COVER SHEET

1	6	0	9	6	8

S.E.C. Identification No.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

(Company's Full Name)

Km. 29 National Road, Tunasan, Muntinlupa City

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

Ma. Rosario C.Z. Nava

Contact Person

750-9687

Company Telephone Number

0	6		3	0

Month Day
Fiscal Year

SEC Form 20-IS (Definitive)

FORM TYPE

Any day in October

Month Date
Annual Meeting

Secondary License Type, If Applicable

C	F	D

Dept. Requiring this Doc.

Amended Article Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

Remarks = pls. Use black ink for scanning purposes

PCPPI
PEPSI-COLA PRODUCTS PHILIPPINES, INC.
Km. 29 National Road, Tunasan, Muntinlupa City 1773 Philippines
Tel. No.: (632) 850-7901 Fax No.: (632) 850-7928
Website : www.pepsiphilippines.com

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO ALL STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of **PEPSI-COLA PRODUCTS PHILIPPINES, INC.** will be held on:

Date :	**21 October 2009**	**(Wednesday)**
Time :	**2:00 p.m.**	
Venue :	**The Palms Country Club**	
	Alabang, Muntinlupa City	

The agenda of the meeting will be as follows:

1. Call to Order
2. Certification of Notice and of Quorum
3. Approval of the Minutes of the Previous Annual Stockholders' Meeting held on 28 October 2008
4. President's Report for Fiscal Year ending 30 June 2009
5. Approval of Audited Financial Statements for Fiscal Year ending 30 June 2009
6. Ratification of Acts of the Board of Directors and Management for the period 1 July 2008 to 30 June 2009
7. Election of Directors
8. Appointment of External Auditors
9. Adjournment

The Board of Directors has fixed the close of business on 30 September 2009 as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Stockholders' Meeting.

For your convenience in registering your attendance, please bring any form of identification, such as passport or driver's license, as well as proof of your stockholdings.

30 September 2009, Makati City.

Ma. Rosario C.Z. Nava

MA. ROSARIO C.Z. NAVA
Corporate Secretary

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

1. Check the appropriate box:

   [ ] Preliminary Information Statement

   [x] Definitive Information Statement

2. Name of Registrant as specified in its charter:

   PEPSI-COLA PRODUCTS PHILIPPINES, INC.

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

4. SEC Identification Number: **0000160968**

5. BIR Tax Identification Code: **000-168-541**

6. Address of principal office: Postal Code:

   Km. 29 National Road, Tunasan, Muntinlupa City 1773

7. Registrant's telephone number, including area code: **(632) 850-7901 to 20**

8. Date, time and place of the meeting of security holders: **21 October 2009, 2:00 p.m., The Palms Country Club, Alabang, Muntinlupa City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **30 September 2009**

10. 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 or Amount of Debt Outstanding
Common Shares of Stock	**3,693,772,279**

11. Are any or all of registrant's securities listed in a Stock Exchange?

Yes __X__ No ______

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

Philippine Stock Exchange - Common Shares of Stock

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

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders.

The Annual Stockholders' Meeting of Pepsi-Cola Products Philippines, Inc. (the "Corporation") will be held on Wednesday, 21 October 2009, 2:00 p.m., at The Palms Country Club, Alabang, Muntinlupa City.

Notices of the meeting and copies of this Information Statement will be first sent or given to the stockholders of record of the Corporation on or about 30 September 2009. Replies and queries must be sent to the following address:

MR. PARTHA CHAKRABARTI
Corporate Information Officer
Pepsi-Cola Products Philippines, Inc.
Km. 29 National Road, Tunasan,
Muntinlupa City 1773 Philippines

Item 2. Dissenters' Right of Appraisal

The matters to be acted upon at this Annual Stockholders' Meeting are not matters with respect to which a dissenting stockholder may exercise his appraisal right under Section 81 of the Corporation Code.

Under Section 81 of the Corporation Code, the following are the instances when a stockholder may exercise his appraisal right:

1. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder 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;

2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets of the Corporation; and

3. In case of merger or consolidation.

In order that a dissenting stockholder may exercise his appraisal right, such dissenting stockholder must have voted against the proposed corporate action at the annual meeting. Within thirty (30) days after the date of the annual meeting at which meeting such stockholder voted against the corporate action, the dissenting stockholder shall make a written demand on the Corporation for the fair value of his shares which shall be agreed upon by the dissenting stockholder and the Corporation. If the proposed corporate action is implemented, the Corporation shall pay the dissenting stockholder upon surrendering the certificates of stock representing his shares, the fair value of said shares on the day prior to the date on which the vote was taken. If the dissenting stockholder and the Corporation cannot agree on the fair value of the shares within sixty (60) days from the date of stockholders' approval of the corporate action, then the determination of the fair value of the shares shall be made by three (3) disinterested persons, one of whom shall be named by the dissenting stockholder, one by the Corporation and the third to be named by the two (2) already chosen. The findings of the majority of the appraisers shall be final and their award shall be paid by the Corporation within thirty (30) days after such award is made. The procedure to be followed in exercising the appraisal right shall be in accordance with Sections 81 to 86 of the Corporation Code.

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

No director or officer of the Corporation has any substantial interest, direct or indirect, in any of the matters to be acted upon in the Annual Stockholders' Meeting.

No director has informed the Corporation of his opposition to any matter to be acted upon during the Annual Stockholders' Meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. **Voting Securities and Principal Holders Thereof**

The total number of shares of the Corporation outstanding and entitled to vote in the Annual Stockholders' Meeting is 3,693,772,279 common shares. The record date for purposes of determining the stockholders entitled to notice of and to vote at the Corporation's Annual Stockholders' Meeting is 30 September 2009. Each stockholder shall be entitled to one (1) vote for each common share of stock held as of the record date.

Holders of the common shares of stock of the Corporation are entitled to vote on all matters to be voted upon by the stockholders. Stockholders entitled to vote are also entitled to cumulative voting in the election of directors. Section 24 of the Corporation Code states: "...In stock corporations, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the by-laws, in his own name on the stock books of the corporation, or where the by-laws are silent, at the time of the election; and said 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..."

Security Ownership of Record and Beneficial Owners of at Least Five Percent (5%) of the Corporation's Securities as of 31 August 2009

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and relationship with record owner	Citizenship	Number of Shares Held	Percentage
Common shares	PCD Nominee Corporation (Non-Filipino)[1]	Please refer to footnote	Non-Filipino	1,093,745,941	29.6105%

[1] PCD Nominee Corporation is the registered owner of shares beneficially owned by participants in the Philippine Central Depository, Inc. (PCD), a private company organized to implement an automated book entry system of

	37th Floor, The Enterprise Center Ayala Avenue, Makati City Relationship – please refer to footnote				
Common shares	Quaker Global Investments B.V.[2] Zonnebaan 35, 3542 Eb Utrecht The Netherlands Relationship - Stockholder	Same as indicated in column 2	Dutch	1,089,101,358	29.4848%
Common shares	Hong Way Holdings, Inc.[3] 20th Floor, LKG Tower 6801 Ayala Avenue, Makati City Relationship - Stockholder	Same as indicated in column 2	Singaporean	857,788,626	23.2226%
Common shares	PCD Nominee Corporation (Filipino)[4] 37th Floor, The Enterprise Center Ayala Avenue, Makati City Relationship – pleas e refer to footnote	Please refer to footnote	Filipino	300,150,284	8.1258%
Common shares	Guoco Assets (Philippines), Inc.[5]	Same as indicated in	Singaporean	255,594,962	6.9196%

handling securities transactions in the Philippines. While PCD Nominee Corporation is the registered-owner of the shares in the Corporation's books, the beneficial ownership of such shares pertains to PCD participants (brokers) and/or their non-Filipino clients, whether individuals or corporations, in whose names these shares are recorded in their respective books. Under PCD procedures, when an issuer of a PCD-eligible issue will hold a stockholders' meeting, PCD will execute a pro-forma proxy in favor of the participants for the total number of shares in their respective principal securities account, as well as for the total number of shares in their client securities account. For shares held in the principal securities account, the participant is appointed as proxy with full voting rights and powers as registered owner of such shares. For shares held in the client securities account, the participant is appointed as proxy with the obligation to constitute a sub-proxy in favor of its clients with full voting and other rights for the number of shares beneficially owned by them.

[2] Quaker Global Investments B.V. ("QGI") is a corporation duly organized and existing under and by virtue of the laws of the Netherlands with principal office at Zonnebaan 35, 3542 EB Utrecht, The Netherlands. QGI, through its Board of Directors, has designated Mr. Sunil D' Souza to vote its shares of stock in the Corporation.

[3] Hong Way Holdings, Inc. ("HWHI") is a corporation duly organized and existing under and by virtue of the laws of the Philippines with principal office at the 20th Floor, LKG Tower, 6801 Ayala Avenue, Makati City. HWHI, through its Board of Directors, usually designates Mr. Micky Yong to vote its shares of stock in the Corporation.

[4] Same as footnote 2 above except that the beneficial ownership of shares registered in the name of PCD Nominee Corporation pertains to PCD participants (brokers) and/or their Filipino clients, whether individuals or corporations, in whose names these shares are recorded in their respective books.

[5] Guoco Assets (Philippines), Inc. ("GAPI") is a corporation duly organized and existing under and by virtue of the laws of the Philippines with principal office at the 20th Floor, LKG Tower, 6801 Ayala Avenue, Makati City. GAPI, through its Board of Directors, usually designates Mr. Micky Yong to vote its shares of stock in the Corporation.

	20th Floor, LKG Tower 6801 Ayala Avenue, Makati City Relationship – Stockholder	column 2			

Security Ownership of Management as of 31 August 2009

Title of Class	Name and Address of Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
Common shares	Micky Yong Chairman of the Board, President and Chief Executive Officer c/o Km. 29 National Road, Tunasan, Muntinlupa City	20,000,001 Direct ownership except for one qualifying share	Singaporean	0.5414%
Common shares	Sunil D'Souza Non-Executive Director c/o 21st Floor, LKG Tower, 6801 Ayala Avenue, Makati City	1*	Indian	Nil
Common shares	James Eng, Jr. Non-Executive Director c/o 50th Floor, The Center, 99 Queen's Road, Central, Hong Kong	1*	American	Nil
Common shares	Tsang Cho Tai (Allan Tsang) Non-Executive Director c/o 50th Floor, The Center, 99 Queen's Road, Central, Hong Kong	1*	British	Nil
Common shares	John L. Sigalos Non-Executive Director c/o 20th Floor Caroline Center 28 Yun Ping Road, Causeway Bay, Hong Kong	1*	American	Nil
Common shares	Timothy E. Minges Non-Executive Director c/o 20th Floor Caroline Center 28 Yun Ping Road, Causeway Bay, Hong Kong	1*	American	Nil
Common shares	Qasim Khan Non-Executive Director c/o 20th Floor Caroline Center 28 Yun Ping Road, Causeway Bay, Hong Kong	1*	Pakistani	Nil
Common shares	Jose M. Periquet, Jr. Non-Executive Director c/o 3rd Floor, Athenaeum Building, 160 L.P. Leviste Street, Salcedo Village, Makati City	1*	Filipino	Nil

Common shares	Rafael M. Alunan III Independent Director c/o 5th Floor, Benpres Building, Exchange Road corner Meralco Avenue, Ortigas Center, Pasig City	1*	Filipino	Nil
Common shares	Oscar S. Reyes Independent Director c/o Unit 2504 Corporate Center, 139 Valero Street, Salcedo Village, Makati City	1*	Filipino	Nil
Common shares	Partha Chakrabarti Senior Vice-President and Chief Financial Officer c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Indian	0%
Common shares	Felix S. Yu Executive Vice-President, National Sales Operations c/o Km. 29 National Road, Tunasan, Muntinlupa City	349,998 Direct ownership	Filipino	0.0095%
Common shares	Roberto H. Goce Senior Vice-President, Corporate Services Group c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Filipino	0%
Common shares	Daniel D. Gregorio, Jr. Senior Vice-President, Manufacturing and Logistics c/o Km. 29 National Road, Tunasan, Muntinlupa City	70,000 Direct ownership	Filipino	0.0019%
Common shares	Ma. Rosario C.Z. Nava Corporate Secretary 7th Floor The Pearlbank Centre 146 Valero Street, Salcedo Village, Makati City	10,000 Direct ownership	Filipino	0.0003%

* *Each of the directors is the registered owner of at least one qualifying share.*

The aggregate shareholdings of directors and key officers of the Corporation as of 31 August 2009 amounted to 20,430,008 shares which is approximately 0.5531% of the Corporation's outstanding capital stock.

Changes in Control

The Corporation is not aware of any voting trust agreement or any other similar agreement which may result in a change in control of the Corporation. No change in control of the Corporation has occurred since the beginning of its last fiscal year.

Certain Relationships and Related Transactions

The Corporation has significant related party transactions which are summarized as follows:

1. The Corporation has Exclusive Bottling Agreements with PepsiCo, Inc. ("PepsiCo"), which has 29.4848% beneficial interest in the Corporation through Quaker Global Investments B.V., a stockholder, up to year 2017 and Pepsi Lipton International Limited ("Pepsi Liption"), a joint venture of PepsiCo, up to year 2012. Under the agreements, the Corporation is authorized to bottle, sell and distribute Pepsi and Lipton beverage products in the Philippines.

   In addition, PepsiCo and Pepsi Lipton shall supply the Corporation with the main raw materials (concentrates) in the production of these beverage products and share in the funding of certain marketing programs. The agreements may be renewed by mutual agreement between the parties. Under the agreements, PepsiCo and Pepsi Lipton have the right to terminate the agreements under certain conditions, including failure to comply with terms and conditions of the appointment subject to written notice and rectification period, change of ownership control of the Corporation, change of ownership control of an entity which controls the Corporation, discontinuance of bottling beverages for 30 consecutive days, occurrence of certain events leading to the Corporation's insolvency or bankruptcy, change in management and control of the business, among other things. Total net purchases from PepsiCo amounted to ₱2.6 billion, ₱2.4 billion and ₱2.4 billion in 2009, 2008 and 2007, respectively. Total purchases from Pepsi Lipton for the fiscal years ended 30 June 2009 and 2008 amounted to ₱81 million and ₱94 million, respectively.

   The Corporation has a cooperative advertising and marketing program with PepsiCo and Pepsi Lipton that sets forth the agreed advertising and marketing activities and participation arrangement during the years covered by the bottling agreements. In certain instances, the Corporation pays for said expenses and claims reimbursement from PepsiCo. As of 30 June 2009, there are no reimbursable marketing charges from PepsiCo. In 2008, reimbursable marketing charges amounted to ₱99 million. For the years ended 30 June 2009, 2008 and 2007, the Corporation incurred marketing expenses amounting to ₱521 million, ₱665 million and ₱468 million, respectively. The Corporation's receivables relating to said cooperative advertising and marketing program amounted to ₱27 million and ₱37 million as of 30 June 2009 and 2008, respectively.

2. On 11 April 2007, the Corporation entered into a Performance Agreement with PepsiCo to meet certain marketing and investment levels from 2007 to 2017, as required by the Exclusive Bottling Agreements with PepsiCo. The Performance Agreement requires the Corporation to: (1) spend a specified percentage with a minimum amount for the beverage products; (2) make certain investments based on a minimum percentage of the Corporation's sales to expand its manufacturing capacity; (3) invest in a minimum number of coolers per year to support distribution expansion; and (4) expand the Corporation's distribution capabilities in terms of the number of active routes, the number of new routes and the number of trucks used for distribution support..

3. Certain parcels of land which are real properties of Nadeco Realty Corporation ("NRC"), an associate, were mortgaged to secure a portion of the Corporation's notes payable.

   The Corporation leases these parcels of land where some of its bottling plants are located. Lease expenses recognized amounted to ₱9.6 million and ₱11 million for the years ended 30 June 2009 and 2008, respectively. The Corporation has advances to NRC amounting to ₱38 million which bears interest at a fixed rate of 10% per annum. The Corporation also has outstanding net receivables from

NRC amounting to ₱49 million and ₱46 million as of 30 June 2009 and 2008, respectively, which are unsecured and payable on demand.

4. The Corporation has outstanding working capital advances from Nadeco Holdings Corporation, an associate, amounting to ₱2.3 million and ₱1.3 million as of 30 June 2009 and 2008, respectively, and which are unsecured, non-interest bearing and payable on demand.

Item 5. **Directors and Executive Officers**

Term of Office

Directors elected during the annual meeting of stockholders will hold office for one year until their successors are duly elected and qualified, except in case of death, resignation, disqualification or removal from office. Directors who were elected to fill any vacancy hold office only for the unexpired term of their predecessors.

Directors

The following are the names, ages, citizenship and years position was assumed, of the incumbent directors, including independent directors, of the Corporation:

Name	Age	Citizenship	Year Position was Assumed
Micky Yong	62	Singaporean	1997
Sunil D'Souza	41	Indian	2009
James Eng, Jr.	67	American	2005
Tsang Cho Tai (Allan Tsang)	59	British	2005
John L. Sigalos	42	American	2009
Timothy E. Minges	51	American	2007
Qasim Khan	52	Pakistani	2008
Jose M. Periquet, Jr.	63	Filipino	2007
Rafael M. Alunan III*	61	Filipino	2007
Oscar S. Reyes*	63	Filipino	2007

**Independent Director*

Executive Officers

The following are the names, ages, positions, citizenship and periods of service of the incumbent officers of the Corporation:

Name	Age	Citizenship	Position	Year Position was Assumed
Micky Yong	62	Singaporean	Chairman, President and Chief Executive Officer	2002
Partha Chakrabarti	45	Indian	Senior Vice-President and Chief Financial Officer	2006
Felix S. Yu	60	Filipino	Executive Vice-President, National Sales Operations	2004

Roberto H. Goce	55	Filipino	Senior Vice-President, Corporate Services Group	2006
Daniel D. Gregorio, Jr.	57	Filipino	Senior Vice-President for Manufacturing and Logistics	1998
Ma. Rosario C.Z. Nava	40	Filipino	Corporate Secretary	2007

Background Information and Business Experience

Directors:

MICKY YONG

Mr. Yong has held the office of Chief Executive Officer of the Corporation since 2002, but he has been a director of the Corporation since the Guoco Group Limited and its subsidiaries ("Guoco Group") acquired its interest in the Corporation in 1997. Since 1989, Mr. Yong has served as President of Guoco Assets (Philippines), Inc., the Guoco Group's principal investment vehicle in the Philippines. Mr. Yong was the country manager and director of Dao Heng Bank Philippines and a director of First Lepanto Taisho Insurance, Tutuban Properties Inc., Guoco Securities Philippines and several other corporations under the Guoco Group. Mr. Yong holds a Bachelor of Business Administration degree from the University of Singapore.

SUNIL D'SOUZA

Mr. D'Souza is Country Manager for the Philippines of PepsiCo. He has been with PepsiCo for the past 8 years and held the position of Sales Director for the Philippines prior to his current appointment. He holds a Bachelor of Engineering degree from the Pondicherry Engineering College, Pondicherry (University of Madras) and a management degree from the Indian Institute of Management in Calcutta.

JAMES ENG, JR.

Mr. Eng has been an Executive Director of the Guoco Group Limited since 2001. He is responsible for group staff support functions for the Guoco Group. Before he joined the Guoco Group in 1994, Mr. Eng previously worked with Hiram Walker, a division of Allied-Lyons. Postings included New York, Miami, London, Hong Kong and Windsor Canada. During his time with Brout, Issacs & Co., Certified Public Accountants, in New York City, he was responsible for the Management Services Division and was a Management Consultant in New York for Computer Methods Corporation. He holds a Bachelor of Business Administration degree from the University of North Carolina.

TSANG CHO TAI (ALLAN TSANG)

Mr. Tsang is the Chief Financial Officer of the Guoco Group Limited. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, as well as an associate member of the Institute of Chartered Accountants in England and Wales. Mr. Tsang was an associate of an international firm of accountants before joining the Guoco Group in 1989.

JOHN L. SIGALOS

Mr. Sigalos is currently PepsiCo's Chief Financial Officer for the Asia-Pacific region. He has occupied a variety of positions in PepsiCo for the past 12 years, including being Chief Financial Officer of PepsiCo Thailand and Vice-President for Non-Carbonated Beverages in PepsiCo's China business unit. He holds an MBA from the Wharton School, University of Pennsylvania with dual major in Finance and Strategic Management and a Bachelor of Arts degree in East Asian studies (*Cum laude*) from Yale University.

TIMOTHY E. MINGES

Mr. Minges is President of PepsiCo Asia Pacific for PepsiCo. He has been with PepsiCo for 25 years including 15 years in Asia with a wide variety of assignments in China, Thailand, Indonesia and India. He holds a B.S. in Accounting from Miami University in Oxford, Ohio.

QASIM KHAN

Mr. Khan has been connected with PepsiCo for the last 21 years and has occupied various executive and managerial roles in different regional offices of PepsiCo. He is currently General Manager of PepsiCo's North Asia Pakistan Philippines Business Unit. Prior to joining PepsiCo, he worked for Procter & Gamble. He holds an MBA and Marketing degrees (with honors) from Michigan State University.

JOSE M. PERIQUET, JR.

Mr. Periquet is the President and Chief Executive Officer of the Metropolitan Insurance Company, Inc., a position he has held since 1999 up to the present. He has been employed by Metropolitan Insurance since 1985, when he joined as Acting President and Manager. He joined AIG in New York in 1967 and was later assigned to AIU (Philippines), Inc. where he held the position of Senior Vice-President and Director. Mr. Periquet is also a director of MIC Holdings, Inc., Bradstock Insurance Brokers Inc. and the Athenaeum Condominium Corporation. Mr. Periquet holds a Bachelor's degree in Economics from Ateneo de Manila University and a Master's degree in Economics from Fordham University.

RAFAEL M. ALUNAN III

Mr. Alunan is currently the President and a Trustee of the Lopez Group Foundation, Inc. since 2008, and a Trustee since 2008 of First Philippine Conservation Inc. and Bayan Academy. He also heads the Lopez Group's Lifelong Wellness System (since 2006), and is the President and Director of FWV Biofields, Inc. (since 2008).

Mr. Alunan also sits in the Boards of Sun Life of Canada (Philippines), Inc. (since 2004), Sun Life Financial Plans, Inc. (since 2004), Sun Life Asset Management Co., Inc. (since 2009), Pepsi Cola Products (Philippines), Inc. (since 2007), and the Management Association of the Philippines (since 2008). He recently joined the Boards of the League of Corporate Foundations and the University of St.

La Salle. He is also the President of Kilosbayan, a non-partisan ethics-oriented people's organization; and is a columnist of the Business World.

He served in the Cabinets of Presidents Corazon C. Aquino and Fidel V. Ramos as Secretary of Tourism and Secretary of the Interior and Local Government, respectively. He holds the rank of Colonel in the Armed Forces of the Philippines commanded the 131st Infantry Division (Standby Reserve) and the 9th Infantry Division (Ready Reserve) of the Philippine Army.

Mr. Alunan obtained his double degree in Business Administration and History-Political Science from the De La Salle University; attended the Master's in Business Administration-Senior Executive Program at the Ateneo de Manila University; earned a Master's degree in Public Administration from Harvard University's John F. Kennedy School of Government; and is a graduate of the Philippine Army's Command and General Staff College.

OSCAR S. REYES

Mr. Reyes is the Chairman of Link Edge, Inc. He has been an Independent Director of the Philippine Long Distance Telephone Company since 2001, a Director of Bank of the Philippine Islands since 2003, an External Director of Sun Life Financial Plans, Inc. since 2006, an Independent Director of Manila Water Company since 2005, an Independent Director of SMART Communications Inc. since 2006, and an Independent Director of Ayala Land, Inc. since 2009, among other companies.

He previously served the Shell Group of Companies in the Philippines in various capacities, including Country Chairman and President of Pilipinas Shell Petroleum Corporation, Managing Director of Shell Philippines Exploration B.V., Vice-President for Finance, Legal and Corporate Affairs and Vice-President for Human Resources of Pilipinas Shell Petroleum Corporation, Area Finance Adviser for South America and Regional Planning Adviser for Western Hemisphere & Africa Region for the Shell International Petroleum Co. of London and General Manager for Treasury and Planning of Pilipinas Shell.

Mr. Reyes also served as Executive Vice-President and General Manager of the Philippine Petroleum Corporation, and Project Team Leader and Head of Special Studies of the Private Development Corporation of the Philippines.

Mr. Reyes holds a Bachelor of Arts degree in Economics (cum laude) from Ateneo de Manila University. His post-graduate studies include: Business Management Consultants and Trainers Program of the Japan Productivity Center/Asian Productivity Organization in Japan and Hong Kong; International Management Development Program leading to a Diploma in Business Administration and Certificate in Export Promotion in Waterloo University, Ontario, Canada; European Business Program from the United Kingdom, The Netherlands, France, Germany and Switzerland; Master in Business Administration studies at the Ateneo Graduate School of Business Administration; Program for Management Development from Harvard Business School; and Commercial Management Study Program at the Lensbury Centre of the Shell International Petroleum Company in the United Kingdom.

Executive Officers:

PARTHA CHAKRABARTI

Mr. Chakrabarti has been employed by PepsiCo since 1994 and he remains a PepsiCo employee while holding his current position in the Corporation under a formal secondment agreement. Mr. Chakrabarti began his career with PepsiCo India, where he held a number of positions before moving to Vietnam as Chief Financial Officer of PepsiCo's business there. Before joining PepsiCo, he worked for ICI India. He holds a Bachelor of Science degree in Commerce from the University of Calcutta and is an Associate of The Institute of Chartered Accountants in India.

FELIX S. YU

Mr. Yu joined the predecessor of the Corporation in 1983 and has served in various roles in sales and plant management. Prior to joining the Corporation, he worked for the CFC-URC Group of Companies and before that, Nestle Philippines. He holds a Bachelor of Science degree in Business Administration from De La Salle University.

ROBERTO H. GOCE

Mr. Goce's background is in sales and logistics. Prior to joining the Corporation in 1997, he worked for San Miguel Corporation and before that, he held various positions in grains and fertilizer industries. His experience encompasses business planning, management and organization audits, and training and development. He holds a Bachelor of Science degree in Business Management from the Ateneo de Manila University and is a founding member of the Distribution Management Association of the Philippines.

DANIEL D. GREGORIO, JR.

Mr. Gregorio began his career as a systems analyst for Coca-Cola Bottling Philippines, Inc. and rose to the position of Chief Accountant. In 1987, he moved to Indonesia as Country General Manager for Coca-Cola Amatil, the owner of the local Coca-Cola bottler. He holds a Bachelor of Science degree in Industrial Engineering.

MA. ROSARIO C.Z. NAVA

Ms. Nava is a practicing lawyer and a member of the Integrated Bar of the Philippines since 1995. She has been a director and the Corporate Secretary of Solectron Philippines Inc. since 2005 and has been the Corporate Secretary of CPAC Monier Philippines, Inc. since 2004. She was also a Director of Hewlett-Packard Philippines Corp. from 2001 to 2002, and then again in 2004 up to 2007, and was its Corporate Secretary from 2006 to 2007. She holds a Bachelor of Science degree in Management, Major in Legal Management (with honors) from the Ateneo de Manila University and a *Juris Doctor* degree from the Ateneo de Manila School of Law.

No Director has resigned or declined to stand for re-election to the Board of Directors since the date of the last Annual Stockholders' Meeting due to disagreement with the Corporation on any matter relating to the Corporation's operations, policies or practices.

No single person is expected to make a significant contribution to the business since the Corporation considers the collective efforts of all its employees as instrumental to the overall success of the Corporation's business. The Corporation is not aware of any family relationship between or among the aforementioned Directors or Executive Officers up to the fourth civil degree.

Except for the payment of annual directors' fee and per diems to directors , the Corporation has not had any transaction during the last two (2) years in which any Director or Executive Officer had a direct or indirect interest.

None of the aforementioned Directors or Executive Officers is or has been involved in any criminal or bankruptcy proceeding, or is or has been subject to any judgment of a competent court barring or otherwise limiting his involvement in any type of business, or has been found to have violated any securities laws during the past five (5) years and up to the latest date.

Nomination for Election as Members of the Board of Directors

The following have been nominated for re-election as members of the Board of Directors for the ensuing year (2009-2010):

Micky Yong
Sunil D'Souza
James Eng, Jr.
Tsang Cho Tai (Allan Tsang)
John L. Sigalos
Timothy E. Minges
Qasim Khan
Jose M. Periquet, Jr.
Rafael M. Alunan III (Independent Director)
Oscar S. Reyes (Independent Director)

All of the above nominees are incumbent Directors. Messrs. Micky Yong and James Eng. Jr. have been formally nominated by Guoco Assets (Philippines), Inc. Messrs. Sunil D' Souza, John L. Sigalos, Timothy E. Minges and Qasim Khan have been formally nominated by Quaker Global Investments B.V. Messrs. Tsang Cho Tai (Allan Tsang) and Jose M. Periquet, Jr. have been formally nominated by Hong Way Holdings, Inc. Guoco Assets (Philippines), Inc. and Hong Way Holdings, Inc. together comprise the Guoco Group and with Quaker Global Investments B.V. are stockholders of the Corporation.

The Corporation has complied with the guidelines on the nomination and election of independent directors set forth in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code. The independent directors, Messrs. Rafael M. Alunan III and Oscar S. Reyes have been nominated by Ederlinda B. Yabut and Roberto S. Franco, respectively, registered stockholders of the Corporation who are not directors, officers or substantial stockholders of the Corporation and who are not related to any of Mr. Alunan and Mr. Reyes. Attached are the updated Certificates of Qualification for 2009 of the nominated independent directors Messrs. Alunan and Reyes.

Mr. Reyes is the incumbent Chairman of the Audit Committee of the Corporation. The incumbent members of the Audit Committee are as follows: Messrs. John L. Sigalos, Tsang Cho Tai (Allan Tsang), and Rafael M. Alunan III.

Mr. Al,unan, on the other hand, is an incumbent member of the Nomination and Compensation and Remuneration Committees of the Corporation.

The incumbent Chairman and members of the Nomination Committee are as follows: Messrs. Micky Yong (Chairman), James Eng, Jr., John L. Sigalos and Rafael M. Alunan III.

The incumbent Chairman and members of the Compensation and Remuneration Committee are as follows: Messrs. James Eng Jr. (Chairman), Micky Yong, John L. Sigalos and Rafael M. Alunan III.

In 2007, the Corporation amended its By-Laws providing for the procedure for nominating members of the Corporation's Board of Directors. The By-Laws provide that the Nomination Committee shall pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with the qualifications and disqualifications provided for in the Articles of Incorporation, By-Laws, the Manual of Corporate Governance, applicable laws, regulations and resolutions and rules passed by it, the stockholders and the Board of Directors. Accordingly, on 30 September 2009, the Nomination Committee approved the final list of candidates for the Board of Directors which included all of the abovenamed individuals.

Item 6. **Compensation of Directors and Executive Officers**

The aggregate compensation paid in 2007 and 2008, and estimated to be paid in 2009, to the Executive Officers of the Corporation is set out below:

Name	Position	Year	Salary	Bonus	Others
Micky Yong	Chairman, President & Chief Executive Officer				
Felix S. Yu	Executive Vice-President, National Sales Operations				
Partha Chakrabarti	Senior Vice-President & Chief Financial Officer				
Daniel D. Gregorio, Jr.	Senior Vice-President, Manufacturing & Logistics				
Roberto H. Goce	Senior Vice-President, Corporate Services Group				
Aggregate for above-named officers		2007 2008 2009	42,300,000.00 43,708,000.00 40,716,000.00	19,300,000.00 22,066,000.00 11,618,000.00	- -
All other directors and		2007	-	-	-

officers as a group		2008	-	-	1,336,764.72*
unnamed		2009	-	-	3,352,941.00**

**This relates to per diem allowances paid to the directors.*
*** This includes both per diem allowances and annual directors' fees paid for fiscal year ended 30 June 2009.*

There are no special employment contracts between the Corporation and the above Executive Officers.

Non-executive Directors are entitled to a per diem allowance of US$1,000 for each attendance in the Corporation's Board meetings and committee meetings, except for Audit Committee meetings where the per diem allowance is US$2,000. In addition, each Director is entitled to receive an annual directors' fee in the amount of Five Hundred Thousand Pesos (₱500,000.00). Seven (7) Directors representing the Guoco Group and Quaker Global Investments B.V. have waived the per diem allowance as well as the annual directors' fee.

There are no outstanding warrants or options held by the above Executive Officers and all such officers and Directors as a group.

Item 7. **Independent Public Accountants**

The auditing firm of KPMG Manabat Sanagustin & Co. is being recommended for election as external auditor for the ensuing year (2009-20010).

Representatives of said firm are expected to be present at the Annual Stockholders' Meeting and will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions.

Aggregate fees billed by the Corporation's external auditor for professional services in relation to (i) the audit of the Corporation's annual financial statements and services in connection with (a) statutory and regulatory filings and (b) the initial public offering of the Corporation's shares; and (ii) tax accounting, compliance, advice, planning and any other form of tax services are summarized as follows:

	FY 2009	FY 2008	Total
Statutory audit fees	₱ 3.50 Million	₱3.40 Million	₱6.9 Million
IPO-related audit fees	-	₱15.70 Million	₱15.70 Million
Tax fees	₱0.33 Million	₱0.25 Million	₱0.58 Million
Total	₱3.83 Million	₱19.35 Million	₱23.18 Million

The Audit Committee of the Corporation reviews and approves the audit plan and scope of work for the above services and ensures that the rates are competitive as compared to the fees charged by other equally competent external auditors performing similar services.

During the Corporation's two most recent fiscal years or any subsequent interim periods, there was no instance where the Corporation's public accountants resigned or indicated that they decline to stand for re-election or were dismissed nor was there any instance where the Corporation had any disagreement with its public accountants on any accounting or financial disclosure issue.

In compliance with Rule 68 (3) (b) (iv) of the Securities Regulation Code, the Corporation has engaged Ms. Emerald Anne C. Bagnes, partner of KPMG Manabat Sanagustin & Co., to sign the Corporation's audited financial statements as of 30 June 2009. Ms. Bagnes has been signing the audited financial statements of the Corporation since 2006. The Corporation became publicly listed with the Philippine Stock Exchange only on 1 February 2008.

Item 8. Compensation Plans

There is no action or matter to be taken up with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

There is no action or matter to be taken up with respect to the authorization or issuance of any securities.

Item 10. Modification or Exchange of Securities

There is no action or matter to be taken up with respect to the modification of any class of securities of the Corporation, or the issuance or authorization for issuance of one class of securities of the Corporation in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

The Corporation has incorporated by reference the following as contained in the Management Report in accordance with Rule 68 of the Amended Rules and Regulations of the Securities Regulation Code:

1. Audited financial statements as of 30 June 2009 and 2008;
2. Management's discussion and analysis or plan of operation; and
3. Information on business overview, properties, legal proceedings, market price of securities, dividends paid and corporate governance.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

There is no action or matter to be taken up with respect to mergers, consolidations, acquisitions and similar matters.

Item 13. Acquisition or Disposition of Property

There is no action or matter to be taken up with respect to the acquisition or disposition of any property.

Item 14. **Restatement of Accounts**

There is no action or matter to be taken up with respect to the restatement of any asset, capital, or surplus account of the Corporation.

D. OTHER MATTERS

Item 15. **Action with Respect to Reports**

The following reports/minutes of meeting will be submitted for approval by the stockholders:

1. Minutes of the Annual Stockholders' Meeting (ASM) held on 28 October 2008 which includes items on (i) Approval of the Minutes of the Previous ASM held on 29 November 2007; (ii) President's Report for Fiscal Year 2007 to 2008; (iii) Approval of Audited Financial Statements as of 30 June 2008; (iv) Ratification of Acts of the Board of Directors and Management for 2007 to 2008; (v) Election of Directors, including Independent Directors; (vi) Approval of the Payment of Annual Directors' Fee; and (vii) Appointment of External Auditors; and

2. Audited Financial Statements for the Fiscal Year ending 30 June 2009.

Item 16. **Matters Not Required to be Submitted**

All actions or matters to be taken up during the Annual Stockholders' Meeting will require the vote of the security holders.

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

There is no action or matter to be taken up with respect to any amendment of the Corporation's Articles of Incorporation, By-Laws or other documents.

Item 18. **Other Proposed Actions**

1. Ratification of all acts and resolutions of the Board of Directors and Management for the period1 July 2008 to 30 June 2009 which include resolutions on the election of officers and Board committee members; placement of additional funds in a trust account to supplement the existing retirement fund; and other resolutions issued in the normal course of the business operations of the Corporation such as updating of authorized signatories for various bank and other transactions and applications for various credit facilities, among others;

2. Election of the members of the Board of Directors, including the Independent Directors, for the ensuing calendar year; and

3. Appointment of External Auditors.

Item 19. **Voting Procedures**

Manner of voting

In all items for approval, except in the election of directors, each share of stock entitles its registered owner to one vote.

For the purpose of electing directors, a stockholder may vote such number of his/her shares for as many persons as there are directors to be elected or he/she 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/her shares shall equal, or he/she may distribute them in the same principle among as many candidates as he/she shall see fit.

As required by the Corporation's By-laws, voting will be done by ballot.

Voting requirements

(a) With respect to the election of directors, candidates who received the highest number of votes shall be declared elected.

(b) With respect to the adoption of the Audited Financial Statements for the year ended 30 June 2009, as well as the approval or ratification of the other actions set forth under the heading "Other Proposed Actions" above, the vote of a majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve such matters.

Method of counting votes

The Corporate Secretary, assisted by her staff and the stock transfer agent, will be responsible for counting and tabulating the votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies at the Annual Stockholders' Meeting.

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF SEC FORM 17-A FREE OF CHARGE, EXCEPT FOR EXHIBITS ATTACHED THERETO WHICH SHALL BE CHARGED AT COST. ANY WRITTEN REQUEST FOR A COPY OF SEC FORM 17-A SHALL BE ADDRESSED AS FOLLOWS:

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
Km. 29 National Road
Tunasan, Muntinlupa City 1773 Philippines

Attention: Mr. Partha Chakrabarti

SIGNATURE PAGE

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

PEPSI COLA PRODUCTS PHILIPPINES. INC.
By:

MICKY YONG
Chairman/President-CEO

PARTHA CHAKRABARTI
Chief Financial Officer

30 September 2009

ANNEX A

MANAGEMENT REPORT

I. GENERAL NATURE AND SCOPE OF THE BUSINESS

Overview

Pepsi-Cola Products Philippines, Inc. (the "Corporation") was registered with the Philippine Securities and Exchange Commission on 8 March 1989 primarily to engage in manufacturing, sales and distribution of beverages. The Corporation is the licensed bottler of PepsiCo, Inc. ("PepsiCo") beverages in the Philippines. It manufactures and packages its products at 11 production plants throughout the Philippines. The Corporation's portfolio of products includes cola and flavored carbonated beverages, including low-calorie derivatives, as well as juices, iced teas, sports drinks and energy drinks. Its brands include well-known beverage brands such as Pepsi, Diet Pepsi, Pepsi Max, 7Up, Diet 7Up, Mountain Dew, Gatorade, Lipton Iced Tea, Tropicana, Propel and Sting.

The Corporation distributes its products through 100 sales offices, together with an extensive third party distribution network, to approximately 296,000 outlets, including supermarkets, restaurants, bars, and small grocery stores. Its sales volumes depend on the reach of its distribution network. It increases the reach of its distribution system by adding routes and increasing penetration by adding outlets on existing routes that currently do not stock its products. It relies on a number of channels to reach retail outlets, including direct sales, distributors and wholesalers.

Philippine Beverage Industry

The beverage market in the Philippines is highly competitive. The Corporation competes primarily on the basis of advertising and marketing programs to create brand awareness, price and price promotions, new product development, distribution methods and availability, packaging and customer goodwill.

The Corporation's competitors in the carbonated beverages market are The Coca-Cola Company, Asiawide Refreshments Corporation, and Asia Brewery Incorporated. The Corporation believes that the substantial investment in multiple plants, distribution infrastructure and systems and the float of returnable glass bottles ("RGBs") and plastic shells required to operate a nationwide beverage business using RGBs represent significant barriers to potential competitors in widening their reach.

The market for non-carbonated beverages ("NCBs") is more fragmented. Some of the Corporation's competitors in this market are The Coca-Cola Company, San Miguel Corporation, Universal Robina Corporation, Zesto Corporation, among others. In recent years, the non-carbonated beverage market has been relatively fluid, with frequent product launches and shifting consumer preferences. The Corporation expects that these trends will continue.

Customers

The Corporation sells its products through supermarkets, convenience stores, bars, sari-sari stores and carinderias. Of these, the sari-sari stores and carinderias are by far the most numerous, although the sales volume of these individual outlets is typically very small. In larger outlets such as supermarkets, which stock the products of a number of beverage suppliers, the Corporation's marketing efforts tend to focus on increasing the amount of shelf space and the number of displays in the outlet. Smaller outlets may have a relationship with only one or two beverage suppliers, and so the Corporation's efforts are directed towards securing the account. In outlets where its products are sold for immediate consumption, part of the Corporation's efforts is to ensure that its products are suitably cooled and it offers many outlets branded refrigeration equipment, as well as signage and other merchandising.

The Corporation, together with PepsiCo and Pepsi Lipton, implement joint marketing strategies to promote the sale and consumption of the Corporation's products. It tailors its marketing efforts to meet the needs of its various customer bases. In tailoring its marketing efforts, the Corporation considers the demographics of the various groups of consumers; the types of locations where they might be purchasing or consuming soft drinks; the price levels their particular consumption patterns will support; regional and personal differences in desired product mix and availability; unmet niche markets; and the actions of its competitors.

The Corporation relies extensively on advertising, consumer sales promotions and non-price retailer incentive programs. It designs these programs to target the particular preferences of the soft drink consumer. It advertises its products extensively through television, radio, print, and billboards throughout the Philippines. It also makes extensive use of in-store point-of-sale advertising to reinforce the national and local advertising and to stimulate demand. The Corporation runs seasonal and one-off promotions, and sponsors or otherwise acquires rights to associate its brands with major sporting and other events. It also benefit from PepsiCo's large global advertising presence and brand recognition. Incentive programs include providing retailers with refrigerators and coolers for the display and cooling of soft drink products. Other incentive programs include providing free point-of-sale display materials and complimentary soft drink products. Sales promotions include sponsorship of community activities, sporting, cultural and social events. There are also consumer sales promotions, such as contests, sweepstakes and give-aways.

Principal Suppliers

Over half of the Corporation's total costs comprise purchases of raw materials. Its largest purchases are of sugar and beverage concentrates. The Corporation purchases all its sugar requirements domestically because of import restrictions imposed by the Philippine government. It purchases all of its beverage concentrates from PepsiCo and Pepsi Lipton at prices that are fixed as a percentage of the wholesale prices the Corporation charges for the finished products, subject to a floor price in United States dollars.

The Corporation also incurs substantial packaging costs. The major components of this expense are purchases of PET pre-forms, which the Corporation converts into PET bottles at its plant, non-reusable glass bottles, aluminum cans and closures. The Corporation also makes regular purchases of RGBs to maintain its float at appropriate levels. The Corporation purchases each of these materials from a small number of suppliers, including suppliers based in the Philippines and in other parts of Asia, usually under short term, fixed price contracts.

Legal Proceedings

From time to time, the Corporation is involved in litigation in the ordinary course of its business. The majority of the cases in which it is a party are cases the Corporation brings to recover debts in relation to unpaid receivables by its trade partners or in relation to cash or route shortages, private criminal prosecutions that it brings (generally for low value offenses such as theft of product or distribution equipment, fraud, and bouncing checks), labor cases for alleged illegal dismissal (which are usually accompanied by demands for reinstatement in the Corporation without loss of seniority rights, payment of separation pay, and payment of backwages, moral and exemplary damages, and attorney's fees), a small number of civil cases brought against the Corporation based on diverse causes of action, and consumer cases brought against it involving allegations of defective products.

As a result of a promotion in 1992, civil cases were filed against the Corporation in which thousands of individuals claimed to hold numbered bottle crowns that entitled them to a cash prize. The Philippine Supreme Court has consistently held in at least 7 final and executory decisions in the last 5 years that the Corporation is not liable to pay the amounts claimed. In the most recent of these decisions, the Supreme Court dismissed a similar claim, reiterating that it is bound by its pronouncement in a number of cases involving this promotion. By virtue of the precedential effect of the decided cases, the Corporation expects the remaining cases to be dismissed in due course. Of the remaining cases, 13 cases involving at least 88 claimants are still with the Regional Trial Courts, 10 cases involving 465 claimants which have been dismissed by the Regional Trial Courts are pending transmittal to the Court of Appeals, 11 cases involving at least 25 claimants are pending with the Court of Appeals and 2 cases are pending with the Supreme Court.

The Corporation does not believe that the litigation in which it is currently involved or which is presently pending or threatened against it is material to it, either individually or in the aggregate. The Corporation has not, in the past 3 years, been involved in any bankruptcy, receivership or other similar proceedings.

II. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

The Corporation's common shares were listed with the Philippine Stock Exchange ("PSE") on 1 February 2008. The high and low sales prices of such shares for the 1st up to the 4th quarters of the fiscal year ending 30 June 2009 are set out below.

FY ending 30 June 2009	High	Low
1st quarter (July to September 2008)	**₱2.00**	**₱2.00**
2nd quarter October to December 2008)	**₱0.87**	**₱0.85**
3rd quarter (January to March 2009)	**₱0.92**	**₱0.92**
4th quarter (April to June 2009)	**₱1.38**	**₱1.36**

Stockholders

The Corporation has approximately 638 holders of common shares (with the PCD Nominee Corporation (Filipino) and (Non-Filipino) considered as two holders) as of 31 August 2009 based on the records of the Corporation's stock transfer agent, Stock Transfer Service Inc. ("STSI"). The following are the Corporation's top 20 holders of common shares based on the report furnished by STSI as of 30 June 2009.

No.	Name	Number of Shares	Percentage of Ownership
1	PCD Nominee Corporation (Non-Filipino)	2,207,129,529	59.7527%
2	Quaker Global Investments B.V.	1,089,101,358	29.4848%
3	PCD Nominee Corporation (Filipino)	299,958,284	8.1206%
4	Orion Land Inc.	70,000,000	1.8951%
5	Micky Yong	20,000,001	0.5414%
6	Joseph Martin H. Borromeo	650,000	0.0176%
7	M.J. Soriano Trading Inc.	450,000	0.0122%
8	Lucio W. Yan	300,000	0.0081%
9	Winefreda O. Madarang	250,000	0.0068%
10	Noe V. Behagan	250,000	0.0068%
11	Valeriano A. Lugti	220,000	0.0060%
12	Luis G. Dabao	200,000	0.0054%
13	Felix S. Yu	149,998	0.0041%
14	Bernardo Merchan	140,000	0.0038%
15	Rene B. Blancaver	137,000	0.0037%
16	Victor Martin J. Soriano	130,000	0.0035%
17	Juanito R. Ignacio	100,000	0.0027%
18	Jose I. Umali	100,000	0.0027%
19	Ma. Corazon V. Pineda	100,000	0.0027%
20	Ma. Celeste S. Narciso	100,000	0.0027%
21	Emmanuel M. Cabusao	100,000	0.0027%

Cash Dividends

The Corporation declared cash dividends amounting to ₱369 million in fiscal year ending 30 June 2009 and ₱400 million in fiscal year ending 30 June 2007. The details of these cash dividend declarations are as follows:

Date of Declaration	Dividend Per Share	Payable to Stockholders of Record as of	Date of Payment
21 June 2007	₱0.12	21 June 2007	20 August 2007
30 September 2008	₱0.10	15 October 2008	7 November 2008

There was no dividend declaration in fiscal year ending 30 June 2008.

Dividend Policy

The Corporation declares dividends to stockholders of record which are paid from the Corporation's unrestricted retained earning. Any future dividends it pays will be at the discretion of the Board after taking into account the Corporation's earnings, cash flow, financial condition, capital and operating progress, and other factors as the Board may consider relevant. The Corporation's present policy is to pay cash dividends of up to 50% of its annual net income. This policy may be subject to future revision.

Cash dividends are subject to approval by the Board without need for stockholders' approval. Stock dividends require the further approval of the stockholders representing no less than 2/3 of the Corporation's outstanding capital stock.

Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

There has been no recent sale of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction.

III. FINANCIAL STATEMENTS

Please refer to the Audited Financial Statements of the Corporation as of 30 June 2009 which is attached hereto as Exhibit 1.

IV. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There has been no change in the independent auditing firm or handling partner or disagreements with the independent CPA on matters relating to the application and interpretation of accounting principles or practices, tax laws and regulations, financial statement disclosures or audit scope and procedures during the two (2) most recent fiscal years.

V. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Results of Operations for the fiscal year 2009 versus 2008

Fiscal year 2009 registered a healthy 5% growth in net income and 19% growth in operating income over year ago level. It maintained profitability, with EBITDA margin of 16%, EBIT margin of 8%, and Net Income margin of 6%. The corresponding numbers for fiscal year 2008 are 15%, 8% and 6%, respectively.

Net sales growth of 10% is driven mainly by growth in NCB brands such as Sting, Tropicana and Gatorade as well as carbonated softdrink ("CSD") growth in flavors.

In line with its strategy of aggressively tapping the healthy growth prospects for NCBs with health and wellness as the platform and growing the business by targeting the broad CD mass market that still constitutes the majority of the Philippine population, the Corporation continues to expand its offering of beverage products to make NCBs available to more Filipinos at affordable prices and convenient packaging. The Corporation has since completed the expansion projects in Cebu, San Fernando and Iloilo which made it possible to offer its NCB products in 8 oz. RGBs all over the country.

The Corporation launched new product innovations such as Tropicana Summer Blends and Gatorade

Tiger and came out with high-impact new packaging formats such as Pepsi Max black long-neck 500 ml. PET, among other things in order to create buzz and bring excitement to the consumers as well as use packaging to communicate and have a dialogue with consumers. It also launched the highly successful Mountain Dew 750 ml RB to leverage the brand's strong pull in trade.

The intensified competition from a crowded CSD market along with the challenge posed by low-priced brands compelled the Corporation to drop its prices. To counteract the adverse effect of low price, commoditized cola segment on its profitability, the Corporation continues to maintain a healthy revenue mix resulting to a 3% higher average LRB prices.

The weak economy, high inflation and stiff competition caused undue pressure on revenues and costs. Gross profit margin slightly dropped from 31.6% in 2008 to 29.4% in 2009 due to increased cost of inputs such as sugar, CO2, packaging materials, fuel, etc during the 1st half of the fiscal year, as well as depressed CSD pricing brought about by intense competition. In spite of lower gross profit margin and higher manufacturing depreciation, gross profit grew by 2.0% due to volume growth.

On the other hand, operating income grew by 18.8% and operating income margin registered an improvement from 7.4% in 2008 to 8.0% in 2009 due to effective cost management. However, an increase in effective tax rate from 24.0% in 2008 to 32.3% in 2009 caused the net income margin to slightly drop from 5.9% to 5.6%.

Operating expenses as a ratio to net sales decreased from 24.2% to 21.4% mainly due to decrease in marketing expenses by 21.7%. The decrease in marketing expenses as a percentage of net sales dropped from 5.1% to 3.7% is due to targeted and prudent marketing spending program initiated by Management in 2009.

As a percentage of net sales, selling and distribution (S&D) expenses decreased from 14.1% to 13.4%. In terms of absolute amount, S&D expenses increased by 3.9% as compared to a year ago level. The increase can be attributed mainly to volume growth as well as the Corporation's continued investment in its distribution infrastructure such as RGBs, plastic cases and in-store refrigeration equipment. These increases in S&D cost were offset by the savings on personnel, rental and utilities as a result of the rationalization of a number of its sales offices, as well as the effect of change in the estimated useful life of its marketing equipment from 5 years to 7 years.

General & administrative expenses decreased by 4.2% vs. year ago level. General and administrative expenses as a percentage over net sales decreased from 5.0% to 4.4% of net sales. Significant cost savings were realized due to prudent cost management.

Results of Operations for the fiscal year 2008 versus 2007

For fiscal year 2008, the Corporation achieved an EBITDA margin of 15%, EBIT margin of 8% and Net Income margin of 6%. The corresponding numbers for fiscal year 2007 are 18%, 12% and 8% respectively. This decline in margins can be attributable to adverse weather condition in the peak selling months, as well as increase in the competition in the market place.

Revenues were driven by revenue growth in NCBs by 20%. This is in keeping with the increasing consumer preference for beverages associated with health and wellness. As a response to increasing health awareness in the Philippines, the Corporation expanded and will continue to expand its range of NCB products. During the year, it entered the energy category by launching brand Sting in both slim can and returnable glass packs. It also entered the vitamin water segment by launching Propel in two flavors. Notwithstanding a crowded and declining CSD market in the Philippines, it maintained an almost flat volume growth in the CSD revenues.

The intensified competition from a crowded CSD market along with a fragmented and relatively young NCB market, as well as the skyrocketing double digit inflation which significantly affected consumer buying power and spending during the usual peak months of March to June put a lot of pressure on the Corporation and the beverage industry as a whole to lower its retail prices. In line with its strategy to make NCB available at affordable packaging, the average NCB price went down by 5% on account of a shift in mix, while the CSD price remained largely unchanged.

In spite of a very challenging year, i.e. spiralling fuel cost, adverse weather conditions, stiff competition all causing undue pressure on revenues and costs, cost of goods sold increased mainly in line with volume growth while gross profit margin remained largely unchanged. Operating expenses as a ratio to net sales increased from 20.6% to 24.2% principally due to additional one-time marketing investment incurred in the 2nd quarter of fiscal year 2008, depreciation and amortization of additional investment in capital expenditure and distribution infrastructure in line with the strategy of growing NCB and maintaining CSD market share amidst a highly competitive industry. This led to a lower
earning after tax margin (from 7.8% to 5.9% of net sales).

Guided by a corporate strategy to grow NCB portfolio and a reflection of the great opportunities it makes from this market, the Corporation continued to invest in expanding approaching capacity constraints in production facilities. At the same time, as part of the strategy to increase the reach of the distribution network, it invested in distribution infrastructure such as RGBs, plastic cases, and in-store refrigeration equipment. Philippine Financial Reporting Standards require the depreciation and amortization of capital expenditure investments in production capacity, RGBs, and powered coolers investment over their estimated useful lives for purposes of presenting these expenditures in the profit and loss statement.

In keeping with this strategy, the Corporation also invested in additional sales and distribution staff and other associated costs such as pallet expenses for the bottles and plastic shells, vehicles, freight for transporting powered coolers, among other things. Accordingly, depreciation and amortization chargeable to cost of sales increased by 16% while depreciation and amortization chargeable to selling and distribution increased by 27.6%. Furthermore, cost of goods sold increased from 67.9% to 68.4% as a percentage of net sales, while selling and distribution expenses increased from 12.4% to 14.1% of net sales.

General and administrative expenses as a percentage of net sales increased from 4.5% to 5.0% mainly because of the additional lease expense and pension expenses taken up in accordance with the Philippine Financial Reporting Standards, as well as regular salary rate increase in fiscal year 2008. Marketing expense as a percentage of Net Sales was up from 3.6% to 5.1% on account of the one-time increase in expenditures incurred in the 2nd quarter of fiscal year 2008.

Financial Condition and Liquidity

For the fiscal year 2009, the Corporation has strong operating cash flows, i.e., net cash provided by operating activities are substantially more than the net cash used in investing activities.

The Corporation's operations are cash intensive. This capability to generate cash is one of its greatest strengths. With its liquidity, the Corporation has substantial financial flexibility in varying operating policy in response to market demands, in meeting capital expenditures through internally-

generated funds and in providing the Corporation with a strong financial condition that gives it ready access to financing alternatives (refer to Note 4 of the Audited Financial Statements for a detailed discussion on
the Corporation's revolving credit facilities as of 20 June 2009.

Credit sales have increased over the past three years from 48% of total sales in 2007 and 62% in 2008 to 68% in 2009. This reflects a shift from a direct distribution mode to a more efficient model of fostering partnership with distributors and multi-route Entrepreneurial Distribution System contractors as well as increase in Modern Trade business. Liquidity has remained healthy, in fact collection periods have improved from 32 days in 2007 and 30 days in 2008 to just 27 days in 2009. Inventory days have decreased from 11 days in 2007 and 12 days in 2008 to just 10 days in 2009, reflecting a more efficient inventory and production management. Trade payable days have remained at manageable levels.

Decrease in current assets from ₱2,485 million as of June 2008 to ₱2,293 million as of June 2009 were due to decrease in cash and cash equivalents by ₱177 million, decrease in accounts due from related parties by ₱109 million and prepayments & other current assets by ₱41 million. This was offset by increases in receivables of ₱106 million and inventories of ₱25 million. Both increase in receivables and inventories were in line with increase in volume.

Increase in current liabilities from ₱2,227 million as of June 2008 to ₱2,345 million as of June 2009 is mainly due to increase in accounts payable & accrued expenses by ₱58 million as well as increase in tax liabilities by ₱156 million.

Total assets increased from ₱7,983 million as of June 2008 to ₱8,562 million as of June 2009 mainly due to the additional investments in bottles and cases and property, plant and equipment in support of the expansion program and volume growth. Total liabilities increased from ₱2,703 million as of June 2008 to ₱2,852 million as of June 2009 due to similar factors stated in increase in current liabilities. Total equity increased from ₱5,279 million to ₱5,709 million on account of net income of ₱800 million for the year less dividends of ₱369 million paid during the year.

Material Commitments for Capital Expenditures

Historically, the Corporation has sourced funding for capital expenditures essential to product innovation initiatives and maintaining operational capabilities through internally-generated funds and long-term borrowings. In recent years, it has met these requirements substantially out of operating cash flow, and has incurred only short-term debt to assist with temporary liquidity requirements. In January 2008, it had embarked on an IPO, with net proceeds of approximately ₱1.2 billion, to fund the expansion of NCB business. The Corporation has since completed all the expansion projects of Cebu, San Fernando and Iloilo listed under this commitment. Capital expenditure for fiscal year 2009 amounted to ₱1.8 billion, ₱175 million lower than the previous year's level. In addition to maintaining a level of ongoing capital expenditures broadly consistent with that incurred in recent periods, the Corporation expects to use the net proceeds received from the IPO offering to complete the remaining expansion projects lined up.

Factors that may Impact Corporation's Operations / Seasonality Aspects

Sales and profitability are affected by the overall performance of the Philippine economy, the natural seasonality of sales, the competitive environment of the beverage market in the Philippines, as well as changes in cost structures, among other factors.

Sales volumes are also affected by the weather, generally being higher in the hot, dry months from March through June and lower during the wetter monsoon months of July through October. In addition, the Philippines is exposed to risk of typhoons during the monsoon period. Typhoons usually result in substantially reduced sales in the affected area, and have, in the past, interrupted production at the plants in affected areas. While these factors lead to a natural seasonality in sales, unseasonable weather could also significantly affect sales and profitability compared to previous comparable periods. Sales during the Christmas/New Year holiday period in late December tend to be higher as well.

The Philippine CSD market experienced stagnant or declining sales volume growth due to the maturity of the market. On the other hand, the Philippine NCB market is growing due to increasing consumer preference for beverages associated with health and wellness, in particular juices, iced teas, sports drinks and water. The CSD and NCB markets are both highly competitive. The actions of competitors as well as the Corporation's own continuous efforts on pricing, marketing, promotions, and new product development affect sales. Some of the smaller competitors have lower cost bases than the Corporation and price their products lower than ours. Thus, in addition to the cost of producing and distributing our beverages, sales prices are greatly affected by the availability and price of competing brands in the market.

All of the Corporation's sales are denominated in Philippine pesos. However, some of the significant costs, such as purchases of packaging materials are denominated in United States dollars. Some of other costs, which are incurred in Philippine pesos, can also be affected by fluctuations in the exchange rate between the Philippine peso and United States dollars. As a result, movements in the exchange rate between Philippine pesos and other currencies can have a significant effect on the results of operations.

The business requires a significant supply of raw materials and energy. The cost and supply of these materials could be adversely affected by changes in the world market prices on sugar, crude oil, aluminum, tin, PET resins, among others. Although direct purchases of fuel are relatively small as a proportion of total costs, the Corporation is exposed to fluctuations in the price of oil through the dependence on freight and delivery services. Changes in materials prices generally affect the competitors as well.

Margins differ between beverage products and package types and sizes. Excluding packaging, production costs are similar across the range of carbonated beverages, but vary between non-carbonated beverages. Packaging costs vary, with RGBs being less expensive than PET, aluminum cans or non-returnable glass. The incremental cost of producing larger-sized serves in the same package type is proportionately lower than the increased volume, creating opportunities to achieve higher margins where customers perceive value in terms of volume.

As a result of the factors discussed above, the margins the Corporation earns on the products can be substantially different, and the margins can change in both absolute and relative terms from period to period. While the Corporation attempts to adjust its product and package mix to maximize profitability, changes in consumer demand and the competitive landscape can have a significant impact on mix and therefore profitability.

The Corporation is also subject to credit risk, liquidity risk and various market risks, including risks from changes in commodity prices, interest rates and currency exchange rates (please refer to Notes to Fiscal Year 2009 Audited Financial Statements, Note 4 on Financial Risk Management and Note 23 on Financial Instruments for the detailed discussion).

The Corporation is not aware of any events that will trigger direct or contingent financial obligation that is material to the Corporation, including any default or acceleration of an obligation.

To the Corporation's knowledge, there are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

To the Corporation's knowledge, there are no material off-balance sheet transactions, arrangement, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.

Significant Elements of Income or Loss that did not arise from Continuing Operations

Please refer to the Statements of Income in the Audited Financial Statements for details of net finance and other income (expenses).

VI. CORPORATE GOVERNANCE

The Corporation's Manual on Corporate Governance ("Manual"), which was adopted on 21 June 2007, details the standards by which it conducts sound corporate governance that is coherent and consistent with relevant laws and regulatory rules, and constantly strives to create value for its stockholders.

Compliance with the Manual's standards is monitored by the Corporation's Compliance Officer. Ultimate responsibility rests with its Board of Directors, which also maintains three (3) standing committees apart from the Executive Committee, each charged with oversight into specific areas of its business activities.

Executive Committee

The Executive Committee of the Board is responsible for developing and monitoring the Corporation's risk management policies. The Executive Committee reviews the detailed financial and operating performance of the Corporation every month and reviews progress against the relevant Annual Operating Plan and Operating Targets, monitors the Corporation's progress against key initiatives, pricing strategies and plans, sales and marketing plans, capital expenditure planning and key decisions on organization structure and people.

Based on the Manual, the Executive Committee shall be composed of at least five members, namely, the President-Chief Executive Officer, the Chief Financial Officer, and such other directors.

The incumbent Chairman and members of the Executive Committee are as follows: Messrs. Micky Yong (Chairman), Sunil D'Souza, James Eng Jr., Tsang Cho Tai (Allan Tsang), Qasim Khan, and Partha Chakrabarti (CFO).

Audit Committee

The Corporation's Audit Committee is responsible for assisting the Board in its fiduciary responsibilities by providing an independent and objective assurance to the management and shareholders of the Corporation of the continuous improvement of the Corporation's risk management systems and business operations, and the proper safeguarding and use of its resources and assets. The Audit Committee provides a general evaluation of and assistance in the overall improvement of the Corporation's risk management, control and governance processes.

Based on the Manual, the Audit Committee must be comprised of at least three directors, preferably with accounting and financial background. Two of the members must be independent directors, including the Chairman of the committee. The Audit Committee reports to the Board and is required to meet at least once every three months.

The incumbent Chairman and members of the Audit Committee are as follows: Messrs. Oscar S. Reyes (Chairman), John L. Sigalos, Tsang Cho Tai (Allan Tsang), and Rafael M. Alunan III.

Compensation and Remuneration Committee

The Corporation's Compensation and Remuneration Committee is responsible for objectively recommending a formal and transparent framework of remuneration and evaluation for the members of the Board and its key executives.

Based on the Manual, the Compensation and Remuneration Committee must be comprised of at least three members, including one independent director. The Compensation and Remuneration Committee reports to the Board and is required to meet at least once each year.

The incumbent Chairman and members of the Compensation and Remuneration Committee are as follows: Messrs. James Eng Jr. (Chairman), Micky Yong, John L. Sigalos and Rafael M. Alunan III.

Nomination Committee

The Corporation's Nomination Committee is responsible for providing shareholders with an independent and objective evaluation of and assurance that the members of the Board are competent and will foster the Corporation's long-term success and secure its competitiveness.

Based on the Manual, the Nomination Committee must be comprised at least three members, including one independent director. The Nomination Committee reports to the Board and is required to meet at least once each year.

The incumbent Chairman and members of the Nomination Committee are as follows: Messrs. Micky Yong (Chairman), James Eng Jr., John L. Sigalos and Rafael M. Alunan III.

For purposes of evaluating compliance with the Manual, the Corporation has adopted the self-rating form prescribed by the Securities and Exchange Commission ("SEC"). The Corporation has complied with its Manual through the election of two (2) independent directors to the Corporation's Board; the constitution of the Audit, Compensation and Remuneration, and Nomination Committees pursuant to its By-laws and the election of the Chairman and members of such committees, which include the independent directors; the conduct of regular meetings of the Board of Directors and the various committees of the Board above stated; adherence to the written Code of Conduct prepared by the Corporation's Human Resources Department; and adherence to applicable accounting standards and disclosure requirements.

The Corporation adheres to a business plan, budget and marketing plan. Management prepares and submits to the Executive Committee of the Board and to the Board, on a regular basis, financial and operational reports which enable the Board and Management to assess the effectiveness and efficiency of the Corporation.

While the Corporation has fulfilled its corporate governance obligations and there has been no deviations from the Manual as of date, it continues to evaluate and review its Manual to ensure that best practices on corporate governance are being adopted.

109232009336984

SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills,Mandaluyong City, Metro Manila,Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 725-5293 Email: mis@sec.gov.ph

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Industry Classification	
Company Type	Stock Corporation

Document Information

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COVER SHEET

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S.E.C. Registration Number

PEPSI-COLA PRODUCTS
PHILIPPINES, INC.

(Company's Full Name)

Km. 29, National Road
Tunasan, Muntinlupa City

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

Honeylin C. Castolo

Contact Person

807-9905

Company Telephone Number

06 30

Month *Day*

AAFS

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

STAMPS

BUREAU OF INTERNAL REVENUE
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DATE SEP 2 ? 2009 SSS
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MENISSA C. TURNER

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REPUBLIC OF THE PHILIPPINES)
______________________________) S.S.

UNDERTAKING

I, **PARTHA CHAKRABARTI**, of legal age, Indian, Chief Financial Officer of Pepsi-Cola Products Philippines, Inc. (the "Corporation"), and with office address at Km. 29 National Road, Tunasan, Muntinlupa City, being duly sworn in accordance with law, hereby undertake to submit to the Securities and Exchange Commission the Annual Audited Financial Statements of the Corporation as of 30 June 2009 duly filed and received by the Bureau of Internal Revenue no later than October 15, 2009.

This Undertaking is being issued in connection with the filing of the Annual Audited Financial Statements of the Corporation as of 30 June 2009 as an exhibit/attachment to the Corporation's SEC Form 17-A.

IN WITNESS WHEREOF, I have hereunto affixed my signature this SEP 2 2 2009 in Makati City.

P. Chakrabarti

PARTHA CHAKRABARTI
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this SEP 2 2 2009 in Makati City, affiant having exhibited to me his Passport No. Z1751780 issued on February 26, 2008 in Manila City and expiring on February 26, 2018.

Doc. No. 273 ;
Page No. 56 ;
Book No. II ;
Series of 2009.

ATTY. CELERINO T. GRECIA III
Notary Public
Commission No. 07-029
Until December 31, 2009
Km. 29 National Rd., Tunasan, Muntinlupa City
IBP LRN: 04683; May 12, 2003; Iloilo
PTR No. 0104302; 01/03/2008; Muntinlupa City
Attorney's Roll No. 31460

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

FINANCIAL STATEMENTS
June 30, 2009, 2008 and 2007

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

Branches · Subic · Cebu · Bacolod · Iloilo

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

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Pepsi-Cola Products Philippines, Inc.
Km. 29, National Road
Tunasan, Muntinlupa City

We have audited the accompanying financial statements of Pepsi-Cola Products Philippines, Inc., which comprise the balance sheets as at June 30, 2009 and 2008, and the statements of income, statements of changes in equity and statements of cash flows for each of the three years in the period ended June 30, 2009, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pepsi-Cola Products Philippines, Inc. as of June 30, 2009 and 2008, and its financial performance and its cash flows for each of the three years in the period ended June 30, 2009, in accordance with Philippine Financial Reporting Standards.

MANABAT SANAGUSTIN & CO., CPAs

EMERALD ANNE C. BAGNES
Partner
CPA License No. 0083761
SEC Accreditation No. 0312-AR-1
Tax Identification No. 102082332
BIR Accreditation No. 08-001987-12-2007
Issued July 10, 2007; Valid until July 9, 2010
PTR No. 1564051MB
Issued January 5, 2009 at Makati City

September 22, 2009
Makati City, Metro Manila

PCPPI

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
Km. 29 National Road, Tunasan, Muntinlupa City 1773 Philippines
Tel. No.: (632) 850-7901 Fax No.: (632) 850-7928
Website : www.pepsiphilippines.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **PEPSI-COLA PRODUCTS PHILIPPINES, INC.** is responsible for all information and representations contained in accompanying financial statements, which comprise the balance sheets as at June 30, 2009 and 2008, and the statements of income, statements of changes in equity and statements of cash flows for each of the three years in the period ended June 30, 2009. The financial statements have been prepared in conformity with Philippine Financial Reporting Standard and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

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

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

MICKY YONG
Chief Executive Officer and Chairman of the Board

PARTHA CHAKRABARTI
Chief Financial Officer

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

SUBSCRIBED AND SWORN TO before me in the City of MUNTINLUPA CITY this ___th day of SEP 22 2009 by:

Name	Competent Evidence of Identity	Date/Place Issued
Micky Yong	Passport No.S06034791	April 26, 2001/Singapore
Partha Chakrabarti	Passport No. Z1751780	Feb. 26, 2008/ Manila

who have satisfactorily proven their identity to me through the above identification, that they are the same person who personally signed the foregoing instrument before me and acknowledged that they executed the same.

ATTY. CELERINO T. GRECIA III
Notary Public
Commission No. 07-029
Until December 31, 2009
Km. 29 National Rd., Tunasan, Muntinlupa City
IBP LRN: 04683; May 12, 2003; Iloilo
PTR No. 0104302; 01/03/2008; Muntinlupa City
Attorney's Roll No. 31466

Doc. No. 274
Page No. 56
Book No. 71
Series of 2009.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
BALANCE SHEETS
(Amounts in Thousands)

	Note	June 30 2009	2008
ASSETS			
Current Assets			
Cash and cash equivalents	*5*	**P413,088**	P590,326
Receivables - net	*6*	**987,965**	882,075
Inventories	*7, 11*	**703,963**	678,933
Due from associates - net	*14*	**89,737**	84,877
Due from a related party	*14*	**26,717**	135,652
Prepaid expenses and other current assets		**71,928**	113,252
Total Current Assets		**2,293,398**	2,485,115
Noncurrent Assets			
Investments in associates	*8*	**527,723**	525,502
Bottles and cases - net	*9, 11*	**2,441,198**	1,972,654
Property, plant and equipment - net	*10, 11*	**3,156,001**	2,861,459
Other noncurrent assets - net		**143,941**	138,039
Total Noncurrent Assets		**6,268,863**	5,497,654
		P8,562,261	P7,982,769
LIABILITIES AND EQUITY			
Current Liabilities			
Notes payable	*7, 9, 10, 11*	**P50,000**	P147,100
Accounts payable and accrued expenses	*7, 12, 14, 24*	**2,138,380**	2,079,994
Income tax payable		**156,456**	-
Total Current Liabilities		**2,344,836**	2,227,094
Noncurrent Liabilities			
Accrued retirement cost - net of current portion	*24*	**131,830**	186,577
Deferred tax liabilities - net	*13*	**375,723**	289,712
Total Noncurrent Liabilities		**507,553**	476,289
Total Liabilities		**2,852,389**	2,703,383
Equity			
Capital stock	*25*	**554,066**	554,066
Additional paid-in capital	*25*	**1,197,369**	1,197,369
Effect of dilution of ownership		**(1,018)**	(1,018)
Retained earnings	*26*	**3,959,455**	3,528,969
Total Equity		**5,709,872**	5,279,386
		P8,562,261	P7,982,769

See Notes to the Financial Statements.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

STATEMENTS OF INCOME

(Amounts in Thousands)

		Years Ended June 30		
	Note	2009	2008	2007
NET SALES	*15, 22*	**P14,232,045**	P12,980,886	P12,916,212
COST OF GOODS SOLD	*14, 16, 19, 20, 24, 27*	**10,042,738**	8,874,106	8,766,162
GROSS PROFIT		**4,189,307**	4,106,780	4,150,050
OPERATING EXPENSES				
Selling and distribution	*14, 17, 19, 20, 24, 27*	**1,902,574**	1,830,309	1,599,571
General and administrative	*14, 18, 19, 20, 24, 27*	**620,850**	648,080	587,081
Marketing expenses	*14*	**520,916**	664,935	468,291
		3,044,340	3,143,324	2,654,943
INCOME FROM OPERATIONS		**1,144,967**	963,456	1,495,107
FINANCE AND OTHER INCOME (EXPENSE)				
Interest income	*5, 14*	**17,234**	22,581	18,050
Equity in net earnings of associates	*8*	**2,221**	20,028	6,792
Interest expense	*11*	**(21,972)**	(35,713)	(52,439)
Other income - net		**38,979**	30,567	52,117
		36,462	37,463	24,520
INCOME BEFORE INCOME TAX		**1,181,429**	1,000,919	1,519,627
INCOME TAX EXPENSE	*13*	**381,739**	240,222	518,241
NET INCOME		**P799,690**	P760,697	P1,001,386
Basic/Diluted Earnings Per Share	*21*	**P0.22**	P0.22	P0.30

See Notes to the Financial Statements.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

		Years Ended June 30		
	Note	**2009**	2008	2007
CAPITAL STOCK				
Balance at beginning of year		**P554,066**	P496,948	P496,948
Issuance during the year	*25*	**-**	57,118	-
Balance at end of year		**554,066**	554,066	496,948
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year		**1,197,369**	59,473	59,473
Issuance during the year	*25*	**-**	1,275,622	-
Transaction cost on initial public offering	*25*	**-**	(137,726)	-
Balance at end of year		**1,197,369**	1,197,369	59,473
EFFECT OF DILUTION OF OWNERSHIP		**(1,018)**	(1,018)	(1,018)
REVALUATION INCREMENT ON LAND				
Balance at beginning of year		**-**	-	274,569
Transfer to retained earnings		**-**	-	(274,569)
Balance at end of year		**-**	-	-
RETAINED EARNINGS				
Balance at beginning of year		**3,528,969**	2,768,272	1,892,317
Net income for the year		**799,690**	760,697	1,001,386
Transfer from revaluation increment on land		**-**	-	274,569
Dividends declared	*26*	**(369,204)**	-	(400,000)
Balance at end of year		**3,959,455**	3,528,969	2,768,272
		P5,709,872	P5,279,386	P3,323,675

See Notes to the Financial Statements.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

			Years Ended June 30	
	Note	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P1,181,429**	P1,000,919	P1,519,627
Adjustments for:				
Depreciation and amortization	*19*	**1,025,824**	969,611	813,537
Allowance for probable losses in values of bottles and cases, machinery and equipment, idle assets, impairment losses, inventory obsolescence and others provisions - net	*6, 7, 9*	**132,704**	73,383	25,222
Retirement cost	*24*	**34,791**	67,708	67,276
Interest expense		**21,972**	35,713	52,439
Interest income		**(17,234)**	(22,581)	(18,050)
Equity in net earnings of associates	*8*	**(2,221)**	(20,028)	(6,792)
Gain on disposal of property and equipment		**(1,841)**	(1,527)	(759)
Operating income before working capital changes		**2,375,424**	2,103,198	2,452,500
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Receivables	*6*	**(160,139)**	(106,198)	(165,032)
Inventories	*7*	**(68,218)**	(81,106)	(115,445)
Due from a related party		**108,935**	(125,165)	3,923
Prepaid expenses and other current assets		**41,324**	(18,309)	(12,370)
Increase (decrease) in accounts payable and accrued expenses	*12*	**17,366**	(148,050)	424,502
Cash generated from operations		**2,314,692**	1,624,370	2,588,078
Interest received		**18,061**	22,035	17,934
Income taxes paid		**(139,272)**	(215,094)	(275,758)
Contribution to plan assets	*24*	**(48,000)**	(54,000)	(62,000)
Interest paid		**(22,490)**	(39,957)	(65,988)
Net cash provided by operating activities		**2,122,991**	1,337,354	2,202,266

Forward

	Note	2009	2008	2007
			Years Ended June 30	
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property and equipment	*10*	**P5,370**	P17,681	P5,269
Net additions to:				
Property, plant and equipment	*10*	**(833,864)**	(1,309,518)	(918,905)
Bottles and cases	*9*	**(994,669)**	(693,180)	(697,858)
Investments in associates	*8*	**-**	-	(81,015)
Net increase in amounts due from associates	*8*	**(4,860)**	(4,850)	(632)
Increase in other noncurrent assets		**(5,902)**	386	(88,646)
Net cash used in investing activities		**(1,833,925)**	(1,989,481)	(1,781,787)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash dividends paid	*26*	**(369,204)**	(400,000)	(99,367)
Net proceeds from (repayments of):				
Notes payable	*11*	**(97,100)**	98,500	-
Long-term debt		**-**	(283,333)	(166,667)
Proceeds from issuance of shares of stocks		**-**	1,195,014	-
Net cash provided by (used in) financing activities		**(466,304)**	610,181	(266,034)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(177,238)**	(41,946)	154,445
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**590,326**	632,272	477,827
CASH AND CASH EQUIVALENTS AT END OF YEAR	*5*	**P413,088**	P590,326	P632,272

See Notes to the Financial Statements.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in Thousands, Except Number of Shares and Par Value per Share and When Otherwise Stated)

1. Reporting Entity

Pepsi-Cola Products Philippines, Inc. (the "Company") was registered with the Philippine Securities and Exchange Commission (SEC) on March 8, 1989, primarily to engage in manufacturing, sales and distribution of carbonated soft-drinks (CSD) and non-carbonated beverages (NCB) to retail, wholesale, restaurants and bar trades. The registered office address and principal place of business of the Company is Km. 29, National Road, Tunasan, Muntinlupa City.

2. Basis of Preparation

Statement of Compliance

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

The financial statements of the Company as of and for the years ended June 30, 2009 and 2008 and the statement of income, statement of changes in equity, and statement of cashflows for the year ended June 30, 2007 were approved and authorized for issue by the Company's Board of Directors (BOD) on September 22, 2009.

Basis of Measurement

The financial statements have been prepared on a historical cost basis.

Functional and Presentation Currency

The financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Philippine peso, which is also the Company's functional currency and all values are rounded to the nearest thousand, except number of shares and par value per share and when otherwise indicated.

Use of Estimates and Judgments

The preparation of the financial statements in accordance with PFRS requires management to make estimates and judgments that affect the application of accounting policies and the amounts reported in the financial statements. The estimates and judgments used in the accompanying financial statements are based on management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Leases
The Company has entered into various lease agreements as lessee. The Company has determined that the lessor retains all significant risks and rewards of ownership of these properties which are leased out under operating lease agreements. Rent expense pertaining to these leased properties amounted to P153 million in 2009, P162 million in 2008 and P113 million in 2007 (see Notes 16, 17 and 18).

Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the sales price of goods and the cost of providing these goods.

Contingencies
The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Company's defense relating to these matters and is based upon an analysis of potential results. The Company currently does not believe that these proceedings will have a material adverse effect on its financial statements. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 27).

Estimating Allowance for Impairment Losses on Receivables
The Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The Company performs regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provides these with the appropriate allowance for impairment losses. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment losses being determined for each risk grouping identified by the Company. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies. An increase in the allowance for impairment losses would increase recorded operating expenses and decrease current assets. As of June 30, 2009 and 2008, allowance for impairment losses on receivables amounted to P150 million and P102 million, respectively. Receivables, net of allowance for impairment losses amounted to P988 million and P882 million as of June 30, 2009 and 2008, respectively (see Note 6). No allowance for impairment losses is necessary for the Company's due from a related party and due from associates as of June 30, 2009 and 2008.

Estimating Net Realizable Value of Inventories
In determining the net realizable value of inventories, the Company considers inventory obsolescence based on specific identification and as determined by management for inventories estimated to be unsaleable in the future. The Company reduces the cost of inventories to a recoverable value at a level considered adequate to reflect market decline in value of the recorded inventory. The Company reviews, on a continuous basis, the product movement, changes in consumer demands and introduction of new products to identify inventories which are to be written down to net realizable values. The carrying amount of inventories was reduced to its net realizable value by P18 million and P9 million in 2009 and 2008, respectively. The net realizable value of inventories amounted to P704 million and P679 million as of June 30, 2009 and 2008, respectively (see Note 7).

Estimating Useful Lives of the Excess of Cost of Containers over Deposit Values
The excess of the acquisition costs of the returnable bottles and cases over their deposit values is deferred and amortized over their estimated useful lives (EUL) principally determined by their historical breakage and trippage. A reduction in the EUL of excess of cost over deposit value would increase the recorded amortization and decrease noncurrent assets. As of June 30, 2009 and 2008, accumulated amortization of excess of cost over deposit values of returnable bottles and cases amounted to P3.2 billion and P2.7 billion, respectively. The carrying amounts of bottles and cases amounted to P2.4 billion and P2.0 billion as of June 30, 2009 and 2008, respectively (see Note 9).

Estimating Allowance for Unusable Containers
An allowance for unusable containers is maintained based on specific identification and as determined by management to cover bottles and shells that are no longer considered fit for use in the business, obsolete or in excess of the Company's needs. As of June 30, 2009 and 2008, allowance for unusable containers amounted to P17 million and P7 million, respectively (see Note 9).

Estimating Useful Lives of Property, Plant and Equipment
The Company reviews annually the EUL of property, plant and equipment based on the period over which the assets are expected to be available for use and updates those expectations if actual results differ from previous estimates due to physical wear and tear and technical or commercial obsolescence. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the EUL of property, plant and equipment would increase the recorded depreciation and amortization expenses and decrease noncurrent assets.

The EUL are as follows:

	Number of Years
Buildings and leasehold improvements	20 or term of the lease, whichever is shorter
Machinery and other equipment	3 - 10
Furniture and fixtures	10

As of June 30, 2009 and 2008, the carrying amounts of property, plant and equipment amounted to P3.2 billion and P2.9 billion, respectively (see Note 10).

Estimating Allowance for Impairment Losses on Nonfinancial Assets
The Company assesses impairment on property, plant and equipment and investments in associates whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

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

If any impairment indicator exists, the asset's recoverable amount is estimated. Determining the recoverable value of the assets requires estimation of cash flows expected to be generated from continued use and ultimate disposal of such assets. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses would increase recorded operating expenses and decrease the noncurrent assets. As of June 30, 2009 and 2008, none of these impairment indicators exist on the Company's property, plant and equipment and investments in associates. An impairment loss amounting to P15 million (included under "Selling and Distribution Expenses" in the statements of income) was recognized for marketing equipment (included as part of machinery and other equipment under "Property, plant and equipment" account in the balance sheets) in fiscal year 2007. The related allowance was fully written-off in fiscal year 2007. As of June 30, 2009 and 2008, the carrying amounts of property, plant and equipment amounted to P3.2 billion and P2.9 billion, respectively (see Note 10). Investments in associates amounted to P528 million and P526 million as of June 30, 2009 and 2008, respectively (see Note 8).

Estimating Realizability of Deferred Tax Assets
The Company reviews the carrying amounts of deferred tax assets at each balance sheet date and reduces deferred tax assets 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 Company's assessment on the recognition of deferred tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses. The Company has no unrecognized deferred tax assets as of June 30, 2009 and 2008. As of June 30, 2009 and 2008, the Company has net deferred tax liabilities amounting to P376 million and P290 million, respectively (see Note 13).

Estimating Retirement Benefits Liability
The determination of the retirement benefits liability and retirement benefits cost is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets and salary increase rate. Actual results that differ from the Company's assumptions, subject to the 10% corridor test, are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligations in such future periods. As of June 30, 2009 and 2008, the Company has unrecognized net actuarial gains amounting to P7 million and P89 million, respectively (see Note 24).

3. Significant Accounting Policies

The following explains the significant accounting policies which have been adopted in the preparation of the financial statements:

Adoption of Interpretation and Amendments to Standard
The accounting policies adopted are consistent with those of the previous financial year, except for the following Philippine interpretation which became effective on January 1, 2008 and amendments to existing standards which became effective on July 1, 2008:

- Philippine Interpretation IFRIC-14, *PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, provides general guidance on how to assess the limit in PAS 19, *Employee Benefits*, on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement. The adoption of this interpretation did not have a significant impact on the Company's financial statements.

- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement,* and PFRS 7, *Financial Instruments: Disclosures,* which are effective beginning July 1, 008, permit an entity to reclassify nonderivative financial assets, other than those designated at fair value through profit or loss upon initial recognition, out of the trading category in certain circumstances. The amendments also permit an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that otherwise would have met the definition of loans and receivables, if the entity has the intention and ability to hold that financial asset for the foreseeable future. The adoption of these amendments to the standards did not have a significant effect on the Company's financial statements.

<u>New Standard, Revised Standard, Amendments to Standards and Interpretation Not Yet Adopted</u>

The following are the new standard, revised standard, amendments to standards and interpretation which have been approved and are not yet effective and have not been applied in preparing these financial statements:

- PFRS 8, *Operating Segments.* This will be effective for financial years beginning on or after January 1, 2009 and will replace PAS 14, *Segment Reporting.* This PFRS adopts a management approach in reporting segment information. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. It is required for adoption only by entities whose debt or equity instruments are publicly traded, or are in the process of filing with the SEC for the purposes of issuing any class of instruments in a public market. The requirements of the standard will be applied in the Company's financial statements upon its adoption on July 1, 2009.

- Revised PAS 1, *Presentation of Financial Statements.* The revised standard will be effective for financial years beginning on or after January 1, 2009. The revised standard introduces "total comprehensive income" (i.e., changes in equity during a period, other than those changes resulting from transactions with owners in their capacity as owners), which is presented either in: (a) one statement (i.e., a statement of comprehensive income); or (b) two statements (i.e., an income statement and a statement beginning with profit or loss and displaying components of other comprehensive income). Certain requirements are also required by revised PAS 1 that are not required by the original standard. The requirements of the revised standard will be included in the Company's financial statements upon its adoption on July 1, 2009.

- *Improvements to PFRS 2008* will be effective for financial years beginning on or after beginning on or after January 1, 2009. The improvements discusses 35 amendments and is divided into two parts: a) Part I includes 24 amendments that result in accounting changes for presentation, recognition or measurement purposes; and b) Part II includes 11 terminology or editorial amendments that the International Accounting Standards Board expects to have either no or only minimal effects on accounting. The Company expects that the improvements to standards will not have significant impact on the Company's financial statements upon its adoption on July 1, 2009.

- Amendments to PFRS 7, *Improving Disclosures about Financial Instruments.* This will be effective for annual periods beginning on or after January 1, 2009. These amendments enhance disclosures over fair value measurements relating to financial instruments, specifically in relation to disclosures over the inputs used in valuations techniques and the uncertainty associated with such valuations and improves disclosures over liquidity risk to address current diversity in practice in how such disclosure requirements are being interpreted and applied, proposing quantitative disclosures based on how liquidity risk is managed and strengthening the relationship between quantitative and qualitative liquidity risk disclosures. The requirements of the amendments to standard will be included in the Company's financial statements upon its adoption on July 1, 2009.

- Philippine Interpretation IFRIC-17, *Distributions of Noncash Assets to Owners*. This will be effective for annual periods beginning on or after July 1, 2009. This interpretation provides guidance on the accounting for non-reciprocal distributions of non-cash assets to owners acting in their capacity as owners. It also applies to distributions in which the owners may elect to receive either the non-cash asset or a cash alternative. The liability for the dividend payable is measured at the fair value of the assets to be distributed. This interpretation is not expected to have any significant impact on the Company's financial statements upon its adoption on July 1, 2009.

Financial Instruments
Date of Recognition. The Company recognizes a financial asset or a financial liability in the balance sheets when it becomes a party to the contractual provisions of the instrument. The Company determines the classification of its financial assets and liabilities on initial recognition and, where allowed and appropriate, re-evaluates this designation at each balance sheet date. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulations in the market place.

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

Subsequent to initial recognition, the Company classifies its financial assets in the following categories: held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, FVPL financial assets, and loans and receivables. Financial liabilities are classified as 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. As of June 30, 2009 and 2008, the Company has no financial assets and financial liabilities at FVPL, HTM investments and AFS financial assets.

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

Loans and Receivables. Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial asset at FVPL. Loans and receivables are carried at cost or amortized cost, less impairment in value. Amortization is determined using the effective interest method. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through amortization process.

The Company's trade and other receivables, due from associates and due from a related party are included in this category.

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

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

Included in this category are the Company's notes payable and accounts payable and accrued expenses that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and accrued retirement cost).

Derecognition of Financial Instruments

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

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

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

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such modification is treated as a derecognition of the carrying value of the original liability and the recognition of a new liability at fair value, and any resulting difference is recognized in the statements of income.

Offsetting Financial Instruments

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

Inventories
Inventories are valued at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in process, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value of inventories other than spare parts and supplies, is the estimated selling price in the ordinary course of business, less estimated cost of completion and selling expenses. For the spare parts and supplies, net realizable value is the estimated selling price less cost to sell.

Investments in Associates
Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies and which are neither subsidiaries nor joint ventures. The financial statements include the Company's share of the total recognized earnings and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. Distributions received from the associates reduce the carrying amount of the investments. Income and expense resulting from transactions between the Company and the associates are eliminated to the extent of the interest in the associates. When the Company's share of losses exceeds the cost of the investment in an associate, the carrying amount of that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company's investment includes goodwill that represents the excess of acquisition cost of investment over the fair value of the net identifiable assets of the investee companies at the date of acquisition, net of impairment in value, if any.

The financial statements of the associates are prepared for the same reporting period as the Company's financial statements.

Bottles and Cases
Bottles and cases include returnable glass bottles and cases stated at deposit values and the excess of the acquisition costs of returnable bottles and cases over their deposit values. These are deferred and amortized using the straight-line method over their estimated useful lives (5 years for returnable bottles and 7 years for cases) determined principally by their actual historical breakage and trippage. An allowance is provided for excess, unusable and obsolete returnable bottles and cases based on the specific identification method.

Property, Plant and Equipment
Property, plant and equipment are carried at cost (which comprises its purchase price and any directly attributable cost in bringing the asset to working condition and location for its intended use) less accumulated depreciation, amortization and impairment losses, if any.

Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Company. The cost of day-to-day servicing of an asset is recognized as expense in the period in which it is incurred.

Construction in progress represents plant and equipment under construction and is stated at cost. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use.

Depreciation commences once the assets become available for use. Depreciation is computed on a straight-line basis over the EUL of the assets. Leasehold improvements are amortized over the EUL of the improvements or the term of the lease, whichever is shorter.

The EUL and depreciation and amortization methods are reviewed at each balance sheet date to ensure that the period and depreciation and amortization methods are consistent with the expected pattern of economic benefits from those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in the statements of income.

Impairment

Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually, significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the statements of income.

Reversal of an impairment loss previously recognized is recorded when the decrease can be objectively related to an event occurring after the impairment event. Such reversal is recognized in the statements of income. However, the increased carrying amount is only recognized to the extent it does not exceed what the amortized cost would have been had the impairment not been recognized.

Nonfinancial Assets

The carrying amounts of the Company's nonfinancial assets such as investments in associates, bottles and cases, and property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized in the statements of income whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

The recoverable amount of a nonfinancial asset is the greater of the asset's fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction. 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 cash flows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversals of impairment are recognized in the statements of income.

Capital Stock

Capital stock is classified as equity. Incremental costs directly attributable to the issue of shares are recognized as a deduction from equity, net of any tax effect.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and discounts. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing involvement with the goods. Transfer of risks, and rewards of ownership coincides with the delivery of the products to the customers.

Cost and Expense Recognition

Costs and expenses are recognized in the statements of income as they are incurred.

Advertising and Marketing Costs

Advertising and marketing costs are charged to operations in the year such costs are incurred.

Finance Income and Expenses

Finance income comprises of interest income on bank deposits and money market placements, dividend income and foreign currency gains. Interest income is recognized in the statements of income as it accrues, using the effective interest method. Dividend income is recognized on the date that the Company's right to receive payment is established.

Finance expenses comprise interest expense on borrowings and foreign currency losses. All finance expenses are recognized in the statements of income as they accrue.

Leases

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in the statements of income on a straight-line basis over the term of the lease.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. The capitalization of borrowing costs (a) commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are being incurred; (b) is suspended during extended periods in which active development, improvement and construction of the assets are interrupted; and (c) ceases when substantially all the activities necessary to prepare the assets are complete. These costs are amortized using the straight-line method over the EUL of the related property, plant and equipment to which it is capitalized.

Provisions and Contingencies

A provision is a liability of uncertain timing or amount. It is recognized when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Provisions are revisited at each balance sheet date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects the current market assessment of the time value of money, and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

Income Taxes

Income tax expense for the period comprises current and deferred tax. Income tax expense is recognized in the statements of income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current Tax

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

Deferred Tax

Deferred tax is provided using the balance sheet liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and the carryforward tax benefits of the net operating loss carryover (NOLCO) and the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT). The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the carryforward benefits of NOLCO and MCIT can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Retirement Plan

The Company has a funded, noncontributory defined benefit retirement plan covering substantially all of its regular and full time employees. Retirement costs are actuarially determined using the projected unit credit method which reflect services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial gains and losses that exceed 10% of the greater of the present value of the Company's defined benefit obligation and the fair value of the plan assets are amortized over the expected average working lives of the participating employees.

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

The Company recognizes past service cost as an expense on a straight-line basis over the average vesting period. The Company recognizes past service cost immediately to the extent that the benefits are already vested following the introduction of, or changes to, the plan.

Foreign Currency Transactions

The functional and presentation currency of the Company is the Philippine peso. Transactions in foreign currencies are recorded in Philippine peso based on the prevailing exchange rates at the date of the transactions. Foreign currency denominated monetary assets and liabilities are translated using the exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from translation of foreign currency denominated items at rates different from those at which they were previously recorded are credited or charged to current operations.

Earnings Per Share (EPS)

Basic EPS is computed by dividing the net income by the weighted average number of common shares outstanding during the period, with retroactive adjustments for any stock dividends declared.

Diluted EPS is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive potential common shares.

Dividends on Common Shares

Cash dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD of the Company. Dividends for the year that are approved after the balance sheet date are dealt with as a nonadjusting event after balance sheet date.

Segment Reporting

The Company's operating business is organized and managed according to the nature of the products provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Subsequent Events

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

4. Financial Risk Management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements, mainly in Note 23 to the financial statements.

The main purpose of the Company's dealings in financial instruments is to fund its operations and capital expenditures.

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD has established the Executive Committee (EXCOM), which is responsible for developing and monitoring the Company's risk management policies. The EXCOM identifies all issues affecting the operations of the Company and reports regularly to the BOD on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, 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 Company's activities. All risks faced by the Company are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Company's operations and forecasted results. The Company, 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 Audit Committee performs oversight over financial management functions, specifically in the areas of managing credit, liquidity, market and other risks of the Company. The Audit Committee directly interfaces with the internal audit function, which undertakes reviews of risk management controls and procedures and ensures the integrity of internal control activities which affect the financial management system of the Company. The results of procedures performed by Internal Audit are reported to the Audit Committee.

Credit Risk

Credit risk represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations. The Company's credit risk arises principally from the Company's trade receivables.

The Plant Credit Committees have established a credit policy under which each new customer is analyzed individually for creditworthiness before standard credit terms and conditions are granted. The Company's review includes the requirements of updated credit application documents, credit verifications through confirmation that there is no credit violations and that the account is not included in the negative list, and analyses of financial performance to ensure credit capacity. Credit limits are established for each customer, which serve as the maximum open amount at which they are allowed to purchase on credit, provided that credit terms and conditions are observed.

The credit limit and status of each customer's account are first checked before processing a credit transaction. Customers that fail to meet the Company's conditions in the credit checking process may transact with the Company only on cash basis.

It is the Company's policy to conduct an annual credit review through identification and summarization of under-performing customers and review and validation of credit violation reports. Based on the summary, the Plant Credit Committees may upgrade, downgrade, suspend and cancel credit lines.

Most of the Company's customers have been transacting with the Company for several years, and losses have occurred from time to time. Customer credit risks are monitored through annual credit reviews conducted on a per plant basis. Results of credit reviews are grouped and summarized according to credit characteristics, such as geographic location, aging profile and credit violations. Historically, credit violations have been attributable to bounced checks, and denied, fictitious or absconded credit accounts.

Collateral securities are required for credit limit applications that exceed certain thresholds (see Note 23). The Company has policies for acceptable collateral securities that may be presented upon submission of credit applications.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations as they fall due. The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements, as well as capital expenditures and debt service payments. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

In addition, the Company has the following credit facilities:

- The total commitment as of June 30, 2009 and 2008 under the line of credit is P2.9 billion and P2 billion, respectively, of which the Company had drawn P219 million and P411 million, respectively, under letters of credit and short-term loans. All facilities under the omnibus line bear interest at floating rates consisting of a margin over current Philippine treasury rates; and

- P580 million and P480 million domestic bills purchased line, which are available as of June 30, 2009 and 2008, respectively.

Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company is subject to various market risks, including risks from changes in commodity prices, interest rates and currency exchange rates.

Commodity Prices

The risk from commodity price changes relates to the Company's ability to recover higher product costs through price increases to customers, which may be limited due to the competitive pricing environment that exists in the Philippine beverage market and the willingness of consumers to purchase the same volume of beverages at higher prices. The Company's most significant commodity exposure is to the Philippine sugar price.

The Company minimizes its exposure to risks in changes in commodity prices by entering into contracts with suppliers with duration ranging from six months to one year with fixed volume commitment for the contract duration and with stipulation for price adjustments depending on market prices. The EXCOM considered the exposure to commodity price risk to be insignificant.

Interest Rate Risk
The Company's exposure to the risk for changes in market interest rate relates primarily to its debt obligations with variable interest rates. The Treasury Department, due to its competencies of managing debt obligations, transacts with creditors to ensure the most advantageous terms and to reduce exposure to risk of changes in market interest rate.

Foreign Currency Risk
The Company is exposed to foreign currency risk on purchases that are denominated in currencies other than the Philippine peso, mostly in U.S. dollar and EURO. In respect of monetary assets and liabilities held in currencies other that the Philippine peso, the Company ensures that its exposure is kept to an acceptable level, by maintaining short-term cash placements in U.S. dollar and buying foreign currencies at spot rates where necessary to address short-term imbalances. The EXCOM considered the exposure to foreign currency risk to be insignificant.

Capital Management
The Company's objectives when managing capital are to increase the value of shareholders' investment and maintain reasonable growth by applying free cash flow to selective investments that would further the Company's product and geographic diversification. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Chief Financial Officer has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

Accounts considered as capital by the Company are as shown in the balance sheets.

There were no changes in the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2009	2008
Cash on hand and in banks	**P210,308**	P146,183
Short-term investments	**202,780**	444,143
	P413,088	P590,326

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

The Company's exposure to interest rate risk and sensitivity analyses is disclosed in Note 23.

6. Receivables

Receivables consist of:

	Note	2009	2008
Trade	23	P1,081,531	P917,272
Others		56,731	66,885
		1,138,262	984,157
Less allowance for impairment losses		150,297	102,082
		P987,965	P882,075

Trade receivables are non-interest bearing and are generally on a 30 to 60 days term. Other receivables consist mainly of receivables from employees and freight and insurance claims.

The movements in allowance for impairment losses on receivables are as follows:

	2009		2008	
	Trade	Others	Trade	Others
Balance at beginning of year	P75,226	P26,856	P57,565	P9,826
Impairment losses recognized during the year	53,118	304	20,778	20,499
Write-offs during the year	(2,832)	(2,375)	(3,117)	(3,469)
Balance at end of year	P125,512	P24,785	P75,226	P26,856

The Company's exposure to credit risk related to trade and other receivables is disclosed in Note 23.

7. Inventories

Inventories consist of:

	Note	2009	2008
Finished goods:	11		
At cost		P325,527	P359,021
At net realizable value		322,427	358,140
Work in process:	11		
At cost		9,475	10,812
At net realizable value		9,475	10,812
Raw and packaging materials:	11		
At cost		286,956	227,376
At net realizable value		272,242	218,985
Spare parts and supplies:			
At cost		99,935	91,086
At net realizable value		99,819	90,996
Total inventories at lower of cost or net realizable value		P703,963	P678,933

Under the terms of agreements covering liabilities under trust receipts, certain inventories have been released to the Company in trust for certain local banks. The Company is accountable to these banks for the trusteed inventories (see Note 11).

In addition, the Company's notes payable are secured by mortgage trusts indentures on various assets, which include P284 million and P230 million of inventories as of June 30, 2009 and 2008.

8. Investments in Associates

Investments in associates consist of:

	Percentage (%) of Ownership 2009	2008	2009	2008
Acquisition cost:				
Nadeco Realty Corporation (NRC)	40%	40%	P232,508	P232,508
Nadeco Holdings Corporation (NHC)	40%	40%	132	132
			232,640	232,640
Effect of dilution of ownership in NRC			(1,018)	(1,018)
			231,622	231,622
Accumulated equity in net earnings:				
Balance at the beginning of the year			293,880	273,852
Equity in net earnings for the year			2,221	20,028
Balance at the end of the year			296,101	293,880
			P527,723	P525,502

The financial reporting date of NRC and NHC is June 30. The application of the equity method of accounting is based on the Company's beneficial interest in the net profits and net assets of NRC and NHC in accordance with their respective articles of incorporation.

As of June 30, 2009 and 2008, the undistributed earnings of the associates included in the Company's retained earnings amounting to P296 million and P294 million, respectively, are not available for distribution to stockholders unless declared by the associates.

The following are the summarized comparative financial information pertaining to the Company's associates:

	As of June 30, 2009				
	Assets	Liabilities	Equity	Revenues	Net Income
NRC	P801,750	P282,680	P519,070	P10,580	P1,994
NHC (consolidated)	802,239	283,016	519,223	10,581	2,283

	As of June 30, 2008				
	Assets	Liabilities	Equity	Revenues	Net Income
NRC	P791,483	P274,407	P517,076	P34,348	P19,941
NHC (consolidated)	792,021	275,081	516,940	34,349	20,325

9. Bottles and Cases

Bottles and cases consist of:

	Note	2009	2008
Deposit values of returnable bottles and cases on hand - net of allowance for unusable containers of P16,714 in 2009 and P7,386 in 2008	*11*	**P440,948**	P305,576
Excess of cost over deposit values of returnable bottles and cases - net of accumulated amortization	*11*	**1,992,778**	1,635,490
		2,433,726	1,941,066
Bottles and shells in transit		**7,472**	31,588
		P2,441,198	P1,972,654

The rollforward of excess of cost over deposit values of returnable bottles and cases is as follows:

	2009	2008
Gross carrying amount:		
Balance at beginning of year	**P4,317,702**	P3,633,724
Additions	**843,070**	683,978
Balance at the end of year	**5,160,772**	4,317,702
Accumulated amortization:		
Balance at beginning of year	**2,682,212**	2,291,810
Amortization for the year	**490,031**	379,599
Other movements	**(4,249)**	10,803
Balance at the end of year	**3,167,994**	2,682,212
Carrying amount:		
Balance at beginning of year	**P1,635,490**	P1,341,914
Balance at end of year	**P1,992,778**	P1,635,490

A portion of the Company's bottles and cases with a total collateral value of P4 billion based on original cost of bottles as of June 30, 2009 and 2008 are mortgaged and placed in trust under two mortgage trust indentures to secure the Company's outstanding notes payable (see Note 11).

10. Property, Plant and Equipment

The movements in this account are as follows:

	Machinery and Other Equipment	Buildings and Leasehold Improvements	Construction in Progress	Furniture and Fixtures	Total
Gross carrying amount:					
July 1, 2007	P4,904,988	P566,397	P455,952	P24,651	P5,952,488
Additions	728,216	88,536	491,299	1,467	1,309,518
Disposals/write-offs	(56,545)	(5,624)	(11,964)	-	(74,133)
Transfers	714,098	8,463	(723,051)	490	-
June 30, 2008/July 1, 2008	6,290,757	658,272	212,236	26,608	7,187,873
Additions	715,130	116,021	-	2,713	833,864
Disposals/write-offs	(92,842)	(11,126)	-	(162)	(104,130)
Transfers	179,483	(492)	(178,924)	(67)	-
June 30, 2009	**7,092,528**	**762,675**	**33,312**	**29,092**	**7,917,607**
Accumulated depreciation and amortization:					
July 1, 2007	3,393,519	380,588	-	20,274	3,794,381
Depreciation and amortization	553,149	36,115	-	748	590,012
Disposals/write-offs	(52,874)	(5,105)	-	-	(57,979)
June 30, 2008/July 1, 2008	3,893,794	411,598	-	21,022	4,326,414
Depreciation and amortization	498,218	36,497	-	1,078	535,793
Disposals/write-offs	(92,447)	(7,994)	-	(160)	(100,601)
June 30, 2009	**4,299,565**	**440,101**	-	**21,940**	**4,761,606**
Carrying amount:					
June 30, 2008	P2,396,963	P246,674	P212,236	P5,586	P2,861,459
June 30, 2009	**P2,792,563**	**P322,574**	**P33,312**	**P7,152**	**P3,156,001**

A substantial portion of the Company's property, plant and equipment and certain parcels of land owned by NRC with a total collateral value of P1.4 billion as of June 30, 2009 and 2008 are mortgaged and placed in trust under two mortgage trust indentures to secure the Company's outstanding notes payable (see Notes 11 and 14).

During the fiscal years 2009 and 2008, the Company has completed the expansion of certain plants located in key and strategic locations. It will continue to invest to complete the remaining expansion projects line up.

Change in EUL of Marketing Equipment

During the fiscal year 2009, the Company reassessed the EUL of its marketing equipment. The said equipment, which is included as part of property, plant and equipment under "Machinery and Other Equipment" account, with previous EUL of five years is now expected to remain in operations for seven years from the date of purchase. The effect of change in depreciation expense for the current and future years is as follows:

	2009	2010	2011	2012	After 2012
Increase (decrease) in depreciation expense	(P91,548)	(P70,604)	(P48,103)	(P19,312)	P229,567

11. Notes Payable

This account represents short-term loans from various local banks which are payable in lump sum on their respective maturity dates up to November 14, 2009 (up to July 10 in 2008). Interest rates on the said loans are repriced monthly based on negotiated rates or prevailing market rates. The short-term loans are secured by mortgage trust indentures on inventories, bottles and cases, and real estate, which include certain restrictions and requirements.

Interest rates range from 6.00% to 6.50% for 2009, 6.00% to 6.25% for 2008, and 7.00% to 8.00% for 2007. Interest expense on notes payable recognized in the statements of income amounted to P22 million, P36 million and 52 million for 2009, 2008 and 2007, respectively.

Information about the Company's exposure to interest rate risk and liquidity risk is disclosed in Note 23.

12. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	2009	2008
Trade payables	*7, 14*	**P1,228,174**	P1,485,148
Accrued advertising and marketing		**147,319**	89,026
Non-trade payables		**104,505**	125,582
Accrued retirement cost - current	*24*	**82,324**	40,785
Other accrued expenses		**576,058**	339,453
		P2,138,380	P2,079,994

The Company's other accrued expenses consist mainly of accruals for salaries and wages, other employee benefits, utilities and other operating expenses.

The Company's exposure to liquidity risk related to trade and other payables is disclosed in Note 23.

13. Income Taxes

The components of the income tax expense are as follows:

	2009	2008	2007
Current tax expense and final taxes on interest income:			
Current period	**P324,832**	P81,302	P363,235
Prior period	**-**	(171,236)	-
Deferred tax expense from origination and reversal of temporary differences and others	**56,907**	330,156	155,006
	P381,739	P240,222	P518,241

Deferred tax liabilities - net are attributable to the following:

	2009	2008
Allowance for probable losses in values of bottles and cases, idle assets, impairment losses, inventory obsolescence and other provisions	**P80,712**	P68,584
Accrual for retirement costs	**64,246**	70,709
Past service cost	**34,079**	35,187
Excess MCIT	**-**	29,104
	179,037	203,584
Bottles and cases	**(396,075)**	(368,195)
Marketing equipment	**(158,685)**	(125,101)
	(554,760)	(493,296)
	(P375,723)	(P289,712)

In 2009, the Company applied the MCIT (incurred in 2008) amounting to P29 million as tax credit against its regular corporate income tax.

In 2008, the Company received a ruling from the Bureau of Internal Revenue (BIR) which allowed acceleration of deductions on marketing equipment and bottles and cases.

The reconciliation of the income tax expense computed at the statutory income tax rate to the income tax expense shown in the statements of income is as follows:

	2009	2008	2007
Income before income tax	**P 1,181,429**	P1,000,919	P1,519,627
Tax rate at 32.5% in 2009 and 35% in 2008 and 2007	**P383,964**	P350,322	P531,869
Additions to (reductions in) income tax resulting from the tax effects of:			
Nondeductible expenses	**1,704**	2,757	2,528
Change in tax rate	**1,192**	(51,607)	(45)
Interest income subjected to final tax	**(4,358)**	(6,565)	(4,979)
Equity in net earnings of associates	**(722)**	(7,010)	(2,377)
Transaction cost charged to equity	**-**	(48,204)	-
Others	**(41)**	529	(8,755)
	P381,739	P240,222	P518,241

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

a. Reduction in the corporate income tax rate from 35% to 30% starting January 1, 2009 and onwards; and

b. Reduction in unallowable interest rate from 42% to 33% beginning January 1, 2009.

14. Related Party Transactions

Related party relationship exists when one party has ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making the financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprises, or between and/or among the reporting enterprises and their key management personnel, directors, or its stockholders.

The Company has significant related party transactions which are summarized as follows:

a. The Company has Exclusive Bottling Agreements with PepsiCo, Inc. ("PepsiCo"), stockholder, which has 29.49% beneficial interest in the Company, up to year 2017 and Pepsi Lipton International Limited ("Pepsi Lipton"), a joint venture of PepsiCo and Unilever N.V., up to year 2012. Under the agreements, the Company is authorized to bottle, sell and distribute Pepsi and Lipton beverage products in the Philippines. In addition, PepsiCo and Pepsi Lipton shall supply the Company with the main raw materials (concentrates) in the production of these beverage products and share in the funding of certain marketing programs. The agreements may be renewed by mutual agreement between the parties. Under the agreements, PepsiCo and Pepsi Lipton have the right to terminate the contracts under certain conditions, including failure to comply with terms and conditions of the appointment subject to written notice and rectification period, change of ownership control of the Company, change of ownership control of an entity which controls the Company, discontinuance of bottling beverages for 30 consecutive days, occurrence of certain events leading to the Company's insolvency or bankruptcy, change in management and control of the business, among others. Total net purchases from PepsiCo, amounted to P2.6 billion, P2.4 billion and P2.4 billion for the years ended June 30, 2009, 2008 and 2007, respectively. Total purchases from Pepsi Lipton for the years ended June 30, 2009 and 2008 amounted to P81 million and P94 million, respectively. There are no Pepsi Lipton transactions in 2007.

   The Company has a cooperative advertising and marketing program with PepsiCo and Pepsi Lipton that sets forth the agreed advertising and marketing activities and participation arrangement during the years covered by the bottling agreements. In certain instances, the Company pays for the said expenses and claim reimbursement from PepsiCo. For the years ended June 30, 2009, 2008 and 2007, the Company incurred marketing expenses amounting to P521 million, P665 million and P468 million, respectively. The Company's receivable from PepsiCo amounted to P27 million and P136 million as of June 30, 2009 and 2008, respectively.

b. On April 11, 2007, the Company entered into a Performance Agreement with PepsiCo to meet certain marketing and investment levels from 2007 to 2017, as required by the bottling agreement with PepsiCo. The agreement requires the Company to: (1) spend a specified percentage with a minimum amount for the beverage products; (2) make certain investments based on a minimum percentage of the Company's sales to expand the Company's manufacturing capacity; (3) invest in a minimum number of coolers per year to support distribution expansion; and (4) expand the Company's distribution capabilities in terms of the number of active routes, the number of new routes and the number of trucks used for distribution support.

c. Certain parcels of land properties of NRC, an associate, were mortgaged to secure a portion of the Company's notes payable. The Company leases these parcels of land where some of its bottling plants are located. Lease expenses recognized amounted to P9.6 million, P11 million and P3 million for the years ended June 30, 2009, 2008 and 2007, respectively. The Company has advances to NRC amounting to P38 million which bears interest at a fixed rate of 10% per annum. The Company also has outstanding net receivables from NRC amounting to P50 million and P46 million as of June 30, 2009 and 2008, respectively, which are unsecured, noninterest bearing and payable on demand.

d. The Company has outstanding working capital advances to NHC, an associate, amounting to P2 million and P1 million as of June 30, 2009 and 2008, respectively, and which are unsecured, noninterest bearing and payable on demand.

In addition to their salaries, the Company also provides noncash benefits to key management personnel and contributes to a defined benefit retirement plan on their behalf.

The compensation and benefits of key management personnel are as follows:

	2009	2008	2007
Short-term employee benefits	**P70,721**	P78,304	P66,168
Post-employment benefits	**3,754**	3,721	3,511
	P74,475	P82,025	P69,679

15. Net Sales

Net sales consist of:

	2009	2008	2007
Gross sales	**P16,600,329**	P15,283,095	P15,062,155
Less sales returns and discounts	**2,368,284**	2,302,209	2,145,943
	P14,232,045	P12,980,886	P12,916,212

16. Cost of Goods Sold

Cost of goods sold consists of:

	Note	2009	2008	2007
Materials and supplies used	*14*	**P7,547,548**	P6,617,972	P6,679,823
Delivery and freight		**769,511**	713,597	646,252
Depreciation and amortization	*19*	**754,666**	654,400	561,242
Rental and utilities	*14, 27*	**268,318**	261,934	248,264
Personnel expenses	*20, 24*	**249,359**	258,737	249,715
Others		**453,336**	367,466	380,866
		P10,042,738	P8,874,106	P8,766,162

17. Selling and Distribution Expenses

Selling and distribution expenses consist of:

	Note	2009	2008	2007
Distribution		**P470,626**	P438,582	P400,295
Personnel expenses	*20, 24*	**408,061**	434,600	376,829
Depreciation	*19*	**233,383**	269,348	211,031
Delivery and freight		**230,101**	193,776	192,488
Rental and utilities	*14, 27*	**122,723**	131,703	108,413
Others		**437,680**	362,300	310,515
		P1,902,574	P1,830,309	P1,599,571

18. General and Administrative Expenses

General and administrative expenses consist of:

	Note	2009	2008	2007
Personnel expenses	*20, 24*	**P291,069**	P344,817	P301,052
Outside services		**106,881**	73,883	72,714
Rental and utilities	*14, 27*	**90,154**	88,838	69,285
Others	*19*	**132,746**	140,542	144,030
		P620,850	P648,080	P587,081

19. Depreciation and Amortization

Depreciation and amortization are distributed as follows:

	Note	2009	2008	2007
Cost of goods sold	*16*	**P754,666**	P654,400	P561,242
Selling and distribution	*17*	**233,383**	269,348	211,031
General and administrative	*18*	**37,775**	45,863	41,264
		P1,025,824	P969,611	P813,537

20. Personnel Expenses

	Note	2009	2008	2007
Salaries and wages		**P913,698**	P970,446	P860,320
Retirement cost	*24*	**34,791**	67,708	67,276
		P948,489	P1,038,154	P927,596

The above amounts are distributed as follows:

	Note	2009	2008	2007
Cost of goods sold	*16*	**P249,359**	P258,737	P249,715
Selling and distribution	*17*	**408,061**	434,600	376,829
General and administrative	*18*	**291,069**	344,817	301,052
		P948,489	P1,038,154	P927,596

During the current year, the Company modified the income statement classification of personnel expenses on certain employees to appropriately reflect the way in which economic benefits are derived from the services provided. Comparative amounts were reclassified for consistency which resulted in the following increases (decreases):

	Note	2008	2007
Cost of goods sold	*16*	P9,735	P6,126
Selling and distribution	*17*	45,904	28,889
General and administrative	*18*	(55,639)	(35,015)

21. Basic/Diluted Earnings Per Share (EPS)

Basic EPS is computed as follows:

	2009	2008	2007
Net income (a)	**P799,690**	P760,697	P1,001,386
Weighted average number of shares outstanding (b)*	**3,693,772,279**	3,471,648,925	3,312,989,386
Basic/Diluted EPS (a/b)	**P0.22**	P0.22	P0.30

* Weighted average number of shares outstanding is based on the total issuance during the period multiplied by the number of months outstanding over one year and number of shares outstanding shares throughout the year.

As of June 30, 2009, 2008 and 2007, the Company has no dilutive debt or equity instruments.

22. Segment Information

As discussed in Note 1, the Company is engaged in the manufacture, sales and distribution of CSD and NCB. The Company's main products under its CSD category include brands like Pepsi-Cola, 7Up, Mountain Dew and Mirinda. The NCB brand category includes Gatorade, Tropicana/Twister, Lipton and the recently introduced Sting energy drink and Propel fitness water.

The Company operates under two (2) reportable business segments, the CSD and NCB categories, and only one (1) reportable geographical segment which is the Philippines. Thus, a secondary geographic reporting format is not applicable.

DATE

Analysis of financial information by business segment is as follows:

(In 000,000's)	Carbonated Soft Drinks 2009	2008	2007	Noncarbonated Beverages 2009	2008	2007	Combined 2009	2008	2007
Net Sales									
External sales	**P12,547**	P12,390	P12,736	**P4,053**	P2,893	P2,326	**P16,600**	P15,283	P15,062
Sales discounts and returns	**(1,953)**	(1,985)	(1,962)	**(415)**	(317)	(184)	**(2,368)**	(2,302)	(2,146)
Net sales	**P10,594**	P10,405	P10,774	**P3,638**	P2,576	P2,142	**P14,232**	P12,981	P12,916
Result									
Segment result*	**P3,118**	P3,292	P3,462	**P1,071**	P815	P688	P4,189	P4,107	P4,150
Unallocated expenses							(3,044)	(3,143)	(2,655)
Interest and financing expenses							(22)	(36)	(52)
Interest income							17	23	18
Equity in net earnings of associates							2	20	7
Other income - net							40	30	51
Income tax expense							(382)	(240)	(518)
Net income							P800	P761	P1,001
Other Information									
Segment assets:							P7,890	P7,319	P6,049
Investments in associates							528	526	505
Other noncurrent assets							144	138	136
Deferred tax assets							-	-	40
Combined total assets							P8,562	P7,983	P6,737
Segment liabilities:							P2,270	P2,266	P2,339
Notes payable							50	147	49
Long-term debt							-	-	283
Income tax payable							156	-	338
Dividends payable and others							-		400
Deferred tax liabilities - net							376	290	-
Combined total liabilities							P2,852	P2,703	P3,409
Capital expenditures:							P1,828	P2,003	P1,617
Depreciation and amortization and impairment losses of property, plant and equipment							1,026	970	814
Noncash items other than depreciation and amortization							133	46	25

* Segment expenses were allocated based on the percentage of each reportable segment's net sales over total net sales.

There were no intersegment sales recognized between the two reportable segments.

Assets and liabilities of the Company are not specifically identifiable or allocated to each particular segment.

23. Financial Instruments

Credit Risk

The carrying amounts of the financial assets represent the Company's maximum credit exposure. The maximum exposure to credit risk as at June 30 is as follows:

	2009	2008
Receivables - net	**P987,965**	P882,075
Cash in banks and cash equivalents	**273,673**	475,764
	P1,261,638	P1,357,839

The aging of trade receivables is as follows:

	June 30, 2009		June 30, 2008	
	Gross Amount	**Impairment**	Gross Amount	Impairment
Current	**P649,654**	**P -**	P518,732	P -
Past due 0-30 days	**229,850**	**-**	211,240	-
Past due 31-60 days	**51,808**	**-**	69,315	-
More than 60 days	**150,219**	**125,512**	117,985	75,226
	P1,081,531	**P125,512**	P917,272	P75,226

Various collateral securities such as bank guarantees, time deposits, surety bonds, real estate and/or chattel mortgages are held by the Company for trade receivables exceeding certain amounts.

Liquidity Risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	As of June 30, 2009		
	Carrying Amount	**Contractual Cash Flow**	**6 Months or less**
Financial liabilities			
Notes payable	**P50,000**	**P50,124**	**P50,124**
Accounts payable and accrued expenses	**1,977,426**	**1,977,426**	**1,977,426**
	P2,027,426	**P2,027,550**	**P2,027,550**

	As of June 30, 2008		
	Carrying Amount	Contractual Cash Flow	6 Months or less
Financial liabilities			
Notes payable	P147,100	P147,890	P147,890
Accounts payable and accrued expenses	1,968,299	1,968,199	1,968,199
	P2,115,399	P2,116,089	P2,116,089

Interest Rate Risk

The interest rates profile of the Company's interest-bearing financial instruments is as follows:

	2009	2008
Financial assets	**P222,553**	P463,947
Financial liabilities	**(50,000)**	(147,100)
	P172,553	P316,847

Sensitivity Analysis

A 2% increase in interest rates would have increased equity and profits for the years ended June 30, 2009 and 2008 by P2.3 million and P4.1 million, respectively.

A 2% decrease in interest rates for the years ended June 30, 2009 and 2008 would have had the equal but opposite effect, on the basis that all other variables remain constant.

Fair Values
The fair values of the financial assets and liabilities approximate the carrying amounts due to the short-term nature of these financial instruments or the interest rates that they carry approximate interest rates for comparable instruments in the market.

24. Retirement Plan

The Company has a funded, noncontributory defined benefit retirement plan covering substantially all of its regular and full time employees. A trustee bank is administering the retirement plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is June 30, 3009. The actuarial valuation is made on an annual basis.

The reconciliation of the assets and liabilities recognized in the balance sheets is shown below:

	2009	2008
Present value of defined benefit obligation	**P382,590**	P333,886
Fair value of plan assets	**175,708**	195,117
Unfunded obligations	**206,882**	138,769
Unrecognized net actuarial gains	**7,272**	88,593
Accrued retirement cost	**P214,154**	P227,362

The current portion of accrued retirement cost which is included under "Accounts payable and accrued expense" account in the balance sheets amounted to P82 million and P41 million as of June 30, 2009 and 2008, respectively.

The components of retirement cost recognized in the statements of income are as follows:

	2009	2008	2007
Current service cost	**P26,619**	P35,469	P39,394
Interest cost	**32,742**	33,649	38,452
Past service cost	**-**	13,977	-
Expected return on plan assets	**(20,905)**	(15,387)	(13,539)
Amortization of unrecognized net actuarial loss (gain)	**(3,665)**	-	2,969
Net retirement cost	**P34,791**	P67,708	P67,276
Actual return on plan assets	**P12,363**	P3,725	P7,241

The Company's retirement cost is allocated between "Cost of goods sold" account in the statements of income which amounted to P6 million, P14 million and P25 million in 2009, 2008 and 2007, respectively, and "Operating expenses" account in the statements of income which amounted to P28 million, P53 million and P42 million in 2009, 2008 and 2007, respectively.

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

	2009	2008
Balance at beginning of year	**P333,886**	P366,031
Current service cost	**26,619**	35,469
Interest cost	**32,742**	33,649
Past service cost	**-**	13,977
Benefits paid	**(76,351)**	(11,062)
Actuarial loss (gain)	**65,694**	(104,178)
Balance at end of year	**P382,590**	P333,886

The movements in the fair value of plan assets are shown below:

	2009	2008
Balance at beginning of year	**P195,117**	P148,454
Contributions	**48,000**	54,000
Benefits paid	**(76,351)**	(11,062)
Expected return	**20,905**	15,387
Net actuarial loss	**(11,963)**	(11,662)
Balance at end of year	**P175,708**	P195,117

The Company's plan assets comprise of 99% investment in fixed income securities and 1% investments in shares of stocks both in 2009 and 2008.

Principal actuarial assumptions used in determining retirement cost at the balance sheet date (expressed as weighted averages) are as follows:

Annual rates	2009	2008
Discount rate	9.25%	10.00%
Expected rate of return on plan assets	4.75%	10.00%
Rate of future salary increase	5.00%	5.00%

The historical information of the amounts is as follows:

	2009	2008	2007	2006
Present value of the defined benefit obligation	P382,590	P333,886	P366,031	P409,055
Fair value of plan assets	175,708	195,117	148,454	111,472
Deficit in the plan	(206,882)	(138,769)	(217,577)	(297,583)
Experience adjustments on plan liabilities loss (gain)	20,706	(5,603)	(42,167)	-
Experience adjustments on plan assets loss	(11,963)	(11,662)	(19,246)	-

25. Capital Stock

This account consists of:

	2009		2008		2007	
	Shares	Amount	Shares	Amount	Shares	Amount
Authorized - P0.15 par value	5,000,000,000	P750, 000	5,000,000,000	P750, 000	5,000,000,000	P750, 000
Issued and outstanding:						
Balance at beginning of year	3,693,772,279	P554,066	3,312,989,386	P496,948	3,312,989,386	P496,948
Issuance during the year	-	-	380,782,893	57,118	-	-
Balance at end of year	3,693,772,279	P554,066	3,693,772,279	P554,066	3,312,989,386	P496,948

On February 1, 2008, the Company's initial public offering of 1,142,348,680 shares at P3.50 per share culminated with the listing and trading of its shares of stocks under the First Board of the Philippine Stock Exchange, Inc. Of the total shares offered, 380,782,893 shares pertain to the primary offering, which resulted in an increase in capital stock amounting to P57 million and additional paid-in capital of P1.2 billion, net of P138 million transaction cost that is accounted for as a reduction in equity.

26. Retained Earnings

The BOD approved several declarations of cash dividends amounting to P369 million in 2009 and P400 million in 2007. There were no cash dividends declarations in 2008. Details of the declarations are as follows:

Date of Declaration	Dividend Per Share	Payable to Stockholders of Record as of	Date of Payment
June 21, 2007	P0.12	June 21, 2007	August 20, 2007
September 30, 2008	0.10	October 15, 2008	November 7, 2008

27. Commitments and Contingencies

a. The Company leases, from third parties and NRC, certain parcels of land where it's bottling plants and warehouses are located for a period of one to twenty-five years and are renewable for another one to twenty-five years. None of these leases includes contingent rentals. Rent expense pertaining to these leased properties amounted to P73 million in 2009, P69 million in 2008 and P61 million in 2007 (see Notes 14, 16, 17 and 18).

Future rental commitments under such noncancelable operating leases are as follows:

	2009	2008	2007
Less than one year	P63,803	P74,020	P62,676
Between one and five years	204,332	239,534	470,329
More than five years	197,321	227,138	41,748
	P465,456	P540,692	P574,753

b. The Company is a party to a number of lawsuits and claims relating to tax, labor and other issues arising out of the normal course of its business. Management and its tax and legal counsels believe that the outcome of these lawsuits and claims will not materially affect the financial position, financial performance or liquidity of the Company.

Manabat Sanagustin & Co.
Certified Public Accountants
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E-Mail manila@kpmg.com.ph

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

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Pepsi-Cola Products Philippines, Inc.
Km. 29, National Road
Tunasan, Muntinlupa City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Pepsi-Cola Products Philippines, Inc. as of and for the year ended June 30, 2009, included in this Form 17-A and have issued our report thereon dated September 22, 2009.

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

MANABAT SANAGUSTIN & CO., CPAs

Emerald Anne C. Bagnes
EMERALD ANNE C. BAGNES
Partner
CPA License No. 0083761
SEC Accreditation No. 0312-AR-1
Tax Identification No. 102082332
BIR Accreditation No. 08-001987-12-2007
Issued July 10, 2007; Valid until July 9, 2010
PTR No. 1564051MB
Issued January 5, 2009 at Makati City

September 22, 2009
Makati City, Metro Manila

Pepsi-Cola Products Philippines, Inc.
Km. 29, National Road
Tunansan, Muntinlupa City

Schedule of Reconciliation of Retained Earnings Available for Divided Declaration
(Amounts in Thousands)

Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning*	P3,528,969
Add: Net income actually earned/realized during the period	799,690
Net income during the period closed to Retained Earnings	
Less: Non actual/unrealized income net of tax	
Equity in net income of associate	(2,221)
Unrealized foreign exchange gain - net	-
Unrealized actuarial gain	-
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 retained earnings as a result of certain transactions accounted for under PFRS	-
Subtotal	4,326,438
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP -loss	-
Loss on fair value adjustment of investment property (after tax)	-
Net income actually earned during the period	4,326,438
Add(less):	
Dividend Declaration during the period	(369,204)
Appropriation of Retained Earnings during the period	-
Reversals of Appropriation	-
Effects of prior period adjustments	-
Treasury shares	-
Total Retained Earnings, End - Available for Dividend	P3,957,234

KPMG

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

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Pepsi-Cola Products Philippines, Inc.
Km. 29, National Road
Tunasan, Muntinlupa City

We have audited in accordance with Philippine Standards on Auditing, the accompanying financial statements of Pepsi-Cola Products Philippines, Inc. included in this Form 17-A and have issued our report thereon dated September 22, 2009.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedules A to K (collectively referred to as "Schedules"), as listed in the Index to Financial Statements and Supplementary Schedules, are the responsibility of the Company's management. These Schedules are presented for purposes of complying with the Securities Regulation Code Rule 68.1 and are not part of the basic financial statements. These Schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial statements data required to be set forth therein in relation to the basic financial statements taken as a whole.

MANABAT SANAGUSTIN & CO., CPAs

Emerald Anne C. Bagnes

EMERALD ANNE C. BAGNES
Partner
CPA License No. 0083761
SEC Accreditation No. 0312-AR-1
Tax Identification No. 102082332
BIR Accreditation No. 08-001987-12-2007
Issued July 10, 2007; Valid until July 9, 2010
PTR No. 1564051MB
Issued January 5, 2009 at Makati City

September 22, 2009
Makati City, Metro Manila

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

Schedule A. Marketable Securities - (Current Marketable Equity Securities and Other Short-term Cash Investments)

Name of Issuing entity and association of each issue (1)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (2)	Valued based on market quotation at balance sheet date (3)	Income received and accrued

NOT APPLICABLE

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates).

Name and Designation of debtor (1)	Balance at beginning of period	Additions	Amounts collected (2)	Amounts written off (3)	Current	Not Current	Balance at end of period
PepsiCo Int'l	P135,651,855	P404,615,285	(P513,549,831)	P -	P26,717,279	P -	P26,717,279
Nadeco Realty Corporation	84,319,919	10,295,306	(6,982,127)	-	87,633,098	-	87,633,098
Nadeco Holdings Corporation	1,375,103	928,771	-	-	2,303,874	-	2,303,874
Employees	2,732,854	46,658,282	(46,650,290)	-	2,740,846	-	2,740,846
Totals	P224,079,731	P462,497,644	(P567,182,278)	P -	P119,395,097	P -	P119,395,097

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
Schedule C. Non-Current Marketable Equity Securities, Other Long-Term Investments in Stock, and Other Investments

Name of issuing entity and description of Investment (1)	Number of shares (2) or principal amount of bonds and notes	Amount in Pesos	Equity in earnings (losses of investees (3) for the period	Other (4)	Distribu-tion of earnings by investees (5)	Other (6)	Number of shares (2) or principal amounts of bonds and notes	Amount in Pesos (7)	Dividends received from investments not accounted for by the
Nadeco Realty Corporation	22,000,000	P525,139,872	P2,208,040	P -	P -	P -	P -	P527,347,912	P -
Nadeco Holdings Corporation	400	362,416	12,957	-	-	-	-	375,373	-
Totals	22,000,400	P525,502,288	P2,220,997	P -	P -	P -	P -	P527,723,285	P -

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
Schedule D. Indebtedness of Unconsolidated Subsidiaries and Affiliates

Name of Affiliates (1)	Balance at beginning of period	Balance at end of period (2)

NOT APPLICABLE

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
Schedule E. Property, Plant and Equipment (1)
PEPSI-COLA PRODUCTS PHILIPPINES, INC.
Schedule E. Property, Plant and Equipment (1)

Classification (2)	Beginning balance	Additions at cost (3)	Retirements (4)	Transfers - additions (deductions) (5)	Ending balance
Machinery and Other Equipment	P6,290,756,776	P715,130,080	(P92,841,628)	P179,482,953	P7,092,528,181
Buildings and Leasehold Improvements	658,271,979	116,021,129	(11,126,058)	(492,187)	762,674,864
Construction In Progress	212,236,161			(178,923,897)	33,312,264
Furniture and Fixtures	26,607,813	2,713,198	(162,040)	(66,869)	29,092,101
Totals	**P7,187,872,729**	**P833,864,407**	**(P104,129,726)**	**P -**	**P7,917,607,410**

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
Schedule F. Accumulated Depreciation

Description (1)	Beginning Balance	Additions charged to costs and expenses	Retirements	Other charges - Add (deduct) describe	Ending balances
Machinery and Other Equipment	P3,893,794,197	P498,217,772	(P92,446,613)	P -	P4,299,565,356
Buildings and Leashold Improvements	411,598,450	36,496,429	(7,993,547)	-	440,101,332
Furniture and Fixtures	21,021,316	1,078,399	(160,050)	-	21,939,665
Totals	**P4,326,413,963**	**P535,792,600**	**(P100,600,210)**	**P -**	**P4,761,606,353**

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
Schedule G. Intangible Assets - Other Assets

Description (1)	Beginning balance	Additions at cost (2)	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Other Assets						
Idle fixed assets - net	P1,053,395	P -	P -	P -	(503,333)	P550,062
Input tax on capital goods	103,941,536	-	-	-	7,042,594	110,984,130
Miscellaneous investments and dep	32,047,356	-	-	-	(441,548)	31,605,808
Miscellaneous receivables - long term	528,286	-	-	-	(196,457)	331,829
Miscellaneous assets	469,305	-		-		469,305
Totals	P138,039,878	P -	P -	P -	P5,901,256	P143,941,134

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
Schedule H. Long Term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet

NOT APPLICABLE

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

Schedule I. Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies)

Name of affiliate (1)	Balance at beginning of period	Balance at end of period (2)

NOT APPLICABLE

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

Schedule J. Guarantees of Securities of Other Issuers(1)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (2)	Amount owned by person for which statement is filed	Nature of guarantee (3)

NOT APPLICABLE

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
Schedule K. Capital Stock (1)

Title of Issue (2)	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates (3)	Directors, officers and employees	Others
Common Shares	5,000,000,000	3,693,772,279	-	3,596,189,171	20,430,008	77,153,100
Totals	5,000,000,000	3,693,772,279	-	3,596,189,171	20,430,008	77,153,100

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **OSCAR S. REYES**, Filipino, of legal age and a resident of Unit 6 Kasiyahan Homes, 58 McKinley Road, Forbes Park, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee identified as independent director of PEPSI COLA PRODUCTS PHILIPPINES INC. (PCPPI).

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

Company/Organization	Position/ Relationship	Period of Service
Philippine Long Distance Tel. Co.	Independent Director	2001 - present
SMART Communications Inc.	Independent Director	2006 - present
Sun Life of Canada Philippines, Inc.	External Director	2004 – present
Sun Life Financial Plans Inc.	External Director	2006 - present
Sun Life Prosperity Dollar Abundance Fund, Inc.	External Director	2004 – present
Sun Life Prosperity Dollar Advantage Fund, Inc.	External Director	2002 – present
Ayala Land, Inc.	Independent Director	2009
Bank of the Philippine Islands	Director	2003 – present
Manila Water Company	Independent Director	2005 - present
Basic Energy Corporation	Independent Director	2007 – present
Basic EcoMarket Farms, Inc.	Non-Executive Chairman	2009
First Philippine Electric Company	Independent Director	2002 – present
Petrolift Inc.	Director	2007 – present
Mindoro Resources Ltd.	Director	2002 – present
MRL Gold Philippines Inc.	Non-Executive Chairman	2008 - present
Alcorn Gold Resources Corporation	Director	2009
Global Resources for Outsourced Workers (GROW) Inc.	Director	2003 – present
Link Edge Inc..	Chairman	2002 – present
CEO's Inc.	Director	2000 – present
Tower Club Inc.	Director	2003 – present

3. I am not a securities broker-dealer, i.e., I do not hold any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director,

officer, principal stockholder, nominee of the firm to the Philippine Stock Exchange, associated person or salesman, and an authorized clerk of the broker or dealer.

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

5. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.

6. I shall inform the corporate secretary of PCPPI of any changes in the abovementioned information within five days from its occurrence.

Done, this 22nd day of September 2009, at Makati City.

Affiant

SUBSCRIBED AND SWORN to before me, a notary public in and for the City of **MAKATI** this ___ day of SEP 2 3 2009. The affiant, whom I identified through the following competent evidence of identity: Philippine Driver's License No. N17-65-003836, expiring on 18 April 2010, personally signed the foregoing instrument before me and avowed under penalty of law to the whole truth of the contents of said instrument.

WITNESS MY HAND AND SEAL on the date and at the place first abovementioned.

ATTY. LOPE M. VELASCO
NOTARY PUBLIC
Until Dec. 31, 2009
PTR O.R. No. 720[illegible] - Mla. 01[illegible]
IBP O.R. No. 780213 - Mla. 12[illegible]
TIN 212-565-989
Roll No. 26757 5

Doc. No. 164;
Page No. 34;
Book No. 1[illegible];
Series of 2009.

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

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **RAFAEL M. ALUNAN III**, Filipino, of legal age, and with residence address at # 63 9th St., New Manila, Quezon City, under oath, state:

1. I am an Independent Director of the **PEPSI COLA PRODUCTS PHILIPPINES, Inc.**

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

Company/Organization	Position/Relationship	Period of Service
Lopez Group Foundation, Inc.	President/Trustee	2008 – present
FWV Biofields Corporation	President/Director	2008 – present
First Philippine Conservation Inc.	Trustee	2008 - present
Bayan Academy	Trustee	2008 - present
Management Association of the Phils. (MAP)	Governor	2008 - present
SunLife Asset Management Co., Inc.	Director	2007 – present
Sunlife of Canada Philippines, Inc.	Director	2004 – present
Sunlife Financial Plans, Inc.	Director	2004 – present
Kilosbayan	President/Trustee	2004 – present
Rafael Alunan Agri-Development, Inc. (RAADI)	Director	1975 – present
University of St. La Salle	Trustee	2009 -

3. I possess all of the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation/s, 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 any changes in the abovementioned information within five days from its occurrence.

IN WITNESS WHEREOF, I have hereunto affixed my signature this SEP 29 2009 at Makati City.

RAFAEL M. ALUNAN III
Affiant

SUBSCRIBED AND SWORN to before me this SEP 29 2009 affiant exhibiting to me his/her Passport No. UU[illegible] issued on 28 December 2006 at Manila.

Doc. No. 005;
Page No. 2;
Book No. 1;
Series of 2009.

UELLA VIDA V. MANCENIDO
NOTARY PUBLIC
ROLL NO. 56619
MAKATI CITY, PHILIPPINES

UELLA VIDA V. MANCENIDO
Appointment No. M-568
Notary Public City of Makati
Until 31 December 2010
Nava & Associates
7th Floor, The Pearlbank Centre,
146 Valero Street, Salcedo Village, Makati City
PTR No. 1786174; 05-27-09; Makati City
IBP No. 787918 04-07-09; Cavite Chapter
Roll No. 56619

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING OF PEPSI-COLA PRODUCTS PHILIPPINES, INC.

Held at The Palms Country Club, Alabang, Muntinlupa City
on 28 October 2008 at 9:30 a.m.
(Stockholders' Meeting No. 2008/2009-001)

Stockholders Present	In Person/By Proxy	No. of Shares
Quaker Global Investments B.V.	Varun Berry (By Proxy)	1,089,101,358
Pepsi-Cola Far East Trade Dev. Corp.	Varun Berry (By Proxy)	100
Guoco Assets (Philippines), Inc.	Micky Yong (By Proxy)	255,594,962
Hong Way Holdings, Inc.	Micky Yong (By Proxy)	857,788,626
Orion Land, Inc.	Micky Yong (By Proxy)	70,000,000
Micky Yong	In Person	20,000,001
Varun Berry	In Person	1
Qasim Khan	In Person	1
Jose M. Periquet, Jr.	In Person	1
Rafael M. Alunan III	In Person	1
Oscar S. Reyes	In Person	1
Rahul Bhatnagar	Varun Berry (By Proxy)	1
Timothy E. Minges	Varun Berry (By Proxy)	1
Tsang Cho Tai (Allan Tsang)	Micky Yong (By Proxy)	1
James Eng, Jr.	Micky Yong (By Proxy)	1
Others		88,756,000
	Total shares present In Person/By Proxy	2,381,241,056

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Total shares issued, outstanding and entitled to vote	3,693,772,279
Percentage of shares present In Person/By Proxy	64.46%

1. CALL TO ORDER

The Chairman of the Board, Mr. Micky Yong, called the meeting to order and presided over it. The Corporate Secretary, Atty. Ma. Rosario C.Z. Nava, recorded the minutes of the meeting.

2. CERTIFICATION OF NOTICE AND OF QUORUM

Atty. Nava certified that notices were sent to all the stockholders of the Corporation and that stockholders owning or holding 64.46% of the total outstanding capital stock entitled to vote were present, either in person or by proxy. Thus, there was a quorum for the valid transaction of business.

3. APPROVAL OF THE MINUTES OF THE PREVIOUS ANNUAL STOCKHOLDERS' MEETING HELD ON 29 NOVEMBER 2007

There was a motion made to approve the minutes of the previous Annual Stockholders' Meeting of the Corporation held on 29 November 2007.

The motion was duly seconded, and there being no objection, the minutes of the previous Annual Stockholders' Meeting of the Corporation held on 29 November 2007 was unanimously passed and approved.

Stockholders' Resolution No. 2008/2009 - 001

> **RESOLVED**, that the minutes of the Annual Stockholders' Meeting of **PEPSI-COLA PRODUCTS PHILIPPINES, INC.** held on 29 November 2007, be, as it is hereby, approved.

4. PRESIDENT'S REPORT FOR FISCAL YEAR 2007 TO 2008

Mr. Yong, who is concurrently the President-Chief Executive Officer of the Corporation, then rendered his report to the stockholders on the results of operations for fiscal year 2007 to 2008 and the Corporation's future plans and initiatives.

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5. **APPROVAL OF AUDITED FINANCIAL STATEMENTS AS OF 30 JUNE 2008**

The Chairman presented for the approval of the stockholders the Corporation's audited financial statements as of 30 June 2008, copies of which had been previously sent to the stockholders.

A motion was made for its approval which was duly seconded, and there being no objection, the stockholders approved the audited financial statements of the Corporation as of 30 June 2008.

Stockholders' Resolution No. 2008/2009 - 002

RESOLVED, that the audited financial statements of **PEPSI-COLA PRODUCTS PHILIPPINES, INC.** as of 30 June 2008, be, as it is hereby, approved.

6. **RATIFICATION OF ACTS OF THE BOARD OF DIRECTORS AND MANAGEMENT FOR 2007 TO 2008**

The Chairman then discussed with the stockholders the need to ratify the resolutions and other acts of the Board of Directors and the Management of the Corporation during the preceding year, as well as the contracts and transactions entered into by the Corporation for the same period.

There was a motion made for its ratification which was duly seconded, and there being no objection, the stockholders unanimously approved the following resolution:

Stockholders' Resolution No. 2008/2009 - 003

RESOLVED, that all resolutions and other acts of the Board of Directors and the Management of **PEPSI-COLA PRODUCTS PHILIPPINES, INC.** during the preceding year, as well as all contracts and transactions entered into by the Corporation for the same period, be, as they are hereby, approved, confirmed and ratified.

7. **ELECTION OF DIRECTORS**

The Chairman then proceeded to take up the next item in the Agenda which is the election of the members of the Board of Directors to serve for the fiscal year 2008 to 2009.

The Chairman informed the body that earlier, stockholders have cast their ballots in relation to the election of nominees to the Board of Directors as stated in the Final List of Candidates approved by the Nomination Committee of the Corporation and advised to the stockholders. In accordance with the Articles of Incorporation of the Corporation, the Corporation shall be electing ten (10) directors.

The Chairman then called on the representative of KPMG Manabat Sanagustin & Co., CPAs, the Corporation's external auditor, to announce and certify the results of the election.

The representative of KPMG Manabat Sanagustin & Co., CPAs, Ms. Emerald Anne Bagnes, announced and certified that based on the votes cast by the stockholders, the following individuals, having obtained a majority of the votes cast, have been elected as directors for fiscal year 2008 to 2009:

Micky Yong
James Eng, Jr.
Timothy E. Minges
Rahul Bhatnagar
Qasim Khan
Varun Berry
Tsang Cho Tai (Allan Tsang)
Jose M. Periquet, Jr.
Rafael M. Alunan III (Independent Director)
Oscar S. Reyes (Independent Director)

The Chairman congratulated the newly-elected directors of the Corporation.

8. APPROVAL OF THE PAYMENT OF ANNUAL DIRECTORS' FEES

The Chairman discussed with the stockholders the need to approve the payment of an annual director's fee in the amount of Five Hundred Thousand Pesos (₱500,000.00) for each director.

A motion to approve the same was duly seconded, and there being no objection, the stockholders unanimously approved the following resolution:

Stockholders' Resolution No. 2008/2009 - 004

> **RESOLVED,** that the payment of an annual director's fee in the amount of Five Hundred Thousand Pesos (₱500,000.00) for each director, be, as it is hereby, approved.

9. APPOINTMENT OF EXTERNAL AUDITORS

The Chairman then discussed the need to designate and appoint the external auditors of the Corporation for the ensuing fiscal year 2008 to 2009.

A nomination was heard from the floor to appoint KPMG Manabat Sanagustin & Co., CPAs as the Corporation's external auditor for 2008 to 2009.

Thereafter, a motion was made which was duly seconded to close the nomination and appoint as the KPMG Manabat Sanagustin & Co., CPAs as the Corporation's external auditor for 2008 to 2009.

On such motion which was duly made and seconded, and there being no objection, the stockholders unanimously approved the appointment of KPMG Manabat Sanagustin & Co., CPAs as the external auditors of the Corporation for the ensuing fiscal year 2008 to 2009.

Stockholders' Resolution No. 2008/2009 - 005

> **RESOLVED,** that KPMG Manabat Sanagustin & Co., CPAs be, as they are hereby, appointed as external auditors of the Corporation for the ensuing fiscal year 2008 to 2009.

10. ADJOURNMENT

The Chairman asked the stockholders if there were any other matters that they would like to take up at the meeting.

A comment was heard from the floor that all of the items in the Agenda had been taken up and sufficiently discussed. Hence, a motion was made to adjourn the meeting.

There being no further business to transact, on motion duly made and seconded, and there being no objection, the meeting was adjourned.

CERTIFIED CORRECT:

MA. ROSARIO C.Z. NAVA
Corporate Secretary

ATTESTED:

MICKY YONG
Chairman