposed or has rights to variable returns from its involvement with that investee; and (c) it has the ability to affect those returns through its power over that investee. Control is reassessed as facts and circumstances change. PFRS 10 supersedes PAS 27 (2008), *Consolidated and Separate Financial Statements,* and Philippine Interpretation Standards Interpretation Committee (SIC) 12, *Consolidation - Special Purpose Entities.*

The adoption of these amendments did not have an effect on the consolidated financial statements.

- PFRS 11, *Joint Arrangements,* focuses on the rights and obligations of joint arrangements, rather than the legal form. The new standard: (a) distinguishes joint arrangements between joint operations and joint ventures; and (b) eliminates the option of using the equity method or proportionate consolidation for jointly controlled entities that are now called joint ventures, and only requires the use of equity method. PFRS 11 supersedes PAS 31, *Interests in Joint Ventures,* and Philippine Interpretation SIC 13, *Jointly Controlled Entities - Non-monetary Contributions by Venturers.*

  As a result of the adoption of PFRS 11, the Group assessed that it has rights to the net assets of the arrangement based on the structure, legal form, contractual terms and other facts and circumstances of the arrangement and has classified the arrangement as a joint venture. The Group eliminated the use of proportionate consolidation and is now applying the equity method (Note 11).

- PFRS 12, *Disclosure of Interests in Other Entities,* contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. The new standard provides information that enables users to evaluate: (a) the nature of, and risks associated with, an entity's interests in other entities; and (b) the effects of those interests on the entity's financial position, financial performance and cash flows.

  As a result of the adoption of PFRS 12, the Group has expanded the disclosures on its interests in other entities (Note 11).

- *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to PFRS 10, PFRS 11, and PFRS 12).* The amendments simplify the process of adopting PFRS 10, PFRS 11, and PFRS 12 and provide a relief from the disclosures in respect of unconsolidated structured entities. Depending on the extent of comparative information provided in the consolidated financial statements, the amendments simplify the transition and provide additional relief from the disclosures that could have been onerous. The amendments limit the restatement of comparatives to the immediately preceding period; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged. In addition, the date of initial application is now defined in PFRS 10 as the beginning of the annual reporting period in which the standard is applied for the first time. At this date, an entity tests whether there is a change in the consolidation conclusion for its investees.

  The Group has applied the transitional provision of the amendments to PFRS 10, PFRS 11 and PFRS 12.

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

The adoption of the new standard did not have a significant effect on the measurement of the Group's assets and liabilities. Additional disclosures are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

- PAS 19, *Employee Benefits* (Amended 2011). The amendments include the following requirements: (a) actuarial gains and losses are recognized immediately in other comprehensive income; this change removes the corridor method and eliminates the ability of entities to recognize all changes in the defined benefit retirement obligation and plan assets in profit or loss; and (b) interest income on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit retirement obligation.

  As a result of the adoption of the amendments to PAS 19, the Group has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit retirement plan. Actuarial gains and losses are recognized immediately in other comprehensive income and the corridor method was eliminated. Also, the interest income on plan assets recognized in profit or loss is now calculated based on the rate used to discount the defined benefit retirement obligation.

- PAS 28, *Investments in Associates and Joint Ventures* (2011), supersedes PAS 28 (2008). PAS 28 (2011) makes the following amendments: (a) PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations,* applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and (b) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or *vice versa*, the entity does not remeasure the retained interest.

  The adoption of these amendments did not have an effect on the consolidated financial statements.

- *Improvements to PFRS 2009-2011* contain amendments to 5 standards with consequential amendments to other standards and interpretations.

  - Comparative Information beyond Minimum Requirements *(Amendments to PAS 1)*. The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements. An entity must include comparative information in the related notes to the consolidated financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of consolidated financial statements. On the other hand, supporting notes for the third consolidated statement of financial position (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements) are not required.

    As a result of the adoption of the amendments to PAS 1, the Group has not included comparative information in the notes to the consolidated financial statements in respect of the opening consolidated statement of financial position as of January 1, 2012. The amendments only affect presentation and have no impact on the consolidated financial statements.

- Presentation of the Opening Statement of Financial Position and Related Notes *(Amendments to PAS 1)*. The amendments clarify that: (a) the opening consolidated statement of financial position is required only if there is: (i) a change in accounting policy; (ii) a retrospective restatement; or (iii) a reclassification which has a material effect upon the information in the consolidated statement of financial position; (b) except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors,* notes related to the opening consolidated statement of financial position are no longer required; and (c) the appropriate date for the opening consolidated statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented. This is regardless of whether an entity provides additional comparative information beyond the minimum comparative information requirements. The amendments explain that the requirements for the presentation of notes related to the additional comparative information and those related to the opening consolidated statement of financial position are different, because the underlying objectives are different.

  As a result of the adoption of the amendments to PAS 1, the Group has not included comparative information in the notes to the consolidated financial statements in respect of the opening consolidated statement of financial position as of January 1, 2012. The amendments only affect presentation and have no impact on the consolidated financial statements.

- Classification of Servicing Equipment (*Amendments to PAS 16, Property, Plant and Equipment)*. The amendments clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of property, plant and equipment in PAS 16 is now considered in determining whether these items should be accounted for under this standard. If these items do not meet the definition, then they are accounted for using PAS 2, *Inventories*.

  The adoption of these amendments did not have a significant effect on the consolidated financial statements.

- Income Tax Consequences of Distributions *(Amendments to PAS 32, Financial Instruments Presentation)*. The amendments clarify that PAS 12, *Income Taxes* applies to the accounting for income taxes relating to: (a) distributions to holders of an equity instrument; and (b) transaction costs of an equity transaction. The amendments remove the perceived inconsistency between PAS 32 and PAS 12. Before the amendments, PAS 32 indicated that distributions to holders of an equity instrument are recognized directly in equity, net of any related income tax. However, PAS 12 generally requires the tax consequences of dividends to be recognized in profit or loss. A similar consequential amendment has also been made to Philippine Interpretation IFRIC 2, *Members' Share in Co-operative Entities and Similar Instruments.*

  The adoption of these amendments did not have an effect on the consolidated financial statements.

- Segment Assets and Liabilities *(Amendments to PAS 34)*. This is amended to align the disclosure requirements for segment assets and segment liabilities in the interim consolidated financial statements with those in PFRS 8, *Operating Segments*. PAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when: (a) the amount is regularly provided to the chief operating decision maker; and (b) there has been a material change from the amount disclosed in the last annual consolidated financial statements for that reportable segment.

  The adoption of these amendments did not have an effect on the consolidated financial statements.

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

The following table summarizes the impact of the adoption of the changes in accounting policies related to the defined benefit retirement obligation and interests in joint ventures on the Group's consolidated financial position, consolidated financial performance and consolidated cash flows.

Consolidated Statements of Financial Position

	December 31, 2012				January 1, 2012			
	As Previously	Adjustments			As Previously	Adjustments		
	Reported	PAS 19	PFRS 11	As Restated	Reported	PAS 19	PFRS 11	As Restated
ASSETS								
Current Assets								
Cash and cash equivalents	P621,530	P -	(P124,027)	P497,503	P366,116	P -	(P110,867)	P255,249
Trade and other receivables - net	3,878,832	-	(54,941)	3,823,891	3,156,620	-	(161,252)	2,995,368
Inventories	6,109,316	-	(146,550)	5,962,766	6,782,788	-	(249,167)	6,533,621
Prepaid taxes and other current assets	1,335,206	-	(12,065)	1,323,141	912,541	-	(28,356)	884,185
Total Current Assets	11,944,884	-	(337,583)	11,607,301	11,218,065	-	(549,642)	10,668,423
Noncurrent Assets								
Investments in joint ventures	-	-	788,732	788,732	-	-	871,349	871,349
Property, plant and equipment - net	7,559,240	-	(673,023)	6,886,217	6,836,356	-	(744,550)	6,091,806
Investment property - net	148,926	-	-	148,926	157,998	-	-	157,998
Goodwill	226,863	-	-	226,863	-	-	-	-
Other intangible asset	56,520	-	(56,520)	-	58,834	-	(58,834)	-
Retirement assets	6,488	(6,488)	-	-	-	-	-	-
Deferred tax assets	941,679	77,125	(3,069)	1,015,735	541,055	62,232	(3,183)	600,104
Other noncurrent assets - net	922,169	-	94,401	1,016,570	737,464	-	93,051	830,515
Total Noncurrent Assets	9,861,885	70,637	150,521	10,083,043	8,331,707	62,232	157,833	8,551,772
	P21,806,769	P70,637	(P187,062)	P21,690,344	P19,549,772	P62,232	(P391,809)	P19,220,195

Forward

Consolidated Statements of Financial Position

	December 31, 2012				January 1, 2012			
	As Previously	Adjustments			As Previously	Adjustments		
	Reported	PAS 19	PFRS 11	As Restated	Reported	PAS 19	PFRS 11	As Restated
LIABILITIES AND EQUITY								
Current Liabilities								
Notes payable	P9,609,452	P -	(P177,252)	P9,432,200	P7,931,093	P -	(P246,406)	P7,684,687
Trade and other payables	3,452,442	-	(42,531)	3,409,911	2,274,044	-	(34,812)	2,239,232
Income and other taxes payable	80,105	-	(1,228)	78,877	118,484	-	(2,427)	116,057
Current maturities of long-term debt - net of debt issue costs	655,430	-	(114,144)	541,286	373,974	-	(118,403)	255,571
Total Current Liabilities	13,797,429	-	(335,155)	13,462,274	10,697,595	-	(402,048)	10,295,547
Noncurrent Liabilities								
Retirement liabilities	-	250,595	-	250,595	6,044	207,441	-	213,485
Long-term debt - net of current maturities and debt issue costs	1,440,739	-	(57,191)	1,383,548	1,416,847	-	(177,728)	1,239,119
Finance lease liabilities - net of current portion	779	-	(779)	-	-	-	-	-
Deferred tax liabilities	419	-	-	419	-	-	-	-
Other noncurrent liabilities	84,483	-	(84,483)	-	91,203	-	(91,203)	-
Total Noncurrent Liabilities	1,526,420	250,595	(142,453)	1,634,562	1,514,094	207,441	(268,931)	1,452,604
	15,323,849	250,595	(477,608)	15,096,836	12,211,689	207,441	(670,979)	11,748,151
EQUITY								
Capital stock	P399,063	P -	P -	P399,063	P399,063	P -	P -	P399,063
Additional paid-in-capital	2,539,447	-	-	2,539,447	2,526,625	-	-	2,526,625
Reserve for retirement plan	-	(130,530)	-	(130,530)	-	(105,491)	-	(105,491)
Cumulative translation adjustments	(54,721)	-	(11,102)	(65,823)	(35,936)	-	(737)	(36,673)
Retained earnings:								
Appropriated	2,500,000	-	-	2,500,000	2,500,000	-	-	2,500,000
Unappropriated	3,678,540	(49,428)	301,648	3,930,760	4,527,740	(39,718)	279,907	4,767,929
Treasury stock	(2,579,409)	-	-	(2,579,409)	(2,579,409)	-	-	(2,579,409)
Total Equity	6,482,920	(179,958)	290,546	6,593,508	7,338,083	(145,209)	279,170	7,472,044
	P21,806,769	P70,637	(P187,062)	P21,690,344	P19,549,772	P62,232	(P391,809)	P19,220,195

Consolidated Statements of Income

	For the Year Ended December 31, 2012				For the Year Ended December 31, 2011			
	As Previously	Adjustments			As Previously	Adjustments		
	Reported	PAS 19	PFRS 11	As Restated	Reported	PAS 19	PFRS 11	As Restated
SALES	P14,559,183	P -	(P556,988)	P14,002,195	P15,112,596	P -	(P623,250)	P14,489,346
COST OF SALES	(11,097,738)	-	536,581	(10,561,157)	(11,975,335)	-	585,915	(11,389,420)
GROSS PROFIT	3,461,445	-	(20,407)	3,441,038	3,137,261	-	(37,335)	3,099,926
SELLING AND MARKETING EXPENSES	(2,597,044)	-	40,666	(2,556,378)	(2,491,544)	-	74,519	(2,417,025)
GENERAL AND ADMINISTRATIVE EXPENSES	(1,526,077)	(13,871)	38,966	(1,500,982)	(1,588,139)	(5,935)	64,444	(1,529,630)
INTEREST EXPENSE	(612,050)	-	25,991	(586,059)	(446,984)	-	28,639	(418,345)
EQUITY IN NET LOSSES OF JOINT VENTURES	-	-	(53,467)	(53,467)	-	-	(46,925)	(46,925)
INTEREST INCOME	4,033	-	(722)	3,311	4,025	-	(1,042)	2,983
OTHER INCOME (CHARGES) - Net	110,912	-	(9,286)	101,626	36,060	-	(3,563)	32,497
INCOME TAX BENEFIT	(309,581)	(4,161)	-	(313,742)	(367,161)	(1,781)	-	(368,942)
NET LOSS	(P849,200)	(P9,710)	P21,741	(P837,169)	(P982,160)	(P4,154)	P78,737	(P907,577)
Basic and Diluted Loss Per Share	(P3.10)			(P3.06)	(P3.56)			(P3.30)

Consolidated Statements of Comprehensive Income

	For the Year Ended December 31, 2012				For the Year Ended December 31, 2011			
	As Previously	Adjustments			As Previously	Adjustments		
	Reported	PAS 19	PFRS 11	As Restated	Reported	PAS 19	PFRS 11	As Restated
NET LOSS	(P849,200)	(P9,710)	P21,741	(P837,169)	(P982,160)	(P4,154)	P78,737	(P907,577)
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS								
Equity reserve for retirement plan	-	(35,770)	-	(35,770)	-	(245,536)	-	(245,536)
Income tax benefit	-	(10,731)	-	(10,731)	-	(73,661)	-	(73,661)
Share in other comprehensive loss of joint ventures	-	-	(29,150)	(29,150)	-	-	(37,442)	(37,442)
	-	(25,039)	(29,150)	(54,189)	-	(171,875)	(37,442)	(209,317)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS								
Gain (loss) on exchange differences on translation of foreign operations	(18,785)	-	18,785	-	(26,497)	-	26,497	-
OTHER COMPREHENSIVE LOSS - Net of tax	(18,785)	(25,039)	(10,365)	(54,189)	(26,497)	(171,875)	(10,945)	(209,317)
TOTAL COMPREHENSIVE LOSS - Net of tax	(P867,985)	(P34,749)	P11,376	(P891,358)	(P1,008,657)	(P176,029)	P67,792	(P1,116,894)

Consolidated Statements of Cash Flows

	For the Year Ended December 31, 2012				For the Year Ended December 31, 2011			
	As Previously	Adjustments			As Previously	Adjustments		
	Reported	PAS 19	PFRS 11	As Restated	Reported	PAS 19	PFRS 11	As Restated
Net cash flows provided by (used in) operating activities	P346,681	P -	(P207,763)	P138,918	(P861,289)	P -	P4,634	(P856,655)
Net cash flows used in investing activities	(575,191)	-	(11,626)	(586,817)	(1,252,412)	-	(103,090)	(1,355,502)
Net cash flows provided by financing activities	493,454	-	202,444	695,898	2,061,712	-	67,054	2,128,766
Effect of exchange rate changes on cash and cash equivalents	(9,530)	-	3,785	(5,745)	(4,525)	-	3,365	(1,160)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	P255,414	P -	(P13,160)	P242,254	(P56,514)	P -	(P28,037)	(P84,551)

The impact of the adoption of PAS 19 and PFRS 11 for the current year is as follows: decrease in current assets by P276,165; increase in noncurrent assets by P152,835; decrease in current liabilities by P335,745; increase in noncurrent liabilities by P31,474; increase in equity by P180,942; decrease in net loss by P25,641 and increase in other comprehensive income by P42,940.

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

A number of new or revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing the consolidated financial statements. Except as otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements.

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

- Recoverable Amount Disclosures for Non-financial Assets (*Amendments to PAS 36, Impairment of Assets*). The amendments clarify that the recoverable amount disclosure only applies to impaired assets (or cash-generating unit) and require additional disclosures to be made on fair value measurement on impaired assets when the recoverable amount is based on fair value less costs of disposal. The amendments harmonize the disclosure requirement for fair value less costs of disposal and value in use when present value techniques are used to measure the recoverable amount of impaired assets. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group does not plan to adopt these amendments early.

- Offsetting Financial Assets and Financial Liabilities *(Amendments to PAS 32)*. The amendments clarify that: (a) an entity currently has a legally enforceable right to set-off if that right is: (i) not contingent on a future event; and (ii) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and (b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that: (i) eliminate or result in insignificant credit and liquidity risk; and (ii) process receivables and payables in a single settlement process or cycle. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group does not plan to adopt these amendments early.

- Defined Benefit Plans: Employee Contributions (*Amendments to PAS 19*). The amendments apply to contributions from employees or third parties to the defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service (i.e., employee contributions that are calculated according to a fixed percentage of salary). The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after July 1, 2014. Earlier application is permitted. The Group does not plan to adopt these amendments early.

- PFRS 9, *Financial Instruments (2009, 2010 and 2013)*. PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities. PFRS 9 (2013) introduces the following amendments: (a) a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the consolidated financial statements; (b) changes to address the so-called 'own credit' issue that were already included in PFRS 9 to be applied in isolation without the need to change any other accounting for financial instruments; and (c) removes the January 1, 2015 mandatory effective date of PFRS 9, to provide sufficient time for the companies to make the transition to the new requirements. The IASB is currently discussing some limited amendments to the classification and measurement requirements and the expected credit loss impairment model to be included. Once the deliberations are complete, the IASB expects to publish a final version of the standard that will include all of the phases: (a) Classification and Measurement, (b) Impairment, and (c) Hedge Accounting. That version of the standard will include a new mandatory effective date. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets but will potentially have no impact on the classification and measurement of financial liabilities. The Group does not plan to adopt this standard early.

Financial Assets and Financial Liabilities

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

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

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

'Day 1' Profit. Where the transaction price in a non-active market is different from the fair value of 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 the fair value (a 'Day 1' profit) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

Financial Assets

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

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

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis;

- the assets are part of a group of financial assets which are managed and their performances are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recognized.

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

The Group's derivative assets are classified under this category.

The carrying amounts of financial assets under this category amounted to P768 and P1,288 as of December 31, 2013 and 2012, respectively (Notes 10 and 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 is recognized as part of "Interest income" account in the consolidated statements of income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" account in the consolidated statements of income. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

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 are subject to an insignificant risk of changes in value.

The Group's cash and cash equivalents, trade and other receivables and noncurrent receivables and deposits are included under this category.

The combined carrying amounts of financial assets under this category amounted to P4,790,696 and P4,725,776 as of December 31, 2013 and 2012, respectively (Notes 7, 8, 14 and 34).

HTM Investments. HTM investments are 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 is recognized as part of "Interest income" account in the consolidated statements of income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" account in the consolidated statements of income. Gains or losses are recognized in profit or loss when the HTM investments are derecognized or impaired.

The Group has no investments accounted for under this category as of December 31, 2013 and 2012.

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" account in the consolidated statements of changes in equity. The effective yield component of AFS debt securities is reported as part of "Interest income" account in the consolidated statements of income. Dividends earned on holding AFS equity securities are recognized as dividend income when the right to receive the 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.

The Group has no financial assets accounted for under this category as of December 31, 2013 and 2012.

Financial Liabilities

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

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

The Group's derivative liabilities are classified under this category.

The carrying amounts of financial liabilities under this category amounted to P1,027 and P413 as of December 31, 2013 and 2012, respectively (Notes 16 and 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.

The Group's liabilities arising from its trade or borrowings such as notes payable, trade and other payables and long-term debt are included under this category.

The combined carrying amounts of financial liabilities under this category amounted to P13,928,567 and P14,761,738 as of December 31, 2013 and 2012, respectively (Notes 15, 16, 17 and 34).

Derivative Financial Instrument and Hedging

Embedded Derivatives
The Group assesses whether embedded derivatives are required to be separated from the 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 as 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 primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; 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 or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. 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 the reporting date, whether there is objective evidence that 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 financial assets carried at amortized cost such as loans and receivables, the Group first assesses whether 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 with similar 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 the 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.

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.

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.

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 condition 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 necessary to make the sale.

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

Any write-down of inventories to net realizable value and all losses of inventories are recognized as expense in the year of write-down or loss occurrence. The amount of reversals, if any, of write-down of inventories arising from an increase in net realizable value are recognized as reduction in the amount of inventories recognized as expense in the year in which the reversal occurs.

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 years. Amortization of deferred containers is included under "General and administrative expenses" account in the consolidated statements of income.

Business Combination

Business combinations are accounted for using the acquisition method as at the acquisition date. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of "General and administrative expenses" account in the consolidated statements of income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair values and any resulting gain or loss is recognized in profit or loss.

The Group measures goodwill at the acquisition date as: (a) the fair value of the consideration transferred; plus (b) the recognized amount of any non-controlling interests in the acquiree; plus (c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less (d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

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

- *Goodwill in a Business Combination*
  Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

  - represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

  - is not larger than an operating segment determined in accordance with PFRS 8.

  Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

Transactions under Common Control

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

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

Investments in Joint Ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining joint control is similar to those necessary to determine control over subsidiaries.

The Group's investments in joint ventures are accounted for using the equity method.

Under the equity method, the investment in joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize the changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Group's share in profit or loss of joint venture is recognized as "Equity in net losses of joint ventures" account in the consolidated statements of income. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the joint venture arising from changes in the joint venture's other comprehensive income. The Group's share of those changes is recognized as "Share in other comprehensive income (loss) of joint ventures" account in the consolidated statements of comprehensive income. Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint ventures, the Group does not recognize further losses, unless it has incurred obligation or made payments on behalf of the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss with respect to the Group's net investment in the joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group recalculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value. Such impairment loss is recognized as part of "Equity in net losses of joint ventures" account in the consolidated statements of income.

Upon loss of joint control over the joint venture, the Group measures and recognizes any retained investment at fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Property, Plant and Equipment

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

The initial cost of property, plant and equipment comprises of its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation (ARO). 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 (CIP) 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. CIP is not depreciated until such time that the relevant assets are ready for use.

Depreciation and amortization, which commences when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Land improvements	5 - 10
Buildings and building improvements	20 - 50
Transportation equipment	5
Machinery and equipment	3 - 40
Furniture, fixtures and office equipment	2 - 5
Other equipment	2 - 5
Leasehold improvements	10 - 30 or term of the lease, whichever is shorter

The remaining useful lives, residual values, and depreciation and amortization methods are reviewed and adjusted periodically, if appropriate, to ensure that such periods and methods 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.

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 from 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 and disposal.

Investment Property

Investment property consists of property held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property, except for land, is 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, which commences when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Land improvements	5 - 10
Buildings and building improvements	20 - 50
Machinery and equipment	3 - 40
Other equipment	2 - 5

The useful lives, residual values and depreciation and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

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 and 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 sell.

For a transfer from investment property to owner-occupied property 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.

Impairment of Non-financial Assets

The carrying amounts of property, plant and equipment, investment property, deferred containers and idle assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses 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.

Fair Value Measurements

The Group measures a number of financial and non-financial assets and liabilities at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For purposes of the fair value disclosure, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where 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 Company's option, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Company.

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, reissuance or cancellation of the 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 revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from Sale of Goods

Revenue from 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.

Revenue from Services

Revenue is recognized upon satisfactory performance of services which is manufacturing and bottling of nonalcoholic beverages in favor of the customer where such production inputs are in the name of the customer.

Others

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

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

Rent income from investment property is recognized on a straight-line basis over the term of the lease.

Cost and Expense Recognition

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

Expenses are also recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition as an asset.

Share-based Payment Transactions

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 expenses recognized for share-based payment transactions at each reporting date until the vesting date reflect the extent to which the vesting period has expired and the 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 an extension is 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), and at the date of renewal or extension period for scenario (b) above.

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.

Research Costs

Research costs are expensed as incurred.

Retirement Costs

The Company and DBI have separate funded, noncontributory retirement plans, administered by the respective trustees, covering their respective permanent employees. The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

The net defined benefit retirement obligation or asset is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of economic benefits available in the form of reductions in future contributions to the plan.

Defined benefit costs comprise of the following:

- Service costs
- Net interest on the net defined benefit retirement obligation or asset
- Remeasurements of net defined benefit retirement obligation or asset

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

Net interest on the net defined benefit retirement obligation or asset is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the net defined benefit retirement obligation or asset. Net interest on the net defined benefit retirement obligation or asset is recognized as expense or income in profit or loss.

Remeasurements of net defined benefit retirement obligation or asset comprising actuarial gains and losses, return on plan assets, and the effect of the asset ceiling (excluding net interest) are recognized immediately in other comprehensive income in the period in which they arise.

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit retirement plan when the settlement occurs.

Foreign Currency

Foreign Currency Translations

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

Nonmonetary assets and nonmonetary liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Nonmonetary items in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of AFS financial assets, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognized in other comprehensive income.

Foreign Operations

The assets and liabilities of foreign operations 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 average exchange rates for the period.

Foreign currency differences are recognized in other comprehensive income and presented in the "Cumulative translation adjustments" account in the consolidated statements of changes in equity. When a foreign operation is disposed of such that control or joint control is lost, the cumulative amount in the cumulative translation adjustments 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 investment in joint venture that includes a foreign operation while retaining 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 to occur 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 "Cumulative translation adjustments" account in the consolidated statements of changes in equity.

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 the reporting date.

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

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

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

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid taxes and other current assets" or "Income and other taxes payable" accounts in the consolidated statements of financial position.

Related Parties

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

Basic and Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the 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 and executives under the ESPP of the Company, which are assumed to be exercised at the date of grant.

Where the effect of the assumed conversion of shares issuable to employees and executives under the stock purchase plan of the Company 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 6 to the consolidated financial statements. The President (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 the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

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 in the notes to the consolidated financial statements 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 financial position at the 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 consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

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

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

Rent income recognized in the consolidated statements of income amounted to P7,500 in 2011 (Note 28).

Rent expense recognized in the consolidated statements of income amounted to P166,032, P233,768 and P286,967 in 2013, 2012 and 2011, respectively (Notes 20, 21, 22 and 28).

Classification of Joint Arrangements
The Group has determined that it has rights only to the net assets of TSML and TGT based on the structure, legal form, contractual terms and other facts and circumstances of the arrangement. As such, the Group classified its joint arrangements as joint ventures (Note 11).

Distinguishing between Property, Plant and Equipment and Investment Property
The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied property generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

Some property comprises a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production and supply of goods and services or for administrative purposes. If these portions can be sold separately (or lease out separately under finance lease), the Group accounts for the portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

As a result of the change in use of investment property, from being held to earn rental to owner-occupied, the investment property was transferred to property, plant and equipment in 2013.

Contingencies. The Group is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and lawsuits 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 pending claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the 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 and Assumptions

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.

Fair Value Measurements. A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Note 34.

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 the recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies. An increase in the allowance for impairment losses would increase the recorded selling and marketing expenses and decrease current assets.

The allowance for impairment losses on trade and other receivables amounted to P108,194 as of December 31, 2013 and 2012.

The carrying amounts of trade and other receivables amounted to P3,770,087 and P3,823,891 as of December 31, 2013 and 2012, respectively (Note 8).

Write-down of Inventory. The Group writes-down inventory 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 the reporting date to the extent that such events confirm conditions existing at the reporting date.

The write-down of inventories amounted to P69,904 as of December 31, 2013 and 2012.

The carrying amounts of inventories amounted to P3,864,413 and P5,962,766 as of December 31, 2013 and 2012, respectively (Note 9).

Estimated Useful Lives of Property, Plant and Equipment, Investment Property and Deferred Containers. The Group estimates the useful lives of property, plant and equipment, investment property and deferred containers based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, investment property and deferred containers 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 property, plant and equipment, investment property and deferred containers 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 property, plant and equipment, investment property and deferred containers would increase the recorded cost of sales, selling and marketing expenses, general and administrative expenses and decrease noncurrent assets.

Property, plant and equipment, net of accumulated depreciation and amortization amounted to P7,109,689 and P7,155,817 as of December 31, 2013 and 2012, respectively. Accumulated depreciation and amortization of property, plant and equipment amounted to P6,645,143 and P5,391,707 as of December 31, 2013 and 2012, respectively (Note 12).

Investment property, net of accumulated depreciation and amortization amounted to P148,926 as of December 31, 2012. Accumulated depreciation and amortization of investment property amounted to P659,755 as of December 31, 2012 (Note 13).

Deferred containers, net of accumulated amortization, included as part of "Other noncurrent assets" account in the consolidated statements of financial position amounted to P434,132 and P487,792 as of December 31, 2013 and 2012, respectively (Note 14).

Impairment of Goodwill with Indefinite Useful Life. The Group determines whether goodwill is impaired at least annually. This requires the estimation of value in use of the cash-generating units to which the goodwill is allocated. Estimating 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.

The carrying amount of goodwill amounted to P226,863 as of December 31, 2013 and 2012 (Note 5).

Acquisition Accounting. The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions especially concerning the determination of the fair values of acquired intangible assets and property, plant and equipment, as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible asset and property, plant and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date. The Group's acquisitions have resulted in goodwill.

The carrying amount of goodwill arising from business combinations in 2012 amounted to P226,863 (Note 5).

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 P1,510,886 and P1,015,735 as of December 31, 2013 and 2012, respectively (Note 18).

Impairment of Non-financial Assets. PFRS requires that an impairment review be performed on property, plant and equipment, investment property, deferred containers and idle assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these 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.

Accumulated impairment losses on property, plant and equipment amounted to P307,600 and P269,600 as of December 31, 2013 and 2012, respectively (Note 12).

The combined carrying amounts of property, plant and equipment, investment property, deferred containers and idle assets amounted to P7,247,773 and P7,535,727 as of December 31, 2013 and 2012, respectively (Notes 12, 13 and 14).

Present Value of Defined Benefit Retirement Obligation. The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 29 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. 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 retirement 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 retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

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

The present value of defined benefit retirement obligation amounted to P844,432 and P876,300 as of December 31, 2013 and 2012, respectively (Note 29).

Asset Retirement Obligation. Determining the ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Group determined that there are no significant ARO as of December 31, 2013 and 2012. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in future periods.

5. Acquisition of a Subsidiary

On January 27, 2012, GSMI acquired 100% of the outstanding capital stock of EPSBPI for P200,000. EPSBPI is a company primarily engaged in the manufacturing and bottling of alcoholic and nonalcoholic beverages.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	2012
Assets	
Cash and cash equivalents	P57,328
Trade and other receivables - net	18,141
Inventories	4,324
Prepaid taxes and other current assets	23,723
Property, plant and equipment - net	1,062,986
Other noncurrent assets	96,640
Liabilities	
Trade and other payables	489,376
Long-term debt	800,000
Deferred tax liabilities	629
Total Identifiable Net Liabilities at Fair Value	P26,863

The fair value of the trade and other receivables amounts to P18,141. None of the receivables has been impaired and it is expected that the full amount can be collected.

Goodwill was recognized as a result of the acquisition as follows:

	2012
Total consideration transferred	P200,000
Total identifiable net liabilities at fair value	26,863
Goodwill	P226,863

Goodwill arising from the acquisition is attributable to the benefit of expected synergies with the Group's beverage business, revenue growth, and future development specifically on tolling services with third parties.

The recoverable amount of goodwill has been determined based on a valuation using cash flow projections covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit. This growth rate is consistent with the long-term average growth rate for the industry. The discount rate applied to after tax cash flow projections is 12% in 2013 and 2012. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium.

No impairment loss was recognized in 2013 and 2012.

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

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

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

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

- *Raw Material Price Inflation*. Consumer price forecast is obtained from indices during the budget period from which raw materials are purchased. Values assigned to key assumptions are consistent with external sources of information.

6. Segment Information

Operating Segments

The reporting format of the Group's operating segments is determined based on 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 (NAB).

The alcoholic segment produces and markets alcoholic beverages.

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

For each of the operating segments, the chief operating decision maker reviews internal management reports on at least monthly basis.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist primarily of operating cash, receivables, inventories and property, plant and equipment, net of allowances and impairment. Segment liabilities include all operating liabilities and consist primarily of trade and other payables and income and other taxes payable. Segment assets and liabilities do not include deferred taxes.

Major Customer

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

Financial information about operating segments follows:

	For the Years Ended December 31, 2013, 2012 and 2011								
	Alcoholic			Nonalcoholic			Total		
	2013	2012*	2011*	**2013**	2012	2011	**2013**	2012*	2011*
Sales	**P13,637,680**	P13,339,987	P13,847,649	**P761,396**	P662,208	P641,697	**P14,399,076**	P14,002,195	P14,489,346
Result									
Segment result	**(P667,070)**	(P444,133)	(P635,839)	**(P158,957)**	(P172,189)	(P210,890)	**(P826,027)**	(P616,322)	(P846,729)
Interest expense							**(651,241)**	(586,059)	(418,345)
Interest income							**4,289**	3,311	2,983
Equity in net losses of joint ventures							**(74,763)**	(53,467)	(46,925)
Other income - net							**42,403**	101,626	32,497
Income tax benefit							**(404,144)**	(313,742)	(368,942)
Net Loss							**(P1,101,195)**	(P837,169)	(P907,577)
Other Information									
Segment assets	**P14,844,594**	P17,284,922	P16,130,210	**P1,548,076**	P1,357,522	P788,017	**P16,392,670**	P18,642,444	P16,918,227
Investments in joint ventures							**720,189**	788,732	871,349
Goodwill							**226,863**	226,863	-
Other noncurrent assets - net							**1,018,348**	1,016,570	830,515
Deferred tax assets							**1,510,886**	1,015,735	600,104
Consolidated Total Assets							**P19,868,956**	P21,690,344	P19,220,195
Segment liabilities	**P2,575,596**	P3,545,707	P2,344,040	**P151,674**	P114,799	P108,677	**P2,727,270**	P3,660,506	P2,452,717
Notes payable							**9,980,800**	9,432,200	7,684,687
Long-term debt - net of debt issue costs							**1,383,548**	1,924,834	1,494,690
Deferred tax liabilities							**210**	419	-
Income and other taxes payable							**234,763**	78,877	116,057
Consolidated Total Liabilities							**P14,326,591**	P15,096,836	P11,748,151
Capital expenditures	**P170,695**	P239,222	P1,180,687	**P86,213**	P69,248	P98	**P256,908**	P308,470	P1,180,785
Depreciation, amortization and impairment							**742,214**	653,790	461,395
Noncash items other than depreciation							**(7,980)**	(1,785)	(1,873)

** As restated (Note 3).*

7. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	2013	2012*
Cash in banks and on hand		**P472,949**	P430,555
Short-term investments		**40,363**	66,948
	33, 34	**P513,312**	P497,503

** As restated (Note 3).*

Cash in banks earns interest at the respective bank deposit rates. Short-term investments include demand deposits which can be withdrawn at anytime depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates.

8. Trade and Other Receivables

Trade and other receivables consist of:

	Note	2013	2012*
Trade		**P3,177,490**	P3,226,153
Non-trade	*32*	**458,718**	468,669
Amounts owed by related parties	*27, 29*	**242,073**	237,263
		3,878,281	3,932,085
Less allowance for impairment losses		**(108,194)**	(108,194)
	33, 34	**P3,770,087**	P3,823,891

** As restated (Note 3).*

Trade receivables are non-interest bearing and are generally on a 60 to 90-day term.

Non-trade receivables consist of advances to supplier amounting to P458 as of December 31, 2013, subscription receivables amounting to P105,195 and P138,280 as of December 31, 2013 and 2012, respectively, receivable from employees amounting to P20,778 and P24,478 as of December 31, 2013 and 2012, respectively and miscellaneous receivables amounting to P332,287 and P305,911 as of December 31, 2013 and 2012, respectively. These are generally collectible on demand.

The aging of receivables is as follows:

December 31, 2013	**Trade**	**Non-trade**	**Amounts Owed by Related Parties**	**Total**
Current	**P1,865,949**	**P55,615**	**P51,156**	**P1,972,720**
Past due:				
Less than 30 days	**669,900**	**6,864**	**75,811**	**752,575**
30 - 60 days	**138,259**	**7,907**	**34,022**	**180,188**
61 - 90 days	**38,966**	**33,848**	**1,433**	**74,247**
Over 90 days	**464,416**	**354,484**	**79,651**	**898,551**
	P3,177,490	**P458,718**	**P242,073**	**P3,878,281**

December 31, 2012*	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P1,921,301	P46,908	P41,172	P2,009,381
Past due:				
Less than 30 days	457,651	60,319	3,336	521,306
30 - 60 days	233,096	6,434	11,676	251,206
61 - 90 days	84,289	4,425	33,474	122,188
Over 90 days	529,816	350,583	147,605	1,028,004
	P3,226,153	P468,669	P237,263	P3,932,085

** As restated (Note 3).*

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

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible based on historical payment behavior and analyses of the underlying customer credit ratings. There are no significant changes in their credit quality.

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 P3,751 and P4,280 as of December 31, 2013 and 2012, respectively, is included in trade receivables from terminated dealers under the "Other noncurrent assets" account in the consolidated statements of financial position (Note 14).

9. Inventories

Inventories consist of:

	2013	2012*
Finished goods	**P1,072,365**	P1,947,133
Materials and supplies	**2,591,354**	3,882,336
Containers	**200,694**	133,297
	P3,864,413	P5,962,766

** As restated (Note 3).*

The cost of finished goods and materials and supplies amounted to P3,733,623 and P5,899,373 as of December 31, 2013 and 2012, respectively.

Containers at deposit value amounted to P200,694 and P133,297 as of December 31, 2013 and 2012, respectively.

The accumulated value of inventory write-down amounted to P69,904 as of December 31, 2013 and 2012.

10. Prepaid Taxes and Other Current Assets

Prepaid taxes and other current assets consist of:

	Note	2013	2012*
Prepaid taxes		**P1,390,863**	P1,186,784
Derivative assets	*33, 34*	**768**	1,288
Others		**51,138**	135,069
		P1,442,769	P1,323,141

** As restated (Note 3).*

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

11. Investments in Joint Ventures

a. TSML

GSMI, through GSMIL, has an existing joint venture with Thai Life Group of Companies (Thai Life) covering the ownership and operations of TSML. TSML is a limited company organized under the laws of Thailand in which GSMIL owns 40% ownership interest. 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.

Through the acquisition by SHL of the 49% ownership interest in Siam Wine Liquor Co., Ltd. (SWL) and SWL's acquisition of shares representing 10% ownership of the outstanding capital stock of TSML, the Group's share in TSML increased from 40% to 44.9%. The acquisition was funded through advances made by GSMI to GBHL, which has an existing loan agreement with SWL for the same amount.

Summarized financial information of TSML, as included in its own financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	2013	2012	2011
Current assets (including cash and cash equivalents - 2013: P141,673, 2012: P237,556 and 2011: P173,680)	**P1,319,308**	P1,372,279	P1,826,896
Noncurrent assets	**1,612,052**	1,636,099	1,797,924
Current liabilities (including current financial liabilities excluding trade and other payables and provisions - 2013: P660,479, 2012: P648,988 and 2011: P812,492)	**718,254**	719,787	870,478
Noncurrent liabilities (including noncurrent financial liabilities excluding trade and other payables and provisions - 2013: P607,815, 2012: P530,213 and 2011: P813,699)	**609,122**	531,949	813,699
Net assets	**1,603,984**	1,756,642	1,940,643
Percentage of ownership	**44.9%**	44.9%	44.9%
Carrying amount of investment in joint venture	**P720,189**	P788,732	P871,349

	2013	2012	2011
Sales	**P1,124,174**	P1,220,334	P1,411,044
Cost of sales (including depreciation - 2013: P115,788, 2012: P114,036 and 2011: P119,237)	**1,171,279**	1,192,124	1,337,058
Operating expenses (including depreciation - 2013: P4,783, 2012: P5,053 and 2011: P5,640)	**101,628**	91,216	125,428
Other charges (including interest expense - 2013: P47,492, 2012: P57,883 and 2011: P61,823)	**17,777**	56,074	53,068
Net loss	**(166,510)**	(119,080)	(104,510)
Percentage of ownership	**44.9%**	44.9%	44.9%
Share in net loss	**(74,763)**	(53,467)	(46,925)
Share in other comprehensive income (loss)	**6,219**	(29,150)	(37,442)
Total comprehensive loss	**(P68,544)**	(P82,617)	(P84,367)

b. TGT

GSMI, through GSMIHL, also has an existing 40% ownership interest in TGT, which was formed as another joint venture with Thai Life. TGT functions as the selling and distribution arm of TSML.

Through the acquisition of SWL of the 10% ownership interest in TGT, GSMI group's share in TGT increased from 40% to 44.9%. The acquisition was funded through advances made by GSMI to GBHL which has an existing loan agreement with SWL for the same amount.

Summarized financial information of TGT, as included in its own financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	2013	2012	2011
Current assets (including cash and cash equivalents - 2013: P61,904, 2012: P38,674 and 2011: P73,239)	**P105,156**	P97,639	P152,874
Noncurrent assets	**5,781**	179	6,068
Current liabilities	**838,907**	744,726	780,575
Noncurrent liabilities (including noncurrent financial liabilities excluding trade and other payables and provisions - 2013: P219, 2012: P188 and 2011: P125)	**219**	188	125
Net liabilities	**(728,189)**	(647,096)	(621,758)
Percentage of ownership	**44.9%**	44.9%	44.9%
Carrying amount of investment in joint venture	**(P326,957)**	(P290,546)	(P279,169)
Sales	**P268,140**	P252,220	P381,699
Cost of sales	**237,871**	234,978	372,533
Operating expenses (including depreciation - 2013: P229, 2012: P1,320 and 2011: P19,027)	**110,610**	86,139	184,067
Other income (charges) (including interest expense - 2012: P5 and 2011: P1,012)	**1,223**	20,475	(459)
Net loss	**(79,118)**	(48,422)	(175,360)
Percentage of ownership	**44.9%**	44.9%	44.9%
Share in net loss	**(35,524)**	(21,741)	(78,737)
Share in other comprehensive income (loss)	**887**	(10,365)	(10,944)
Total comprehensive loss	**(P34,637)**	(P32,106)	(P89,681)

The Group discontinued recognizing its share in the net liabilities of TGT since the cumulative losses including the share in other comprehensive loss already exceed the cost of investment. If TGT reports profits subsequently, the Group resumes recognizing its share of those profits after its share of the profits equals the share of net losses not recognized. As of December 31, 2013, 2012 and 2011, unrecognized share in net liabilities amounted to P326,957, P290,546 and P279,169.

12. Property, Plant and Equipment

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

	Land and Land Improvements	Buildings and Building Improvements	Transportation Equipment	Machinery and Equipment	Furniture, Fixtures and Office Equipment	Other Equipment	Leasehold Improvements	Construction in Progress	Total
Cost									
January 1, 2012*	P716,827	P1,333,745	P232,513	P7,930,435	P108,417	P689,175	P16,420	P230,949	P11,258,481
Additions	-	-	-	-	-	-	-	308,470	308,470
Disposals/reclassifications/ acquisition of a subsidiary	(8,758)	423,222	8,774	621,650	2,914	15,995	122,264	(205,488)	980,573
December 31, 2012 *	708,069	1,756,967	241,287	8,552,085	111,331	705,170	138,684	333,931	12,547,524
Additions	-	-	-	-	-	-	-	256,908	256,908
Disposals/reclassifications	19,623	753,718	7,238	130,146	15,961	81,020	2,705	(60,011)	950,400
December 31, 2013	**727,692**	**2,510,685**	**248,525**	**8,682,231**	**127,292**	**786,190**	**141,389**	**530,828**	**13,754,832**
Accumulated Depreciation and Amortization									
January 1, 2012*	148,251	514,433	124,850	3,512,940	65,536	525,295	5,770	-	4,897,075
Additions	4,521	50,719	29,556	445,223	19,736	41,047	5,935	-	596,737
Disposals/reclassifications/ acquisition of a subsidiary	(2,643)	147,750	(2,899)	(231,890)	(2,926)	(9,497)	-	-	(102,105)
December 31, 2012*	150,129	712,902	151,507	3,726,273	82,346	556,845	11,705	-	5,391,707
Additions	5,306	53,195	33,302	449,370	15,574	60,839	7,224	-	624,810
Disposals/reclassifications	17,649	75,073	(10,190)	560,086	815	(14,465)	(342)	-	628,626
December 31, 2013	**173,084**	**841,170**	**174,619**	**4,735,729**	**98,735**	**603,219**	**18,587**	-	**6,645,143**
Accumulated Impairment Losses									
December 31, 2011 and 2012	-	-	-	269,600	-	-	-	-	269,600
Additions	-	-	-	38,000	-	-	-	-	38,000
December 31, 2013	-	-	-	**307,600**	-	-	-	-	**307,600**
Carrying Amount									
December 31, 2012*	P557,940	P1,044,065	P89,780	P4,556,212	P28,985	P148,325	P126,979	P333,931	P6,886,217
December 31, 2013	**P554,608**	**P1,669,515**	**P73,906**	**P3,638,902**	**P28,557**	**P182,971**	**P122,802**	**P530,828**	**P6,802,089**

**As restated (Note 3).*

Additions in 2013 amounting to P256,908 pertain to the new blending and packaging facility in Mandaue, acquisitions of NAB crates and software upgrade.

Additions in 2012 amounting to P308,470 pertain to acquisitions of NAB electric coolers and crates.

Property, plant and equipment include unutilized machinery and equipment consisting of distillation equipment of the Company stored in DBI plant. Impairment loss amounting to P38,000 was provided for these unutilized machinery and equipment in 2013. The carrying amounts of unutilized machinery and equipment, net of accumulated impairment losses of P307,600 in 2013 and P269,600 in 2012, amounted to P145,565 and P193,227 as of December 31, 2013 and 2012, respectively.

Depreciation, amortization and impairment loss recognized in profit or loss amounted to P662,810, P596,737 and P417,329 in 2013, 2012 and 2011, respectively (Note 23). These amounts include annual amortizations of capitalized interest amounting to P11,637, P11,034 and P9,658 in 2013, 2012 and 2011, respectively.

Interest amounting to P2,042, P9,038 and P20,637 were capitalized to machinery and equipment in 2013, 2012 and 2011, respectively (Note 25). The capitalization rate used to determine the amount of interest eligible for capitalization was 5.69% in 2013, 5.65% in 2012 and 4.97% in 2011. As of December 31, 2013 and 2012, the unamortized capitalized borrowing costs amounted to P73,467 and P83,760, respectively.

13. Investment Property

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 property are as follows:

	Land and Land Improvements	Buildings and Building Improvements	Machinery and Equipment	Other Equipment	Total
Cost					
December 31, 2011 and 2012	P49,297	P116,300	P633,837	P9,247	P808,681
Reclassifications	(49,297)	(116,300)	(633,837)	(9,247)	(808,681)
December 31, 2013	-	-	-	-	-
Accumulated Depreciation and Amortization					
January 1, 2012	17,558	71,008	552,870	9,247	650,683
Additions	31	3,118	5,923	-	9,072
December 31, 2012	17,589	74,126	558,793	9,247	659,755
Additions	65	2,892	5,895	-	8,852
Reclassifications	(17,654)	(77,018)	(564,688)	(9,247)	(668,607)
December 31, 2013	-	-	-	-	-
Carrying Amount					
December 31, 2012	P31,708	P42,174	P75,044	P -	P148,926
December 31, 2013	P -	P -	P -	P -	P -

In December 2013, the Company's bottling plant had been transferred from investment property to property, plant and equipment since the property was no longer held to earn rentals and the Company is not actively searching for any lessee. Further, the bottling plant is currently used by the Company as a warehouse.

No impairment loss was recognized in 2012 and 2011.

There are no other direct general and administrative expenses other than depreciation and amortization and real property taxes arising from investment property that generated income in 2012 and 2011.

The fair value of investment property was determined by external, independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraisers provide the fair value of the Group's investment property annually.

Valuation Technique and Significant Unobservable Inputs

The valuation of investment property applied one or more or a combination of the two approaches below:

Cost Approach. This approach is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the cost of an equally desirable alternative. The methodology of this approach is a set of procedures that estimate the current reproduction cost of the improvements, deducts accrued depreciation from all sources, and adds the value of investment property.

Sales Comparison Approach. The market value was determined using the Sales Comparison Approach. The comparative approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The estimated value is established by process involving comparison. The property being valued is then compared with sales of similar property that have been transacted in the market. Listings and offerings may also be considered. The observable inputs to determine the market value of the property are the following: location characteristics, size, time element, quality and prospective use, bargaining allowance and marketability.

The fair value of investment property amounting to P235,100 as of December 31, 2012, has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

14. Other Noncurrent Assets

Other noncurrent assets consist of:

	Note	**2013**	2012*
Deferred containers - net		**P434,132**	P487,792
Trade receivables referred to legal counsel	*33, 34*	**32,707**	33,022
Trade receivables from terminated dealers - net of current portion	*8, 33, 34*	**3,751**	4,280
Advances	*33, 34*	**122,915**	122,915
Deposits and others	*27, 33, 34*	**424,843**	368,561
		P1,018,348	P1,016,570

**As restated (Note 3).*

Advances represent outstanding amounts granted to external suppliers.

Deposits and others include: (a) idle assets with carrying amount of P11,552 and P12,792 as of December 31, 2013 and 2012, respectively; (b) input taxes on the acquisition of capitalizable assets amounting to P65,367 and P111,604 as of December 31, 2013 and 2012, respectively; (c) advances by the Company to TSML amounting to P316,778 and P214,870 as of December 31, 2013 and 2012, respectively (Note 27) and (d) security deposits of EPSBPI to related parties on lease of land amounting to P485 as of December 31, 2013.

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 1.25% to 5.75% and 3.40% to 5.75% in 2013 and 2012, respectively.

Interest expense on notes payable amounted to P556,641, P457,447 and P314,581 in 2013, 2012 and 2011, respectively (Note 25).

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

16. Trade and Other Payables

Trade and other payables consist of:

	Note	**2013**	2012*
Trade		**P1,751,254**	P2,245,537
Amounts owed to related parties	*27*	**818,298**	1,163,961
Derivative liabilities	*33, 34*	**1,027**	413
		P2,570,579	P3,409,911

**As restated (Note 3).*

Trade payables are non-interest bearing and are generally on a 30-day term.

17. Long-term Debt

Long-term debt consists of:

	2013	2012*
Fixed interest rate of 7.89% and 7.25% maturing in 2015 (a)	**P812,119**	P1,239,119
Floating interest rate based on PDST-F plus margin or BSP overnight rate, whichever is higher, with maturities up to 2018 (b)	**571,429**	685,715
	1,383,548	1,924,834
Less current maturities	**541,286**	541,286
	P842,262	P1,383,548

**As restated (Note 3).*

a. On May 25, 2010, the Company entered into unsecured long-term, interest bearing loans from a local bank amounting to P1,500,000 for the purpose of funding its permanent working capital requirements. On May 31 and August 25, 2010, P300,000 and P1,200,000, respectively, were drawn down from the said credit facility. The loans are payable in equal semi-annual installments which commenced in 2012.

b. GSMI, through EPSBPI, has an unsecured, long-term interest bearing loan with the Development Bank of the Philippines amounting to P800,000. The proceeds of the loan was used to finance the construction of the bottling facilities in Ligao, Albay and Cauayan, Isabela.

   The loan is payable up to nine years from and after the initial date of borrowing, but in no case later than September 30, 2018 (expiry date of memorandum of agreement), inclusive of a grace period of two years on principal repayment. The loan is payable in equal quarterly installments on the Principal Repayment Dates which commenced on February 18, 2012.

   EPSBPI agrees to pay interest on the outstanding principal amount of borrowings on each interest payment date ending per annum equivalent to the higher of benchmark rate plus a spread one percent or the overnight rate. Benchmark rate is the three-month PDST-F rate as displayed in the Philippine Dealing and Exchange Corporation page on the first day of each interest period. While overnight rate means the Bangko Sentral ng Pilipinas overnight reverse repo rate on interest rate settling date.

The movements in debt issue costs are as follows:

	2013	2012*
Balance at beginning of year	**P3,737**	P5,308
Amortization	**(1,571)**	(1,571)
Balance at end of year	**P2,166**	P3,737

**As restated (Note 3).*

Repayment Schedule

As of December 31, 2013, the annual maturities of this long-term debt are as follows:

Year	Gross Amount	Debt Issue Costs	Net
2014	P542,857	P1,571	P541,286
2015	500,000	595	499,405
2016	114,286	-	114,286
2017	114,286	-	114,286
2018	114,285	-	114,285
	P1,385,714	**P2,166**	**P1,383,548**

Contractual terms of the Group's interest-bearing loans and exposure to interest rate and liquidity risks are discussed in Note 33.

18. Income Taxes

Deferred tax assets and liabilities arise from the following:

	2013	2012*
Items recognized in profit or loss		
NOLCO	**P1,116,381**	P674,974
MCIT	**185,788**	127,885
Impairment losses on non-operating machinery and equipment	**94,848**	83,448
Allowance for impairment losses on trade and other receivables	**52,237**	52,237
Allowance for write-down of inventories	**20,971**	20,971
Past service costs	**17,799**	6,551
Net defined benefit retirement obligation	**9,848**	19,237
Derivative liabilities - net	**78**	-
Derivative assets - net	**-**	(262)
Unrealized foreign exchange gain - net	**(2,393)**	(539)
Unamortized capitalized borrowing costs	**(22,040)**	(25,128)
Items recognized directly in other comprehensive income		
Equity reserve for retirement plan	**37,159**	55,942
	P1,510,676	P1,015,316

**As restated (Note 3).*

The above amounts are reported in the consolidated statements of financial position as follows:

	2013	2012*
Deferred tax assets	**P1,510,886**	P1,015,735
Deferred tax liabilities	**(210)**	(419)
	P1,510,676	P1,015,316

**As restated (Note 3).*

As of December 31, 2013, the NOLCO and MCIT of the Group that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred/Paid	Carryforward Benefits Up To	NOLCO	MCIT
2011	December 31, 2014	P1,091,311	P64,558
2012	December 31, 2015	1,158,604	63,327
2013	December 31, 2016	1,471,355	57,903
		P3,721,270	**P185,788**

The components of income tax benefit are shown below:

	2013	2012*	2011*
Current	**P52,096**	P28,039	P536
Deferred	**(456,240)**	(341,781)	(369,478)
	(P404,144)	(P313,742)	(P368,942)

**As restated (Note 3).*

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

	2013	2012*	2011*
Statutory income tax rate	**30.00%**	30.00%	30.00%
Decrease in income tax rate resulting from:			
Interest income subject to final tax	**(0.10%)**	(0.10%)	(0.10%)
Nondeductible expenses and others	**(3.05%)**	(2.64%)	(1.00%)
Effective income tax rate	**26.85%**	27.26%	28.90%

**As restated (Note 3).*

19. Equity

a. Capital Stock

Common Shares

As of December 31, 2013 and 2012, the Company has 460,000,000 authorized common shares with par value of P1 per share. The holders of common shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

As of December 31, 2013 and 2012, the Company offer price is P23.00 and P17.80, respectively. The Company has a total of 762 and 939 stockholders in 2013 and 2012, respectively.

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

	2013	2012
Issued and outstanding shares at beginning of year	**345,625,332**	345,625,332
Less treasury shares	**55,549,391**	55,549,391
Issued and outstanding shares at end of year	**290,075,941**	290,075,941

Preferred Shares

As of December 31, 2013 and 2012, the Company has 100,000,000 authorized preferred shares with par value of P1 per share. The holders of preferred shares are entitled to participate and receive annual dividends of P1.50 per share which shall be cumulative and payable in arrears on December 31 of each year. In addition, the holders of preferred shares shall receive a special annual dividend equal to the excess of the aggregate dividends paid or to be paid to common shareholders over P1.50 per preferred share per annum.

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

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

	2013	2012
Issued and outstanding shares at beginning of year	**53,437,585**	53,437,585
Less treasury shares	**20,650,700**	20,650,700
Issued and outstanding shares at end of year	**32,786,885**	32,786,885

b. Treasury Shares

Treasury shares consist of:

	2013	2012
Common	**55,549,391**	55,549,391
Preferred	**20,650,700**	20,650,700
	76,200,091	76,200,091

c. Unappropriated Retained Earnings

No dividends were declared in 2013 and 2012. Annual dividends amounting to P482,014 (P1.50 per share) was declared by the Company in 2011. Of this amount, P49,180 (P1.50 per share) relates to preferred dividends for 2011.

The Group's unappropriated retained earnings includes the accumulated earnings in subsidiaries and equity in net losses of joint ventures amounting to P307,296, P314,627 and P350,260 in 2013, 2012 and 2011, respectively. Such amounts are not available for declaration as dividends until declared by the respective investees.

The unappropriated retained earnings of the Company is restricted in the amount of P2,579,409 in 2013, 2012 and 2011, representing the cost of common and preferred shares held in treasury.

d. Appropriated Retained Earnings

As of December 31, 2013 and 2012, the Company has appropriated retained earnings amounting to P2,500,000 for the purpose of capital investment for the expansion of the plant facilities, including but not limited to equipment rehabilitation, to accommodate new product line and the increase in volume requirements in the next three to five years.

20. Cost of Sales

Cost of sales consists of:

	Note	2013	2012*	2011*
Inventories		**P9,472,665**	P8,583,485	P9,442,140
Utilities and supplies		**538,469**	835,115	662,678
Outside services	*35*	**341,589**	353,705	602,401
Depreciation, amortization and impairment	*12, 13, 23*	**458,960**	369,790	237,138
Personnel	*24, 29*	**179,439**	182,503	150,493
Repairs and maintenance		**105,573**	121,154	102,330
Rent	*28*	**84,629**	76,994	157,832
Research		**6,558**	6,417	5,381
Insurance		**4,428**	5,600	9,369
Others		**40,018**	26,394	19,658
		P11,232,328	P10,561,157	P11,389,420

** As restated (Note 3).*

21. Selling and Marketing Expenses

Selling and marketing expenses consist of:

	Note	2013	2012*	2011*
Advertising and promotions		**P1,094,987**	P1,296,399	P1,257,079
Delivery and marketing		**647,779**	537,310	536,725
Personnel	*24, 29*	**253,469**	244,512	235,962
Outside services		**125,835**	111,235	79,728
Corporate special program		**87,162**	23,078	22,901
Utilities and supplies		**76,555**	86,308	75,258
Rent	*28*	**64,533**	101,681	70,522
Depreciation, amortization and impairment	*12, 13, 23*	**50,062**	34,203	24,627
Repairs and maintenance		**33,814**	33,223	28,543
Travel and transportation		**30,426**	35,632	29,015
Research		**989**	41,247	38,823
Others		**13,594**	11,550	17,842
		P2,479,205	P2,556,378	P2,417,025

** As restated (Note 3).*

22. General and Administrative Expenses

General and administrative expenses consist of:

	Note	2013	2012*	2011*
Personnel	*24, 29*	**P516,609**	P646,566	P643,795
Outside services	*27*	**395,035**	237,970	263,740
Depreciation, amortization and impairment	*12, 13, 23*	**233,192**	249,797	199,630
Taxes and licenses		**108,056**	84,814	113,251
Corporate special program		**71,198**	37,653	49,041
Insurance		**70,329**	76,661	75,329
Utilities and supplies		**31,523**	33,499	34,312
Repairs and maintenance		**31,195**	43,447	38,614
Travel and transportation		**20,903**	19,018	19,142
Rent	*28*	**16,870**	55,093	58,613
Research		**15,726**	5,409	6,688
Others		**2,934**	11,055	27,475
		P1,513,570	P1,500,982	P1,529,630

** As restated (Note 3).*

23. Depreciation, Amortization and Impairment

Depreciation, amortization and impairment consist of:

	Note	2013	2012*	2011*
Property, plant and equipment	*12*	**P662,810**	P596,737	P417,329
Pallets		**69,312**	46,741	36,455
Investment property	*13*	**8,852**	9,072	6,371
Others		**1,240**	1,240	1,240
		P742,214	P653,790	P461,395

** As restated (Note 3).*

Depreciation, amortization and impairment are distributed as follows:

	Note	2013	2012*	2011*
Cost of sales	*20*	**P458,960**	P369,790	P237,138
Selling and marketing expenses	*21*	**50,062**	34,203	24,627
General and administrative expenses	*22*	**233,192**	249,797	199,630
		P742,214	P653,790	P461,395

** As restated (Note 3).*

24. Personnel Expenses

Personnel expenses consist of:

	Note	2013	2012*	2011*
Salaries and wages		**P607,102**	P633,466	P656,798
Employee benefits		**275,969**	374,038	303,811
Retirement costs	29	**66,446**	66,077	69,641
		P949,517	P1,073,581	P1,030,250

** As restated (Note 3).*

Personnel expenses are distributed as follows:

	Note	2013	2012*	2011*
Cost of sales	20	**P179,439**	P182,503	P150,493
Selling and marketing expenses	21	**253,469**	244,512	235,962
General and administrative expenses	22	**516,609**	646,566	643,795
		P949,517	P1,073,581	P1,030,250

** As restated (Note 3).*

25. Interest Expense

Interest expense consists of:

	Note	2013	2012*	2011*
Interest on notes payable	15	**P556,641**	P457,447	P314,581
Interest on long-term debt		**96,642**	137,650	124,401
Capitalized borrowing costs	12	**(2,042)**	(9,038)	(20,637)
		P651,241	P586,059	P418,345

** As restated (Note 3).*

26. Other Income

Other income (charges) consist of:

	Note	2013	2012*	2011*
Gain on sale of scrap		**P28,115**	P88,435	P50,263
Foreign exchange gain		**7,980**	1,785	1,873
Gain on sale of concentrate		**6,577**	2,442	-
Gain (loss) on derivatives	34	**1,007**	11,283	(18,253)
Gain on sale of property and equipment		**705**	199	378
Loss on sale of cassava chips and ENA crystalline		**-**	(2,827)	(8,360)
Rent income	28	**-**	-	7,500
Others		**(1,981)**	309	(904)
		P42,403	P101,626	P32,497

** As restated (Note 3).*

27. Related Party Disclosures

The Group, in the normal course of business, purchase products and services from and sells products to related parties. Transactions with related parties are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The following are the transactions with related parties and the outstanding balances as of December 31:

	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Parent Company	**2013**	**P20,805**	**P193,568**	**P31,487**	**P123,911**	On demand;	Unsecured;
	2012	28,059	189,355	27,306	81,714	non-interest	no impairment
	2011	21,371	440,686	29,613	118,987	bearing	
Under Common Control	**2013**	**480,192**	**2,817,997**	**211,071**	**694,387**	On demand;	Unsecured;
	2012	118,852	3,749,977	132,932	1,082,247	non-interest	no impairment
	2011	150,172	3,491,261	115,236	504,256	bearing	
Joint Venture	**2013**	-	-	**316,778**	-	On demand;	Unsecured;
	2012	-	-	214,870	-	non-interest	no impairment
	2011	-	-	214,870	-	bearing	
Retirement Plan	**2013**	-	-	-	-	On demand;	Unsecured;
	2012	-	-	77,025	-	non-interest	no impairment
	2011	-	-	137,025	-	bearing	
Associates of the Parent Company	**2013**	-	-	-	-	On demand;	Unsecured;
	2012	-	21,837	-	-	non-interest	no impairment
	2011	-	23,789	-	-	bearing	
	2013	-	-	-	**2,177,200**	3 months;	Unsecured;
	2012	-	-	-	2,600,000	interest	no impairment
	2011	-	-	-	1,300,000	bearing	
	2013	**P500,997**	**P3,011,565**	**P559,336**	**P2,995,498**		
	2012*	P146,911	P3,961,169	P452,133	P3,763,961		
	2011*	P171,543	P3,955,736	P496,744	P1,923,243		

** As restated (Note 3).*

a. 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. The sales to and purchases from related parties are made at market prices. There have been no guarantees provided or received for any amounts owed by and owed to related parties. The Group has not made any provision for impairment losses relating to amounts owed by related parties for the years ended December 31, 2013, 2012 and 2011.

b. Management fees for the years ended December 31, 2013, 2012 and 2011 amounting to P197,896, P164,237 and P179,234, respectively, are included in outside services account under "General and administrative expenses" (Note 22).

c. Security deposits for the year ended December 31, 2013 amounting to P485 are included in deposit and others account under "Other noncurrent assets" (Note 14).

d. Amounts owed by TSML are included in the "Other noncurrent assets" account in the consolidated statements of financial position (Note 14).

e. Amounts owed to Bank of Commerce are included in the "Notes payable" account in the consolidated statements of financial position (Note 15).

f. The compensation of key management personnel of the Group, by benefit type, follows:

	2013	2012	2011
Short-term employee benefits	**P31,689**	P34,499	P41,524
Retirement costs	**5,283**	7,778	9,109
Share-based payments	**371**	576	1,200
	P37,343	P42,853	P51,833

28. Leasing Agreements

Operating Leases

Group as Lessor
The Company leases out its investment property to a third party lessee under an operating lease agreement for a period of five years (Note 13). The lease agreement has been terminated on June 24, 2011.

Rent income recognized in the consolidated statements of income amounted to P7,500 in 2011 (Note 26).

Group as Lessee

a. The Company leases various warehouse facilities under operating leases. These leases typically run for a period of one year. The Company has the option to renew the lease after expiration of the lease term.

b. On December 20, 2008, EPSBPI entered into a lease agreement with Navotas Ridge Realty Corporation (NRRC) for ten years from January 1, 2009 to December 31, 2019 and renewable at the option of EPSBPI upon mutual agreement of both parties. Rental fee amounted to P10 per month until January 31, 2010. Upon commencement of operation of the bottling facility on February 1, 2010, rental fee increased to P99 with a 5% escalation every year until the end of the term.

   On April 1, 2012, EPSBPI entered into another lease agreement with NRRC for a period of five years from April 1, 2012 to March 31, 2017 and renewable at the option of EPSBPI upon mutual agreement of both parties. Rental fee amounted to P69 per month and subject to 5% escalation every year until the end of the term.

c. On February 24, 2009, EPSBPI entered into a lease agreement with San Miguel Properties, Inc. for ten years from March 1, 2009 to February 28, 2019 and renewable at the option of EPSBPI upon mutual agreement of both parties. Rental fee amounted to P10 per month until February 28, 2010. Upon commencement of the operation of the bottling facility on March 1, 2010, rental is increased to P100 with 5% escalation every year until the end of the term.

d. On July 15, 2010, EPSBPI entered into a lease agreement with Amberland Corporation for two years from July 30, 2010 to July 29, 2012 and renewable on a yearly basis with 10% escalation upon mutual agreement of both parties. Rental fee amounted to P57 per month plus VAT.

e. On April 4, 2011, EPSBPI entered into a lease agreement with Handling Innovation, Inc. for a period of three years from April 4, 2011 to April 4, 2014. Rental fee amounted to P93 per month.

f. On May 16, 2011, EPSBPI entered into a lease agreement with Isabela Leaf Tobacco Co., Inc. starting from May 16, 2011 to May 16, 2014. Rental fee amounted to P93 per month.

Rent expense recognized in the consolidated statements of income amounted to P166,032, P233,768 and P286,967 in 2013, 2012 and 2011, respectively (Notes 20, 21 and 22).

The future minimum non-cancellable lease payables are as follows:

	2013	2012
Within one year	**P4,490**	P5,886
After one year but not more than five years	**15,391**	20,996
More than five years	**295**	295
	P20,176	P27,177

29. Retirement Plans

The Company and DBI have funded, noncontributory, defined benefit retirement plans covering all of their permanent employees (collectively, the Retirement Plans). The retirement plans of the Group are final salary plans. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plans. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2013. Valuations are obtained on a periodic basis.

The Retirement Plans are registered with the Bureau of Internal Revenue as tax-qualified plans under Republic Act No. 4917, as amended. The control and administration of the Group's Retirement Plans are vested in the Board of Trustees (BOT) of each Retirement Plan, as appointed by the BOD of the Company and DBI. Majority of the BOT of the Group's Retirement Plans, who exercises voting rights over the shares and approve material transactions, are also BOD and officers of the Company and DBI. The Retirement Plans' accounting and administrative functions are undertaken by the Retirement Funds Office of the Company.

The following table shows a reconciliation of the net defined benefit retirement liabilities and its components:

	Fair Value of Plan Assets			Present Value of Defined Benefit Obligation			Effect of Asset Ceiling			Net Defined Benefit Retirement Obligation		
	2013	2012*	2011*	2013	2012*	2011*	2013	2012*	2011*	2013	2012*	2011*
Balance at beginning of year	**P625,705**	P675,473	P732,169	**P876,300**	P888,958	P612,516	**P -**	P -	P17,961	**P250,595**	P213,485	(P101,692)
Recognized in profit or loss												
Service costs	-	-	-	**51,401**	52,298	36,559	-	-	-	**51,401**	52,298	36,559
Interest expense	-	-	-	**48,228**	52,787	47,878	-	-	-	**48,228**	52,787	47,878
Interest income	**33,183**	39,008	16,207	-	-	-	-	-	-	**(33,183)**	(39,008)	(16,207)
Interest on the effect of asset ceiling	-	-	-	-	-	-	-	-	1,411	-	-	1,411
	33,183	39,008	16,207	**99,629**	105,085	84,437	-	-	1,411	**66,446**	66,077	69,641
Recognized in other comprehensive income												
Remeasurements:												
Actuarial losses (gains) arising from:												
Experience adjustments	-	-	-	**965**	(15,277)	124,489	-	-	-	**965**	(15,277)	124,489
Changes in financial assumptions	-	-	-	**11,239**	4,783	10,158	-	-	-	**11,239**	4,783	10,158
Changes in demographic assumptions	-	-	-	**(2,522)**	(5,768)	78,736	-	-	-	**(2,522)**	(5,768)	78,736
Return on plan assets excluding interest	**72,291**	(52,032)	(51,525)	-	-	-	-	-	-	**(72,291)**	52,032	51,525
Changes in the effect of asset ceiling	-	-	-	-	-	-	-	-	(19,372)	-	-	(19,372)
	72,291	(52,032)	(51,525)	**9,682**	(16,262)	213,383	-	-	(19,372)	**(62,609)**	35,770	245,536
Others												
Benefits paid	**(136,418)**	(85,087)	(21,378)	**(136,418)**	(85,087)	(21,378)	-	-	-	-	-	-
Contributions	**97,741**	64,737	-	-	-	-	-	-	-	**(97,741)**	(64,737)	-
Transfers to other plans	**(4,761)**	(16,394)	-	**(4,761)**	(16,394)	-	-	-	-	-	-	-
	(43,438)	(36,744)	(21,378)	**(141,179)**	(101,481)	(21,378)	-	-	-	**(97,741)**	(64,737)	-
Balance at end of year	**P687,741**	P625,705	P675,473	**P844,432**	P876,300	P888,958	**P -**	P -	P -	**P156,691**	P250,595	P213,485

**As restated (Note 3).*

The Group's annual contribution to the Retirement Plans consists of payments covering the current service cost and amortization of past service costs.

Retirement costs recognized in the consolidated statements of income by the Company amounted to P63,010, P62,323 and P67,159 in 2013, 2012 and 2011, respectively, while those charged by DBI amounted to P3,436, P3,754 and P2,482 in 2013, 2012 and 2011, respectively.

The retirement costs are recognized in the following line items in the consolidated statements of income:

	Note	**2013**	2012*	2011*
Cost of sales	*20*	**P17,039**	P8,338	P9,109
Selling and marketing expenses	*21*	**13,462**	12,359	11,460
General and administrative expenses	*22*	**35,945**	45,380	49,072
		P66,446	P66,077	P69,641

**As restated (Note 3).*

Retirement liabilities recognized by the Company amounted to P142,091 and P243,051 as of December 31, 2013 and 2012, respectively, while those recognized by DBI amounted to P14,600 and P7,544 as of December 31, 2013 and 2012, respectively.

The carrying amounts of the Group's retirement fund approximate fair values as of December 31, 2013 and 2012.

The Group's plan assets consist of the following:

	In Percentages	
	2013	2012
Marketable securities	**39**	36
Fixed income portfolio	**31**	37
Stock trading portfolio	**30**	27
	100	100

Investments in Marketable Securities

As of December 31, 2013 and 2012, the plan assets include 9,943,321 and 14,213,721 common shares, respectively, of the Company with fair market value per share of P23.00 and P17.80, respectively.

The fair market value per share of the above marketable securities is determined based on quoted market prices in active markets as of the reporting date (Note 4).

The Company's Retirement Plan recognized losses on the investment in marketable securities of SMC and its subsidiaries amounting to P51,705 and P70,254 in 2013 and 2012, respectively.

There was no dividend income recognized in 2013 and 2012.

Investments in Pooled Funds

Investments in pooled funds were established mainly to put together a portion of the retirement funds of the Group to be able to draw, negotiate and obtain the best terms and financial deals for the investments resulting from big volume transactions.

The BOT approved the percentage of asset to be allocated for fixed income instruments and equities. The Retirement Plans have set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The BOT may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

Approximately 11.86% of the Retirement Plans' investments in pooled funds in stock trading portfolio include investments in shares of stock of SMC and its subsidiaries as of December 31, 2013 and 2012.

Approximately 12.79% of the Retirement Plans' investments in pooled funds in fixed income portfolio include investments in shares of stock of SMC and its subsidiaries as of December 31, 2013 and 2012.

The Retirement Plans Trustee has no specific matching strategy between the Retirement Fund assets and the defined benefit liabilities under the Plans.

The Group is not required to pre-fund the future defined benefits payable under the Retirement Plans before they become due. For this reason, the amount and timing of contributions to the Retirement Funds are at the Group's discretion. However, in the event a benefit claim arises and the Retirement Funds are insufficient to pay the claim, the shortfall will then be due and payable from the Group to the Retirement Funds. The Group is not expected to contribute to its defined benefit retirement plan in 2014.

The Retirement Plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Risk. The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments and if the return on plan asset falls below this rate, it will create a deficit in the plan. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plans efficiently.

Longevity and Salary Risks. The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement costs are as follows:

	In Percentages	
	2013	2012
Discount rate	**4.07 - 4.52**	4.90 - 5.54
Salary increase rate	**7**	7

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit obligation is 2.45 years and 2.10 years as of December 31, 2013 and 2012, respectively.

As of December 31, 2013, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit obligation by the amounts below.

	Defined Benefit Retirement Obligation	
	1 Percent Increase	1 Percent Decrease
Discount rate	(P11,122)	P12,062
Salary increase rate	9,944	(9,383)

As of December 31, 2012, the outstanding balance of the Group's receivables from Ginebra San Miguel Inc. Retirement Plan amounted to P77,025, is included in the "Trade and other receivables" account in the consolidated statements of financial position (Notes 8 and 27).

Transactions with retirement plans are made at normal market prices and terms. Outstanding balance as of December 31, 2012 is unsecured and settlements are made in cash. There have been no guarantees provided for any retirement plan receivables. The Group has not made any provision for impairment losses relating to the receivables from the retirement plans for the years ended December 31, 2012 and 2011.

30. Cash Dividends

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

31. Basic and Diluted Loss Per Share

Basic and Diluted Loss Per Share is computed as follows:

	2013	2012*	2011*
Net loss	**(P1,101,195)**	(P837,169)	(P907,577)
(a) Less dividends on preferred shares	**49,180**	49,180	49,180
(b) Net loss available to common shares	**(P1,150,375)**	(P886,349)	(P956,757)
Common shares outstanding at beginning of year (in thousands)	**290,076**	290,076	287,437
Weighted average number of shares issued during the year (in thousands)	**-**	-	2,419
(c) Weighted average number of common shares outstanding (in thousands) - basic and diluted	**290,076**	290,076	289,856
Basic and Diluted Loss Per Share (b/c)	**(P3.97)**	(P3.06)	(P3.30)

**As restated (Note 3).*

32. Share-Based Transactions

ESPP

Under the ESPP, 3,000,000 shares (inclusive of stock dividends declared) of the Company's unissued shares have been reserved for the employees of the Company. All permanent Philippine-based employees of the Company, who have been employed for a continuous period of one year prior to the subscription period, will be allowed to subscribe at 15% discount to the market price equal to the weighted average of the daily closing prices for three months prior to the offer period. A participating employee may acquire at least 100 shares of stock through payroll deductions.

The ESPP requires the subscribed shares and stock dividends accruing thereto to be pledged to the 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, 2013 and 2012 amounted to P105,195 and P138,280, respectively, presented as part of "Trade and other receivables" account in the consolidated statements of financial position (Note 8).

The ESPP also allows subsequent withdrawal and cancellation of participants' subscriptions under certain terms and conditions. The shares pertaining to withdrawn or cancelled subscriptions shall remain issued shares and shall revert to the pool of shares available under the ESPP.

There were no shares offered under the ESPP in 2013 and 2012.

33. Financial Risk Management Objectives and Policies

Objectives and Policies

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

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

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

The Group's principal non-trade related financial instruments include cash and cash equivalents, short-term and long-term loans and derivative instruments. These financial instruments, except derivative instruments, are used mainly for working capital management purposes. The Group's trade-related financial assets and financial liabilities such as trade and other receivables, noncurrent receivables and deposits and trade and other payables arise directly from and are used to facilitate its daily 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's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The BOD constituted the Group's Audit Committee to assist the BOD in fulfilling its oversight responsibility of the Group's corporate governance process relating to the: (a) quality and integrity of the Group's financial statements and financial reporting process and the Group's systems of internal accounting and financial controls; (b) performance of the internal auditors; (c) annual independent audit of the Group's financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; (d) compliance by the Group with legal and regulatory requirements, including the Group's disclosure control and procedures; (e) evaluation of management's process to assess and manage the Group's enterprise risk issues; and (f) fulfillment of the other responsibilities set out by the BOD. The Audit Committee shall also prepare the reports required to be included in the Group's annual report.

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

Interest Rate Risk

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

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

In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.

The management of interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios. Interest rate movements affect reported retained earnings by the amount of increases or decreases in interest income or interest expense as well as fair value changes reported in profit or loss, if any.

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 P6,380 and P6,506 in 2013 and 2012, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Interest Rate Risk Table

The terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

December 31, 2013

	<1 Year	1 - 2 Years	>2 - 3 Years	>3 - 4 Years	>4 - 5 Years	> 5 Years	Total
Fixed Rate							
Philippine peso-denominated	**P428,571**	**P385,714**	**P -**	**P -**	**P -**	**P -**	**P814,285**
Interest rate	**7.25% - 7.89%**	**7.25% - 7.89%**					
Floating Rate							
Philippine peso-denominated	**114,286**	**114,286**	**114,286**	**114,286**	**114,285**	**-**	**571,429**
Interest rate	**PDST-F+ margin or BSP overnight rate, whichever is higher**	**PDST-F+ margin or BSP overnight rate, whichever is higher**	**PDST-F+ margin or BSP overnight rate, whichever is higher**	**PDST-F+ margin or BSP overnight rate, whichever is higher**	**PDST-F+ margin or BSP overnight rate, whichever is higher**		
	P542,857	**P500,000**	**P114,286**	**P114,286**	**P114,285**	**P -**	**P1,385,714**

December 31, 2012*

	<1 Year	1 - 2 Years	>2 - 3 Years	>3 - 4 Years	>4 - 5 Years	> 5 Years	Total
Fixed Rate							
Philippine peso-denominated	P428,571	P428,571	P385,714	P -	P -	P -	P1,242,856
Interest rate	7.25% - 7.89%	7.25% - 7.89%	7.25% - 7.89%				
Floating Rate							
Philippine peso-denominated	114,286	114,286	114,286	114,286	114,286	114,285	685,715
Interest rate	PDST-F+ margin or BSP overnight rate, whichever is higher	PDST-F+ margin or BSP overnight rate, whichever is higher	PDST-F+ margin or BSP overnight rate, whichever is higher	PDST-F+ margin or BSP overnight rate, whichever is higher	PDST-F+ margin or BSP overnight rate, whichever is higher	PDST-F+ margin or BSP overnight rate, whichever is higher	
	P542,857	P542,857	P500,000	P114,286	P114,286	P114,285	P1,928,571

* *As restated (Note 3).*

Foreign Currency Risk

The 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.

Information on the Group's foreign currency-denominated monetary assets and their Philippine peso equivalents as of December 31 is as follows:

	2013		2012*	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$875**	**P38,842**	US$1,635	P67,126
Trade and other receivables	**520**	**23,084**	347	14,241
Foreign currency-denominated monetary assets	**US$1,395**	**P61,926**	US$1,982	P81,367

**As restated (Note 3).*

The Group reported net foreign exchange gains amounting to P7,980, P1,785 and P1,873 in 2013, 2012 and 2011, respectively, with the translation of its foreign currency-denominated assets (Note 26). These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	US Dollar to Philippine Peso
December 31, 2013	**44.395**
December 31, 2012	41.050
December 31, 2011	43.840

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various foreign currency exchange rate scenarios. Foreign exchange movements affect reported retained earnings by the amount of increases or decreases in unrealized and realized foreign exchange gains or losses.

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 the Group's equity.

December 31, 2013	**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	**(P875)**	**(P613)**	**P875**	**P613**
Trade and other receivables	**(520)**	**(364)**	**520**	**364**
	(P1,395)	**(P977)**	**P1,395**	**P977**

December 31, 2012*	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P1,635)	(P1,145)	P1,635	P1,145
Trade and other receivables	(347)	(243)	347	243
	(P1,982)	(P1,388)	P1,982	P1,388

**As restated (Note 3).*

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

Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices. The Group, through SMC, enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost.

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

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

Liquidity Risk

Liquidity risk 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 and 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 table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted payments used for liquidity management.

December 31, 2013

	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P513,312	P513,312	P513,312	P -	P -	P -
Trade and other receivables - net	3,770,087	3,770,087	3,770,087	-	-	-
Derivative assets (included under "Prepaid taxes and other current assets" account in the consolidated statements of financial position)	768	768	768	-	-	-
Noncurrent receivables and deposits (included under "Other noncurrent assets - net" account in the consolidated statements of financial position)	507,297	507,297	-	190,034	317,263	-
Financial Liabilities						
Notes payable	9,980,800	10,045,171	10,045,171	-	-	-
Trade and other payables (excluding dividends payable)	2,564,219	2,564,219	2,564,219	-	-	-
Derivative liabilities (included under "Trade and other payables" account in the consolidated statements of financial position)	1,027	1,027	1,027	-	-	-
Long-term debt (including current maturities)	1,383,548	1,513,754	613,829	538,882	361,043	-

December 31, 2012*

	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P497,503	P497,503	P497,503	P -	P -	P -
Trade and other receivables - net	3,823,891	3,823,891	3,823,891	-	-	-
Derivative assets (included under "Prepaid taxes and other current assets" account in the consolidated statements of financial position)	1,288	1,288	1,288	-	-	-
Noncurrent receivables and deposits (included under "Other noncurrent assets - net" account in the consolidated statements of financial position)	404,382	404,382	-	189,512	214,870	-
Financial Liabilities						
Notes payable	9,432,200	9,487,236	9,487,236	-	-	-
Trade and other payables (excluding dividends payable)	3,404,704	3,404,704	3,404,704	-	-	-
Derivative liabilities (included under "Trade and other payables" account in the consolidated statements of financial position)	413	413	413	-	-	-
Long-term debt (including current maturities)	1,924,834	2,156,878	649,948	613,829	776,910	116,191

**As restated (Note 3).*

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 and other receivables. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

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

Trade and Other Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on the credit risk.

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

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

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance include 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 without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	Note	**2013**	2012*
Cash and cash equivalents	*7*	**P513,312**	P497,503
Trade and other receivables - net	*8*	**3,770,087**	3,823,891
Derivative assets	*10*	**768**	1,288
Noncurrent receivables and deposits	*14*	**507,297**	404,382
		P4,791,464	P4,727,064

**As restated (Note 3).*

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

The credit qualities of trade and other receivables are based on a combination of credit standing or rating of the counterparty, historical experience and specific and collective credit risk assessment. Trade and other receivables that are neither past due no impaired are of standard grade. Deposits are high-grade financial instruments with satisfactory financial capability and credit standing.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables and noncurrent receivables and deposits 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 shares 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.

The Group is not subject to externally-imposed capital requirements.

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:

	2013		2012*	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P513,312**	**P513,312**	P497,503	P497,503
Trade and other receivables - net	**3,770,087**	**3,770,087**	3,823,891	3,823,891
Derivative assets (included under "Prepaid taxes and other current assets" account in the consolidated statements of financial position)	**768**	**768**	1,288	1,288
Noncurrent receivables and deposits (included under "Other noncurrent assets - net" account in the consolidated statements of financial position)	**507,297**	**507,297**	404,382	404,382
Financial Liabilities				
Notes payable	**9,980,800**	**9,980,800**	9,432,200	9,432,200
Trade and other payables (excluding dividends payable)	**2,564,219**	**2,564,219**	3,404,704	3,404,704
Derivative liabilities (included under "Trade and other payables" account in the consolidated statements of financial position)	**1,027**	**1,027**	413	413
Long-term debt (including current maturities)	**1,383,548**	**1,427,909**	1,924,834	2,008,891

**As restated (Note 3).*

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

Cash and Cash Equivalents, Trade and Other Receivables and Noncurrent Receivables and Deposits. The carrying amount of cash and cash equivalents and trade and other receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent receivables and deposits, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

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

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

Long-term Debt. 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. Discount rates used range from 0.45% to 1.61% and 0.68% to 3.40% as of December 31, 2013 and 2012, respectively. The carrying amounts of floating rate loans with quarterly 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 embedded derivative financial instruments are discussed below.

Derivative Instruments not Designated as Hedges
The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include 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:

Embedded Currency Forwards
The Group's embedded derivatives include currency forwards embedded in non-financial contracts. The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$1,020 and US$1,830 as of December 31, 2013 and 2012, respectively. These non-financial contracts consist mainly of foreign currency denominated purchase orders and sales agreements. The embedded forwards are not clearly and closely related to their respective host contracts. The net positive (negative) fair value of these embedded currency forwards amounted to (P259) and P875 as of December 31, 2013 and 2012, respectively.

The Group recognized marked-to-market gains (losses) from embedded derivatives amounting to P1,007, P11,283 and (P18,253) in 2013, 2012 and 2011, respectively.

Fair Value Changes on Derivatives
The net movements in fair value of all derivative instruments are as follows:

	2013	2012
Balance at beginning of year	**P875**	(P3,304)
Net changes in fair value of non-accounting hedges	**1,007**	11,283
	1,882	7,979
Less fair value of settled instruments	**2,141**	7,104
Balance at end of year	**(P259)**	P875

Fair Value Hierarchy
Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).

The table below analyzes financial instruments carried at fair value, by valuation method as of December 31:

2013

	Level 1	Level 2	Level 3	Total
Financial Assets				
Derivative assets	**P -**	**P768**	**P -**	**P768**
Financial Liabilities				
Derivative liabilities	**-**	**1,027**	**-**	**1,027**

2012

	Level 1	Level 2	Level 3	Total
Financial Assets				
Derivative assets	P -	P1,288	P -	P1,288
Financial Liabilities				
Derivative liabilities	-	413	-	413

The Group has no financial instruments valued based on Level 1 and Level 3 as of December 31, 2013 and 2012. During the year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

35. Other Matters

a. *Commitments*

- The Company has a Toll Manufacturing Agreement with third parties for the production of its alcoholic and nonalcoholic products. Toll manufacturing expense amounting to P286,962, P239,492 and P463,498, in 2013, 2012 and 2011, respectively, were included as part of outside services under the "Cost of sales" account (Note 20).

- The outstanding purchase commitments of the Company as of December 31, 2013 and 2012 amounted to US$80,534 (P3,575,294) and US$84,706 (P3,477,195), respectively.

b. *Contingencies*

The Group is a party to certain lawsuits or claims (mostly labor related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements of the Group. No provision was recognized in 2013, 2012 and 2011.

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

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 separate financial statements of Ginebra San Miguel Inc. (the "Company") as at and for the years ended December 31, 2013 and 2012, and have issued our report thereon dated March 26, 2014.

Our audits were made for the purpose of forming an opinion on the basic separate financial statements of the Company taken as a whole. The supplementary information included in the Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management.

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the basic separate financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic separate financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic separate financial statements taken as a whole.

R.G. MANABAT & CO.

JIMMY S. QUIÑONES
Partner
CPA License No. 0085650
SEC Accreditation No. 0679-AR-1, Group A, valid until March 30, 2014
Tax Identification No. 112-072-024
BIR Accreditation No. 08-001987-17-2014
Issued January 22, 2014; valid until January 21, 2017
PTR No. 4225140MC
Issued January 2, 2014 at Makati City

March 26, 2014
Makati City, Metro Manila

PRC-BOA Registration No. 0003, valid until December 31, 2016
SEC Accreditation No. 0004-FR-3, Group A, valid until November 22, 2014
IC Accreditation No. F-0040-R, Group A, valid until September 11, 2014
BSP Accredited, Category A, valid until December 17, 2014

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

RECONCILIATION OF RETAINED EARNINGS FOR DIVIDEND DECLARATION

Unappropriated Retained Earnings, January 1, 2013	**P3,663,667**
Adjustments:	
(see adjustments in previous year's reconciliation)	**(2,926,958)**
Effect of adoption of Philippine Accounting Standards (PAS) 19, as amended	**(47,534)**
Unappropriated Retained Earnings, as adjusted, January 1, 2013	**689,175**
Net loss for the current year based on the face of AFS	**(1,093,864)**
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)	
Unrealized actuarial gain	**4,099**
Fair value adjustment (M2M gains)	-
Fair value adjustment 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	-
Deferred income tax benefit for the year	**457,213**
Sub - total	**461,312**
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)	-
Sub - total	-
Net loss actually incurred during the year	**(1,555,176)**
TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, DECEMBER 31, 2013	**(P866,001)**

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

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 (the "Group") as at and for each of the three years in the period ended December 31, 2013, included in this Form 17-A, and have issued our report thereon dated March 26, 2014.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management. Such additional components include:

- Map of the Conglomerate
- Schedule of Philippine Financial Reporting Standards and Interpretations
- Supplementary Schedules of Annex 68-E

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the basic consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

JIMMY S. QUIÑONES
Partner
CPA License No. 0085650
SEC Accreditation No. 0679-AR-1, Group A, valid until March 30, 2014
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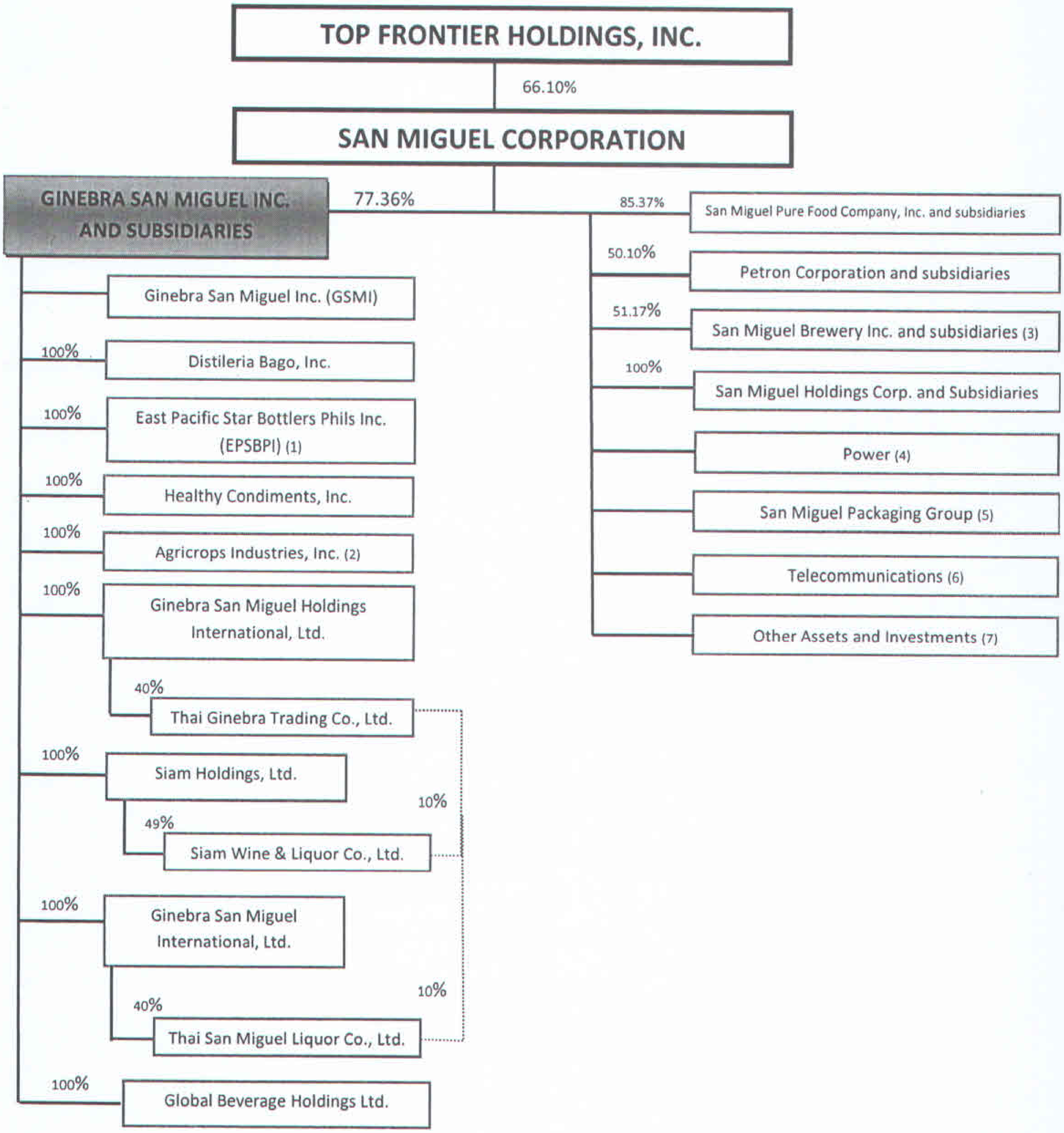
March 26, 2014
Makati City, Metro Manila

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

GROUP STRUCTURE



(1) On January 27, 2012, GSMI acquired 100% of the outstanding capital stock of EPSBPI

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

(3) San Miguel Brewery Inc. and subsidiaries include Iconic Beverages, Inc., Brewery Properties Inc. and subsidiary and San Miguel Brewing International Ltd. and subsidiaries.

(4) San Miguel Packaging includes San Miguel Yamamura Packaging Corporation and subsidiaries, SMC Yamamura Fuso Molds Corporation and Can Asia, Inc. (65%), San Miguel Yamamura Packaging International Limited (65%), San Miguel Yamamura Asia Corporation (60%) and Mindanao Corrugated Fibreboard, Inc. (100%)

(5) Power business includes SMC Global Power Holdings Corp. and subsidiaries (100%) and Manila Electric Company (32.04%)

(6) Telecommunications business includes Vega Telecom, Inc. and subsidiaries (100%) and San Miguel Equity Securities Inc. (100%)

(8) Other Assets and Investments include San Miguel Properties, Inc. and subsidiaries (99.68%) and San Miguel Equity Investments Inc. (100%)

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIESS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✔		
PFRSs Practice Statement Management Commentary				✔
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✔
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✔
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✔
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✔
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✔
	Amendments to PFRS 1: Government Loans			✔
PFRS 2	Share-based Payment	✔		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✔		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✔
PFRS 3 (Revised)	Business Combinations	✔		
PFRS 4	Insurance Contracts			✔
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✔
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✔
PFRS 6	Exploration for and Evaluation of Mineral Resources			✔
PFRS 7	Financial Instruments: Disclosures	✔		
	Amendments to PFRS 7: Transition	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✔		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✔		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✔		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✔		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✔	
PFRS 8	Operating Segments	✔		
PFRS 9	Financial Instruments		✔	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✔	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities		✓	
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions		✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✔
	Amendment to PAS 32: Classification of Rights Issues			✔
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		✔	
PAS 33	Earnings per Share	✔		
PAS 34	Interim Financial Reporting	✔		
PAS 36	Impairment of Assets	✔		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets		✔	
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✔		
PAS 38	Intangible Assets	✔		
PAS 39	Financial Instruments: Recognition and Measurement	✔		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✔
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✔
	Amendments to PAS 39: The Fair Value Option			✔
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✔
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✔		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✔
	Amendment to PAS 39: Eligible Hedged Items			✔
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✔
PAS 40	Investment Property	✔		
PAS 41	Agriculture			✔
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✔
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✔
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✔		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✔
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✔
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✔
IFRIC 9	Reassessment of Embedded Derivatives			✔
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✔
IFRIC 10	*Interim Financial Reporting and Impairment*	✔		
IFRIC 12	Service Concession Arrangements			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
IFRIC 13	Customer Loyalty Programmes			✔
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✔
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✔
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✔
IFRIC 17	Distributions of Non-cash Assets to Owners			✔
IFRIC 18	Transfers of Assets from Customers			✔
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✔
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✔
IFRIC 21	Levies			✔
SIC-7	Introduction of the Euro			✔
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✔
SIC-15	Operating Leases - Incentives			✔
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✔
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✔		
SIC-29	Service Concession Arrangements: Disclosures.			✔
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✔
SIC-32	Intangible Assets - Web Site Costs			✔
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✔
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✔
PIC Q&A 2007-01-Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✔
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✔
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			✔
PIC Q&A 2008-01-Revised	PAS 19.78 – Rate used in discounting post-employment benefit obligations	✔		
PIC Q&A 2008-02	PAS 20.43 – Accounting for government loans with low interest rates under the amendments to PAS 20			✔
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✔
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✔
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✔
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✔		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position	✓		
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations			✓
PIC Q&A 2011-03	Accounting for Inter-company Loans	✓		
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares	✓		
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination?			✓
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-03	PAS 19 – Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✓

Annex "C"

GINEBRA SAN MIGUEL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND FINANCIAL 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 (collectively referred to as the Group) for the three-year period ended December 31, 2013. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as of December 31, 2013 and 2012, 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, 2013. All necessary adjustments to present fairly the Group's consolidated financial position as of December 31, 2013 and the financial performance and cash flows for the year ended December 31, 2013 and for all the other periods presented, have been made.

I. BASIS OF PREPARATION

Statement of Compliance
The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

The consolidated financial statements were authorized for issue by the Board of Directors (BOD) on March 26, 2014.

Basis of Measurement
The consolidated financial statements of the Group have been prepared on a historical cost basis of accounting except for the following items which are measured on an alternative basis at each reporting date:

Items	Measurement Basis
Derivative financial instruments	Fair value
Defined benefit retirement asset (obligation)	Fair value of the plan assets less the present value of the defined benefit retirement obligation

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

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

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

The Group has adopted the following PFRS effective January 1, 2013 and accordingly, changed its accounting policies in the following areas:

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

  As a result of the adoption of the amendments to PAS 1, the Group has modified the presentation of items comprising other comprehensive income in the consolidated statements of comprehensive income. Items that may be reclassified to profit or loss subsequently are presented separately from items that will not be reclassified. The amendments affect presentation only and have no impact on the Group's financial position and performance. Comparative information has been re-presented accordingly.

- Disclosures: Offsetting Financial Assets and Financial Liabilities *(Amendments to PFRS 7, Financial Instruments: Disclosures).* The amendments include minimum disclosure requirements related to financial assets and financial liabilities that are: (a) offset in the consolidated statements of financial position; or (b) subject to enforceable master netting arrangements or similar agreements. They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the consolidated statements of financial position.

  The adoption of these amendments did not have an effect on the consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements,* introduces a new approach in determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when: (a) it has power over an investee; (b) it is exposed or has rights to variable returns from its involvement with that investee; and (c) it has the ability to affect those returns through its power over that investee. Control is reassessed as facts and circumstances change. PFRS 10 supersedes PAS 27 (2008), *Consolidated and Separate Financial Statements,* and Philippine Interpretation Standards Interpretation Committee (SIC) 12, *Consolidation - Special Purpose Entities.*

  The adoption of these amendments did not have an effect on the consolidated financial statements.

- PFRS 11, *Joint Arrangements,* focuses on the rights and obligations of joint arrangements, rather than the legal form. The new standard: (a) distinguishes joint arrangements between joint operations and joint ventures; and (b) eliminates the option of using the equity method or proportionate consolidation for jointly controlled entities that are now called joint ventures, and only requires the use of equity method. PFRS 11 supersedes PAS 31, *Interests in Joint Ventures,* and Philippine Interpretation SIC 13, *Jointly Controlled Entities - Non-monetary Contributions by Venturers.*

  As a result of the adoption of PFRS 11, the Group assessed that it has rights only to the net assets of the arrangement based on the structure, legal form, contractual terms and other facts and circumstances of the arrangement and has classified the arrangement as a joint venture. The Group eliminated the use of proportionate consolidation and is now applying the equity method.

- PFRS 12, *Disclosure of Interests in Other Entities,* contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. The new standard provides information that enables users to evaluate: (a) the nature of, and risks associated with, an entity's interests in other entities; and (b) the effects of those interests on the entity's financial position, financial performance and cash flows.

  As a result of the adoption of PFRS 12, the Group has expanded the disclosures on its interests in other entities.

- *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to PFRS 10, PFRS 11 and PFRS 12).* The amendments simplify the process of adopting PFRS 10, PFRS 11 and PFRS 12, and provide a relief from the disclosures in respect of unconsolidated structured entities. Depending on the extent of comparative information provided in the consolidated financial statements, the amendments simplify the transition and provide additional relief from the disclosures that could have been onerous. The amendments limit the restatement of comparatives to the immediately preceding period; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged. In addition, the date of initial application is now defined in PFRS 10 as the beginning of the annual reporting period in which the standard is applied for the first time. At this date, an entity tests whether there is a change in the consolidation conclusion for its investees.

  The Group has taken advantage of the transitional provision of the amendments to PFRS 10, PFRS 11 and PFRS 12.

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

  The adoption of the new standard did not have a significant effect on the measurement of the Group's assets and liabilities. Additional disclosures are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

- PAS 19, *Employee Benefits* (Amended 2011). The amendments include the following requirements: (a) actuarial gains and losses are recognized immediately in other comprehensive income; this change removes the corridor method and eliminates the ability of entities to recognize all changes in the defined benefit retirement obligation and plan assets in profit or loss; and (b) interest income on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit retirement obligation.

  As a result of the adoption of the amendments to PAS 19, the Group has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit retirement plan. Actuarial gains and losses are recognized immediately in other comprehensive income and the corridor method was eliminated. Also, the interest income on plan assets recognized in profit or loss is now calculated based on the rate used to discount the defined benefit retirement obligation.

- PAS 28, *Investments in Associates and Joint Ventures* (2011), supersedes PAS 28 (2008). PAS 28 (2011) makes the following amendments: (a) PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations,* applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and (b) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or *vice versa*, the entity does not remeasure the retained interest.

The adoption of these amendments did not have an effect on the consolidated financial statements.

- *Improvements to PFRS 2009-2011* contain amendments to 5 standards with consequential amendments to other standards and interpretations.

  - Comparative Information beyond Minimum Requirements *(Amendments to PAS 1)*. The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements. An entity must include comparative information in the related notes to the consolidated financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of consolidated financial statements. On the other hand, supporting notes for the third consolidated statement of financial position (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements) are not required.

    As a result of the adoption of the amendments to PAS 1, the Group has not included comparative information in the notes to the consolidated financial statements in respect of the opening consolidated statement of financial position as of January 1, 2012. The amendments only affect presentation and have no impact on the consolidated financial statements.

  - Presentation of the Opening Statement of Financial Position and Related Notes *(Amendments to PAS 1)*. The amendments clarify that: (a) the opening consolidated statement of financial position is required only if there is: (i) a change in accounting policy; (ii) a retrospective restatement; or (iii) a reclassification which has a material effect upon the information in the consolidated statement of financial position; (b) except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors,* notes related to the opening consolidated statement of financial position are no longer required; and (c) the appropriate date for the opening consolidated statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented. This is regardless of whether an entity provides additional comparative information beyond the minimum comparative information requirements. The amendments explain that the requirements for the presentation of notes related to additional comparative information and those related to the opening consolidated statement of financial position are different, because the underlying objectives are different.

    As a result of the adoption of the amendments to PAS 1, the Group has not included comparative information in the notes to the financial statements in respect of the opening consolidated statement of financial position as of January 1, 2012. The amendments only affect presentation and have no impact on the consolidated financial statements.

  - Classification of Servicing Equipment (*Amendments to PAS 16, Property, Plant and Equipment)*. The amendments clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of property, plant and equipment in PAS 16 is now considered in determining whether these items should be accounted for under this standard. If these items do not meet the definition, then they are accounted for using PAS 2, *Inventories*.

The adoption of these amendments did not have an effect on the consolidated financial statements.

- Income Tax Consequences of Distributions *(Amendments to PAS 32, Financial Instruments Presentation)*. The amendments clarify that PAS 12, *Income Taxes* applies to the accounting for income taxes relating to: (a) distributions to holders of an equity instrument; and (b) transaction costs of an equity transaction. This amendment removes a perceived inconsistency between PAS 32 and PAS 12. Before the amendment, PAS 32 indicated that distributions to holders of an equity instrument are recognized directly in equity, net of any related income tax. However, PAS 12 generally requires the tax consequences of dividends to be recognized in profit or loss. A similar consequential amendment has also been made to Philippine Interpretation IFRIC 2, *Members' Share in Co-operative Entities and Similar Instruments*.

  The adoption of these amendments did not have an effect on the consolidated financial statements.

- Segment Assets and Liabilities *(Amendments to PAS 34)*. This is amended to align the disclosure requirements for segment assets and segment liabilities in the interim consolidated financial statements with those in PFRS 8, *Operating Segments*. PAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when: (a) the amount is regularly provided to the chief operating decision maker; and (b) there has been a material change from the amount disclosed in the last annual consolidated financial statements for that reportable segment.

  The adoption of these amendments did not have an effect on the consolidated financial statements.

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

II. KEY TRANSACTION

On January 27, 2012, the Parent Company purchased 100% of the outstanding shares of East Pacific Star Bottlers Phils Inc. (EPSBPI) for P200 million.

III. FINANCIAL PERFORMANCE

Comparisons of key financial performance for the last three years are summarized in the following table.

	Years Ended December 31		
	2013	2012 As restated	2011
		(In Millions)	
Sales	**P14,399**	P14,002	P14,489
Gross Profit	**3,167**	3,441	3,100
Selling and Administrative Expenses	**(3,993)**	(4,057)	(3,947)
Financing Charges - Net	**(647)**	(583)	(415)
Equity in Net Losses of Joint Ventures	**(75)**	(53)	(47)
Other Income - Net	**42**	102	32
Net Loss	**(1,101)**	(837)	(908)

<u>2013 vs. 2012</u>

Revenues grew 3% due to the recovery of liquor volumes in the second semester driven by flagship Ginebra San Miguel and the price increase implemented to cover higher excise tax.

Cost of sales increased by 6% resulting from the significant increase in excise tax.

The effect of higher retail prices on liquor volumes and the significant increase in excise tax resulted to an 8% decline in gross profit from last year's level.

Interest expense, net of interest income, grew by 11% due to the increase in short-term borrowings used to fund operational requirements.

Lower volumes and higher fixed costs of Thai San Miguel Liquor Co. Ltd. (TSML) resulted in 40% increase in equity in net losses of joint ventures.

Lower sales of scrap and liquid carbon dioxide trimmed down other income, net of other charges, by 58%.

The effect of the substantial increase in excise tax on liquor products and higher financing charges, partly reduced by price increase and lower selling and administrative expenses, resulted in net loss 32% higher than 2012.

The Group's sales and marketing programs focusing on gin brands, which induced consumer consumption, led volumes to an upward trend in the last two quarters. These were complemented by improvements in distillery operations as well as the implementation of programs to reduce cost, resulting to a significant improvement in the second-semester bottom-line results. However, these gains were insufficient to offset the first semester deficit, resulting to a higher than year ago net loss.

With the profit growth momentum in the second semester, the Group's prospects for 2014 is viewed with much optimism as it continue its focus in strengthening its leadership in the gin market and further reducing costs. Further, the Group is in the process of new product development for Gin, Brandy and Rum categories to complement the current portfolio. With these programs, the Group expects to gain an improvement in profitability which will reduce dependency on short-term borrowings to fund working capital requirements.

2012 vs. 2011

Flagship Ginebra San Miguel brand strengthened with volumes growing 19% from 2011 despite the sustained aggression from competition. This resulted in just a 5% slide in domestic liquor volumes versus year-ago. In turn, revenues were just 3% short of 2011.

Cost of sales decreased by 7% due to lower business volumes, as well as lower distillery feedstock costs and improved distillery efficiency.

These operational and cost improvements reaped for the Group an 11% increase in gross profit in spite of decline in revenues.

Interest expense, net of interest income, increased by 40% on account of higher debt level in 2012, arising from the Group's acquisition of EPSBPI and increased working capital requirement.

Despite the lower fixed costs, equity in the losses of joint ventures increased by 14% on account mainly of the volume shortfall.

Other income, net of other charges, increased by 213% chiefly on account of income from sale of scrap materials and recognition of gain in embedded derivatives.

Improvement in gross profit and higher other income compensated for the increase in financing charges and slightly higher selling and administrative expenses, resulting to a net loss 8% lower than year-ago.

The Group launched sales and marketing initiatives to address the decline in business volume and profitability. New liquor products were introduced to revitalize the white spirits category.

These are GSM Blue Light, GSM Blue Flavors, Antonov Vodka Schnapps and new variants of Antonov Mixed Drink. Improvements in pricing and distribution are also being pursued to regain trade competitiveness. Further gains are expected due to improvements in distillery operations and second-hand bottle retrieval. With these improvements, together with a more focused sales force, the Group is poised in its recovery momentum to deliver better bottom-line results.

IV. FINANCIAL POSITION

2013 vs. 2012

Inventories declined by 35% owing to the reduced purchases of raw materials coupled by depletion of finished goods inventories.

Prepaid taxes and other current assets increased by 9% on account mainly of the increase in excise tax on finished products.

Recognition of the Group's share in the net loss of TSML reduced investment in joint ventures by 9%.

The decline in investment property – net was on account of the reclassification to property, plant and equipment since the property was no longer held to earn rentals.

The 49% increase in deferred tax assets – net was due to the increase in recognized income tax benefit from Net Operating Loss Carryover (NOLCO) and Minimum Corporate Income Tax (MCIT).

Notes payable grew by 6% to fund the Group's working capital requirements.

The decline in trade and other payables by 25% resulted mainly from the reduced purchases of materials and supplies particularly alcohol and molasses.

Income and other taxes payable increased by 198% due to higher output tax largely brought about by the implemented price increase for liquor products.

Retirement liabilities declined by 37% on account of higher benefits from plan assets.

Long-term debt – net of current maturities declined by 39% on account mainly of the payment of maturities of the long-term debt.

Deferred tax liabilities decreased by 50% due to the amortization of borrowing costs.

Reserve for retirement plan decreased by 34% due to recognition of actuarial gain on remeasurement of the defined benefit obligation of GSMI and Distileria Bago, Inc. (DBI).

The debit balance cumulative translation adjustments decreased by P6 million due to the share in other comprehensive income of joint ventures.

2012 vs. 2011

Cash and cash equivalents increased by 95% from December 2011 to P498 million on account of improved cash flow from operations as well as improvement in credit terms extended by suppliers.

Trade and other receivables - net increased by 28% on account of extension of longer credit terms to dealers to support volume generation.

Inventories decreased by 9% on account of decline in purchase of molasses, as well as the Group's program to deplete finished goods inventories to free up funds invested in working capital.

Prepaid taxes and other current assets increased by 50% chiefly on account of prepayment of specific tax for the alcohol importations delivered during the last quarter.

Investments in joint ventures declined by 9% owing to the recognition of the Group's share in the loss of TSML.

Property, plant and equipment – net increased by 13% mainly on account of consolidation of EPSBPI's property, plant and equipment balance.

Investment property – net decreased by 6% on account of normal depreciation charges.

Goodwill of P227 million was recognized as a result of the acquisition of the 100% outstanding shares of EPSBPI in January 2012.

Deferred tax assets – net grew by 69% on account of the increase in recognized Net Operating Loss Carryover (NOLCO) and Minimum Corporate Income Tax (MCIT) in 2012.

Other noncurrent assets - net increased by 22% on account of purchases of returnable bottles and crates made in 2012.

Notes payable increased by 23% to fund the Group's working capital requirements.

Trade and other payables increased by 52% on account of longer average credit terms extended by suppliers to the Group.

Income and other taxes payable decreased by 32% on account of lower value-added tax (VAT) payable balance.

Current maturities of long-term debt – net of debt issue costs increased by 112% on account of consolidation of EPSBPI's long-term debt balance.

Retirement liabilities grew by 17% due to lower benefits from plan assets.

Long-term debt – net of current maturities increased by 12% on account of the consolidation of EPSBPI's long-term debt balance.

The P419 thousand deferred tax liabilities pertain to the acquisition of EPSBPI.

Reserve for retirement plan grew by 24% on account of the recognition of actuarial loss on remeasurement of the defined benefit obligation of GSMI and DBI.

The debit balance cumulative translation adjustments increased by P29 million due to the share in other comprehensive loss of joint ventures.

Equity

The increase (decrease) in equity for the years 2013 and 2012 are due to:

	December 31	
	2013	2012 As restated
	(In Millions)	
Net loss	**(P1,101)**	(P837)
Share in comprehensive income (loss) of joint ventures	**6**	(29)
Equity reserve for retirement plan - net of tax	**44**	(25)
Stock options	**-**	13
	(P1,051)	(P878)

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	December 31		
	2013	2012 As Restated	2011
		(In Millions)	
Net cash flows provided by (used in) operating activities	**P960**	P139	(P857)
Net cash flows used in investing activities	**(329)**	(587)	(1,356)
Net cash flows provided by (used in) financing activities	**(620)**	696	2,129

Net cash flows provided by (used in) operating activities consist of loss before income tax for the period and the effect of non-cash transactions and changes in non-cash current assets and certain current liabilities including net movement in inventory level.

Net cash flows used in investing activities include the following:

	December 31		
	2013	2012 As Restated	2011
		(In Millions)	
Additions to property, plant and equipment	**(P257)**	(P308)	(P1,181)
Acquisition of a subsidiary, net of cash and cash equivalents acquired	**-**	(143)	-
Increase in other noncurrent assets	**(72)**	(136)	(175)

Major components of net cash flows provided by (used in) financing activities are as follows:

	December 31		
	2013	2012 As Restated	2011
		(In Millions)	
Proceeds from:			
Short-term borrowings	**P101,992**	P129,445	P88,406
Issuance of capital stock	**33**	29	39
Payments of:			
Short-term borrowings	**(101,444)**	(127,698)	(85,518)
Interest	**(659)**	(591)	(445)
Long-term borrowings	**(543)**	(371)	-
Cash dividends	**-**	(118)	(353)

The effect of exchange rate changes on cash and cash equivalents amounted to P3.9 million, (P5.7) million and (P1.2) million for the years ended December 31, 2013, 2012 and 2011, respectively.

V. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The following items are not available for declaration as dividends:

	December 31	
	2013	2012 As restated
	(In Millions)	
Treasury stock	2,579	2,579
Undistributed net earnings of the subsidiaries and joint ventures	307	315

Annex "C"

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 Management Discussion and Analysis (MD&A) for the discussion of certain Key Performance Indicators.

KPI	December 31	
	2013	**2012** As restated
Liquidity:		
Current Ratio	**0.72**	**0.86**
Solvency:		
Debt to Equity Ratio	**2.58**	**2.29**
Asset to Equity Ratio	**3.58**	**3.29**
Profitability:		
Return on Average Equity	**(18%)**	**(12%)**
Interest Rate Coverage Ratio	**(0.19)**	**0.14**
Operating Efficiency:		
Volume Growth	**(11%)**	**(5%)**
Revenue Growth	**3%**	**(3%)**
Operating Margin	**(6%)**	**(4%)**

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

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

VII. OTHER MATTERS

a) Commitments

- The Company has a Toll Manufacturing Agreement with third parties for the production of its alcoholic and nonalcoholic products. Toll manufacturing expense amounting to P286,962, P239,492 and P463,498, in 2013, 2012 and 2011, respectively, were included as part of outside services under the "Cost of sales" account.

- The outstanding purchase commitments of the Company as of December 31, 2013 and 2012 amounted to US$80,534 (P3,575,294) and US$84,706 (P3,477,195), 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 2013, 2012 and 2011.

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 annual reporting date.

h) There were no material off-statements of financial position 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.