



PEPSI-COLA PRODUCTS PHILIPPINES, INC.

Km. 29 National Road, Tunasan, Muntinlupa City 1773 Philippines
Tel. No.: (632) 850-7901 - Fax No.: (632) 850-7928

October 31, 2008

THE PHILIPPINE STOCK EXCHANGE, INC.

Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

Attention: **Atty. Pete M. Malabanan**
Head, Disclosure Department

Re: Amended SEC Form 17-A

Gentlemen:

We are filing the attached Amended SEC Form 17-A of Pepsi Cola Products Philippines, Inc. in compliance with the Securities and Exchange Commission (SEC) letter dated October 13, 2008 which we received last October 23, 2008. The Amended SEC Form 17-A incorporates comments specified on the said SEC letter. The changes made on the Amended SEC Form 17-A is summarized in Annex 1 for easy reference.

Kind regards.

Very truly yours,

HONEYLIN C. CASTOLO
Officer-in-Charge



Tropicana



The changes made on the Amended SEC Form 17-A pertains mainly to additional information and certain revisions on the following matters:

- a. Aggregate market value of voting stock held by non-affiliates of the registrant as of June 30 and Sept 30, 2008
- b. Form and date of organization
- c. Any bankruptcy, receivership or similar proceedings
- d. Any material reclassification, merger, consolidation or purchase or sale of a significant amount of assets
- e. Principal products indicating their relative contribution of group of related products to total revenues
- f. Percentage of revenues from foreign sales
- g. Status of any publicly-announced new products which are in the planning or prototypes stage
- h. Customers
- i. Principal terms and expiration of any patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements
- j. Government approvals of principal products
- k. Effect of existing or probable governmental regulations on the business
- l. Research and development costs
- m. Costs and effects of compliance with environmental laws
- n. Properties, leases and any mortgage, lien or encumbrance over the properties
- o. Results of operations for fiscal year 2008 versus 2007 and 2007 versus 2006
- p. Financial condition and liquidity
- q. Material commitments for capital expenditures
- r. Factors that may impact company's operations and seasonality aspects
- s. Significant elements of income or loss that did not arise from continuing operations
- t. Information on independent accountant

COVER SHEET

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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
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Month

Fiscal Year

3	0
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Day

Amended SEC Form 17-A

FORM TYPE

Annual Meeting

Any day in October

Month

Date

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Secondary License Type, If Applicable

C	F	D
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Dept. Requiring this Doc.

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Amended Article Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended 30 June 2008
2. SEC Identification Number 0000160968
3. BIR Tax Identification No. 000-168-541
4. Exact name of issuer as specified in its charter: PEPSI-COLA PRODUCTS PHILIPPINES, INC.
5. Province, Country or other jurisdiction of incorporation or organization: Philippines
6. Industry Classification Code: (SEC Use Only)
7. Address of principal office: Km. 29 National Road, Tunasan, Muntinlupa City Postal Code: 1773
8. Issuer's telephone number, including area code: (632) 850-7901 to 20
9. Former name, former address, and former fiscal year, if changed since last report: not applicable
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding as of June 30, 2008
Common Shares of Stock	3,693,772,279

11. Are any or all of these securities listed on a Stock Exchange?
Yes No

If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange - Common Shares of Stock

12. Check whether the issue:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);
Yes No

(b) The Registrant has been subject to such filing requirements for the past ninety (90) days.
Yes No

13. Aggregate market value of the voting stock held by non-affiliates of the registrant.
P3,367 million (June 30, 2008); and P2,801 million (September 30, 2008)

DOCUMENTS INCORPORATED BY REFERENCE

14. The following documents are incorporated in this report:

- (a) Audited Financial Statements as of June 30, 2008 attached as Exhibit I hereof, and
- (b) Statement of Management Responsibility attached as Exhibit II hereof.

PART I – BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

(1) Business Development

a. Form and Date of Organization

The Corporation was registered with the Phil. Exchange Commission on March 8, 1989 primarily to engage in manufacturing, sale and distribution of carbonated soft-drinks and non-carbonated beverages to retail, wholesale, restaurants and bar trades.

The Corporation's associate (formerly a wholly-owned subsidiary), Nadeco Realty Corporation, was incorporated under Philippine laws primarily to engage in the real estate business. On February 1, 2007, a change in NRC's capital structure decreased the Company's ownership interest to 40%.

b. Bankruptcy, Receivership or Similar Proceedings

The Corporation and its associate are not involved in any bankruptcy, receivership or similar proceedings.

c. Material Reclassification, Merger, Consolidation or Purchase or Sale of a Significant Amount of Assets (not ordinary) over the past three years

The Corporation and its associate have not made any material reclassifications nor entered into a merger, consolidation or purchase or sale of significant amount of assets (not ordinary) in the past three years.

(2) Business of Issue

a. Principal products

The Corporation is a licensed bottler of PepsiCo beverages in the Philippines. It manufactures a range of carbonated soft drinks and non-carbonated beverages that includes well-known brands such as Pepsi, Diet Pepsi, Pepsi Max, 7Up, Diet 7Up, Mountain Dew, Gatorade, Lipton Iced Tea, Tropicana, Propel and Sting.

Net sales	Corporation	Corporation	Group
	2008	2007	2006
Carbonated soft drinks	₱ 10,405	₱ 10,774	₱ 9,262
Non-carbonated beverages	2,576	2,142	1,730
Total	₱ 12,981	₱ 12,916	₱ 10,992

Segment result*	Corporation	Corporation	Group
	2008	2007	2006
Carbonated soft drinks	₱ 3,300	₱ 3,550	₱ 3,234
Non-carbonated beverages	817	606	506
Total	₱ 4,117	₱ 4,156	₱ 3,740

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

b. Foreign sales

Foreign sales represent 0.4%, 0.01% and 0.02% of total net sales in 2008, 2007, and 2006, respectively.

c. Distribution methods of the products

The Corporation's sales volumes depend on the reach of its distribution network. It increases the reach of 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.

The backbone of the distribution system is what is referred to as "Entrepreneurial Distribution System," which consists of independent contractors who service one or more sales "routes," usually by truck, selling directly to retail outlets and collecting empty returnable bottles (RGBs).

It also employs its own sales force, which principally sells to what is referred to as the "modern trade" channel, consisting largely of supermarkets and restaurant and convenience store chains. Most of these sales are credit sales that are fulfilled by third party distributors. In addition, it sells products to third party wholesalers and distributors, which on sell them to retail outlets.

An important aspect of the distribution system is the infrastructure-intensive process of selling and delivering RGB products to many thousands of small retailers, including sari-sari stores and carinderias. The efforts to increase the reach of our distribution network require significant investments in distribution infrastructure such as additional trucks, refrigeration equipment, warehouse space and a larger "float" of glass bottles and plastic shells, as well as higher costs for additional sales and distribution staff.

d. Publicly-announced new product

The Corporation has no publicly-announced new products that are in the planning or prototype stage.

e. Competition

The beverage market in the Philippines is highly competitive. Competition is primarily through advertising and marketing programs that create brand awareness, price and price promotions, new product development, distribution and availability, packaging and customer goodwill.

Competitors in the carbonated soft drinks (CSD) market are The Coca-Cola Company, Asiatech Refreshments Corporation, and Asia Brewery Incorporated. The substantial investment in multiple plants, distribution infrastructure and systems and the float of RGBs and plastic shells required to operate a nation-wide beverage business using RGBs represent a significant barrier to potential competitors in widening their reach.

The market for non-carbonated beverages (NCB) is more fragmented. Major competitors in this market are The Coca-Cola Company, San Miguel Corporation, Universal Robina Corporation, Zesto Corporation, among others. In recent years, the market has been relatively fluid, with frequent product launches and shifting consumer preferences. These trends are expected to continue.

f. Sources and availability of raw materials

Over half of total costs comprise purchases of raw materials. Largest purchases are sugar and beverage concentrates. The Corporation purchases all sugar requirements domestically because of import restrictions imposed by the Philippines government. It purchases beverage concentrates from PepsiCo and Pepsi Lipton at prices that are fixed as a percentage of the wholesale prices charged for the finished products, subject to a price floor in U.S. dollars.

Another substantial cost is packaging. The major components of this expense are purchases of PET pre-forms, which are converted into PET bottles at the plants, non-reusable glass bottles, aluminum cans and closures. It also makes regular purchases of RGBs to maintain float at appropriate levels.

Purchases of each of these materials are from suppliers based in the Philippines and in other parts of Asia, usually under short term, fixed price contracts.

g. Customers

The Corporation has a broad customer base nationwide. Its customers include supermarkets, convenience stores, bars, sari-sari stores and carinderias.

h. Transactions with and/or Dependence on Related Parties

Please refer to Item 13 of this report.

i. Patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements

The Corporation does not own any intellectual property that is material to the business. Under the Exclusive Bottling Appointments, the Corporation is authorized to use brands and the associated trademarks owned by PepsiCo, the relevant PepsiCo affiliates, and, in the case of the Lipton brand and trademarks, Unilever N.V. Trademark licenses are registered with the Philippine Intellectual Property Office. Certificates of Registration filed after January 1998 are effective for a period of 10 years from the registration date unless sooner cancelled, while those filed before January 1998 are effective for 20 years from the registration date. The table below summarizes most of the current Certificates of Registration as well as pending applications for Pepsi, Pepsi Max, Mirinda, Mountain Dew, 7Up, Diet 7Up, Gatorade, Propel, Tropicana, Sting and Lipton Iced Tea.

	Filing Date	Expiration
Pepsi Max	February 7, 1994	June 23, 2020
1995 Pepsi Logo in Color	April 24, 1997	February 24, 2005
1996 Pepsi Logo in Color	August 26, 1997	September 28, 2023
PCPPI - Pepsi Cola Products Philippines, Inc. and Logo	August 26, 2008	Pending application
Pepsi	October 18, 2004	February 19, 2017
Mirinda	January 23, 1986	May 10, 2009
Mountain Dew	June 5, 2000	January 18, 2014
Mountain Dew Logo	June 5, 2000	October 30, 2014
7Up and design	August 28, 1980	February 18, 2008
Diet 7Up Logo in Color	September 22, 2003	August 28, 2015
7Up	February 26, 2007	Pending application
Gatorade	November 27, 1992	June 29, 2015
Gatorade and lightning bolt design	February 9, 2004	August 28, 2015
Propel	August 23, 2002	January 17, 2015
Tropicana Twister	December 6, 1990	August 18, 2013
Tropicana	December 14, 1982	January 14, 2020
Sting	March 10, 2006	June 18, 2017
Lipton	March 28, 2003	June 8, 2016
Lipton Splash design	December 18, 2003	May 28, 2017
Lipton Ice Tea Logo in Color	November 17, 2006	Pending application

The Corporation produces its products under licenses from PepsiCo and depends upon PepsiCo to provide concentrates and access to new products. Thus, if the Exclusive Bottling Appointments with PepsiCo and certain of its affiliates are suspended, terminated or not renewed for any reason, it would have a material adverse effect on the business and financial results.

The Corporation has a strong relationship with PepsiCo. Refer to Item 13 of this report for details of regarding transactions with PepsiCo.

j. Government approvals of principal products

As a producer of beverages for human consumption, the Corporation is subject to the regulation by the Bureau of Food and Drugs (BFAD) of the Philippines, which is the policy formulation and monitoring arm of the Department of Health of the Philippines on matters pertaining to food and the formulation of rules, regulations, standards and minimum guidelines on the safety and quality of food and food products as well as the branding and labeling requirements for these products.

It is the Corporation's policy to register all locally-produced products for local market distribution. It also has certificates of product registration from BFAD for the products imported. Each of the plants has a valid and current License to Operate as a Food Manufacturer of Non-Alcoholic Beverages from BFAD. These licenses are renewed annually in accordance with applicable regulations. Any finding and gaps found during the regulatory audit and inspection are thoroughly discussed with BFAD inspectors and compliance commitments are re-issued. There are no pending findings of gaps that are material or that may materially affect the operation of each plant or all the plants as a whole.

The Corporation is also registered as a Distributor and Exporter of finished products. It has been recognized by BFAD as a Good Manufacturing Practice Certified Plant.

k. Effect of existing or probable governmental regulations on the business

The Corporation's production facilities are subject to environmental regulation under a variety of national and local laws and regulations, which, in particular, control the emissions of air pollutants, water, and noise. It is regulated by two major government agencies, namely, the Department of Environment and Natural Resources (DENR) and the Laguna Lake Development Authority (LLDA). We are continually complying with environmental laws and regulations, such as the wastewater treatment plants as required by the Department of Environment and Natural Resources and Laguna Lake Development Authority.

While the foregoing agencies actively monitor the Corporation's compliance with environmental regulations as well as investigate complaints brought by the public, it is required to police its own compliance and prevent any incident that could expose the Corporation to fines, civil or even criminal sanctions, considerable capital and other costs and expense for refurbishing or upgrading environmental compliance system and resources, third party liability such as clean-ups, injury to communities and individuals, including, loss of life.

l. Research and development

The research and development costs amounted to about ₱177,500, ₱496,300, ₱223,900, in fiscal years 2008, 2007 and 2006, respectively.

m. Costs and effects of compliance with environmental laws

Compliance with all applicable environmental laws and regulations, such as the Environmental Impact Statement System, the Pollution Control Law, the Laguna Lake Development Authority Act of 1966, the Clean Air Act, and the Solid Waste Management Act has not had, and in the Corporation's opinion, is not expected to have a material effect on the capital expenditures, earnings or competitive position. Annually, it invests about Php39 million and Php33 million in wastewater treatment and air pollution abatement, respectively, in its facilities.

n. Employees

As of June 30, 2008, the Corporation employs approximately 2,554 people. The following table provides a breakdown of permanent employee headcount, divided by function, as of June 30, 2008:

Total Number of Employees	Manufacturing	Logistics	Sales and Distribution	Marketing	General and Administrative
2554	863	440	724	71	456

In addition, it generally has between 1,472 and 1,635 casual employees working in the business at any time, mostly as manual laborers. It contracts with third party manpower and services firms for the supply of this labor. The number of casual employees it requires varies seasonally, with generally higher numbers during peak months of March through June. As of June 30, 2008, it had 1,635 casual employees.

All of the permanent production employees at the bottling plants and sales offices are represented by a union. The Corporation is a party to 14 collective bargaining agreements, with separate agreements for the sales and the non-sales forces in some cases. The collective bargaining agreements contain economic and non-economic provisions (such as salary increase and performance incentive, sale commission, laundry allowance, per diem, bereavement assistance, union leave, calamity loan, and assistance to employees' cooperative), which generally have a term of three years and remain binding on the successors-in-interest of the parties, while the representation aspect is valid for five years.

The Corporation believes that the relationship with both unionized and non-unionized employees are good. It has not experienced any work stoppages due to industrial disputes since 1999.

It places significant emphasis on training personnel to increase their skill levels, ensure consistent application of procedures and to instill an appreciation of corporate values. It operates "Pepsi University," a full-time training facility consisting of four classrooms. It has adopted a compensation policy which it believes to be competitive with industry standards in the Philippines. Salaries and benefits are reviewed periodically and adjusted to retain current employees and attract new employees. Performance is reviewed annually and employees are rewarded based on the attainment of pre-defined objectives.

The Corporation operates a defined benefit pension scheme for all of the regular and full-time employees. It maintains a fund to pay future benefits under the plan, and carry a liability on the balance sheet representing the difference between the value of the plan assets and the present value of actuarially-assessed defined benefit obligations.

o. Major Risks

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.

The high inflation regime (at 11.4% in June, 9.6% in May, bringing about the average for the past six months to 7.6%) that prevailed during the 4th quarter of fiscal year 2008, normally our peak quarter, took its toll on the Philippine economy as the Gross Domestic Product grew by only 4.6%, a considerable deceleration from the 8.3% increase recorded last year. Consumer spending slackened to 3.4% from 5.6% a year ago, as it succumbed to the effect of high prices. Lower disposable income of the Philippine population normally leads to a general fall in the demand for beverage products. Furthermore, the record high inflation rate brought about by the oil and food price hike increased freight and power costs with a multiplier effect on materials and other costs.

Sales volume 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. For the month of May 2008, normally a peak month, there were four cyclones in May 2008, causing above average rainfalls throughout the country and cooler normal summer season at 25 degrees compared to the normal 28 degrees.

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 2008 Audited Financial Statements, Note 4 on Financial Risk Management and Note 25 on Financial Instruments for detailed discussion).

The Corporation is not aware of any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. To the Corporation's knowledge, there are no material off-balance sheet transactions, arrangement, obligations (including contingent obligations), and other relationship of the Corporation with unconsolidated entities or other persons created during the reporting period.

ITEM 2. PROPERTIES

As a foreign-owned company, the Corporation is not permitted to own land in the Philippines. Hence, it leases the land on which the bottling plants, warehouses and sales offices are located.

The head office and main bottling plant are located at Km. 29 National Road, Barangay Tunasan, Muntinlupa City. The premises are leased from certain members of the Batista family. On 16 December 2002, it extended the lease for another 12 years, to expire on November 24, 2014, and renewable at the option of the parties. It pays monthly rent, which is valued per square meter and increases over the years, plus value-added tax. It also leases the land on which the other 10 bottling plants are located from the affiliate, Nadeco Realty Corporation ("Nadeco Realty"), 40% of which is owned by the Corporation. Leases with Nadeco Realty will expire on January 31, 2022, but are renewable for another 25 years under the same terms and conditions, except for the monthly rental which will be based on the existing market rate at the time of the renewal. In addition to the bottling plants, it leases the land on which the sales offices are located. Refer to Note 29 to the Audited Financial Statements for further information on the leases.

Other than the buildings, leasehold improvements, machinery and equipment, fixtures and appurtenances disclosed in Note 10 to the Audited Financial Statements, and the shares of stock in Nadeco Realty disclosed in Note 8 to the Audited Financial Statements, the Corporation does not hold significant properties.

The Corporation does not intend to acquire any material real estate property in the next 12 months.

Refer to Notes 7 (Inventories), 10 (Property, Plant and Equipment), 11 (Notes Payables), and 13 (Long-term Debt) to the Audited Financial Statements for details on mortgage, lien or encumbrances over the properties of the Corporation and its associate.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are involved in litigation in the ordinary course of our business. The majority of the cases in which we are a party are cases we bring to recover debts in relation to unpaid receivables by our trade partners or in relation to cash or route shortages, private criminal prosecutions that we bring (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 our company 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 us based on diverse causes of action, and consumer cases brought against us involving allegations of defective products.

As a result of a promotion in 1992, civil cases were filed against us 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 we are 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, we expect 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.

We do not believe that the litigation in which we are currently involved or which is presently pending or threatened against us is material to us, either individually or in the aggregate. We have not, in the past three (3) years, been involved in any bankruptcy, receivership or other similar proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There was no matter submitted during the 4th quarter of the fiscal year covered by this report to a vote of security holders, through solicitation of proxies or otherwise.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

The common shares were listed with the Philippine Stock Exchange ("PSE") on February 1, 2008. The high and low sales prices of such shares for the 1st and 2nd quarters of 2008 are set out below.

2008	High	Low
1 st Quarter	₱ 3.10	₱ 2.48
2 nd Quarter	₱ 3.25	₱ 2.50

The share price as of the close of business on June 30, 2008 was ₱2.55 and as of September 30, 2008 was ₱2.00.

Stockholders

The Corporation has approximately 598 holders of each class of common equity security (with the PCD Nominee Corporation (Filipino) and (Non-Filipino) considered as two holders) as of June 30, 2008 (based on number of accounts registered with the Stock Transfer Agent). The following are the top 20 holders of the common equity securities, based on the report furnished by the Stock Transfer Agent as of June 30, 2008

No.	Name	Number of Shares	Percentage of Ownership
1	Quaker Global Investments B.V.	1,089,101,362	29.4848%
2	PCD Nominee Corporation (Non-Filipino)	993,701,223	26.9021%
3	Hong Way Holdings, Inc.	857,788,628	23.2226%
4	PCD Nominee Corporation (Filipino)	322,694,500	8.7362%
5	Guoco Assets (Philippines) Inc.	255,594,964	6.9196%
6	Orion Land Inc.	149,841,502	4.0566%
7	Micky Yong	20,000,001	0.5415%
8	Felix S. Yu	149,998	0.0041%
9	Felix S. Yu	250,000	0.0068%
10	Winefreda O. Madarang	220,000	0.0060%
11	Valeriano A. Lugti	200,000	0.0054%
12	Luis G. Dabao	100,000	0.0027%
13	Juanito R. Ignacio	100,000	0.0027%
14	Ma. Celeste S. Narciso	100,000	0.0027%
15	Ma. Corazon V. Pineda	100,000	0.0027%
16	Jose I. Umali	100,000	0.0027%
17	Yzrael Edwin de Vera Pineda	89,000	0.0024%
18	Rosauro P. Dino	70,000	0.0019%
19	Daniel D. Gregorio, Jr.	70,000	0.0019%
20	Roberto E. Tongcua	70,000	0.0019%
21	Cecilia R. Duguran	60,000	0.0016%

Cash Dividends

The Corporation declared the following cash dividends in fiscal year 2007.

Date of Declaration	Dividend Per Share	Payable to Stockholders of Record as of	Date of Payment
June 21, 2007	₱0.12	June 21, 2007	August 20, 2007

There was no dividend declaration in fiscal year 2008. On September 30, 2008, the Board of Directors approved the declaration of dividend amounting to ₱369,377,227.90.

Dividend Policy

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

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 our 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.

PART III – FINANCIAL INFORMATION

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

RESULTS OF OPERATIONS - fiscal 2008 versus 2007

	AMOUNT (in thousands)		% TO NET SALES		B/(W)
	FY 2008	FY 2007	FY 2008	FY 2007	
NET SALES	12,980,888	12,916,212	100.0%	100.0%	-
COST OF GOODS SOLD	8,864,371	8,780,036	68.3%	67.8%	-0.5%
GROSS PROFIT	4,116,515	4,156,176	31.7%	32.2%	-0.5%
OPERATING EXPENSES:					
SELLING & DISTRIBUTION	1,784,405	1,570,682	13.7%	12.2%	-1.6%
GENERAL & ADMINISTRATIVE	703,718	622,096	5.4%	4.8%	-0.6%
MARKETING EXPENSES	664,935	468,291	5.1%	3.6%	-1.5%
TOTAL OPERATING EXPENSES	3,153,058	2,661,069	24.3%	20.6%	-3.7%
INCOME FROM OPERATIONS	963,457	1,495,107	7.4%	11.6%	-4.2%
NET OTHER INCOME/(EXPENSE)	37,463	24,520	0.3%	0.2%	0.1%
INCOME BEFORE TAX	1,000,919	1,519,627	7.7%	11.8%	-4.1%
INCOME TAX EXPENSE	240,222	518,241	1.9%	4.0%	2.2%
NET INCOME	760,697	1,001,386	5.9%	7.8%	-1.9%

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 NCB by 20% 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 of 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 carbonated soft drinks market in the Philippines, it maintained an almost flat volume growth in the carbonated soft drinks revenues.

The pursuit to grow and expand the consumer goods market by targeting the broad CD mass market which constitute the majoring of the Philippine population made the industry shift to expanding its offering of products at affordable prices and convenient packaging. 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 non-carbonated beverage 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. spiraling 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 24.3% 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 out from this market, it continued to invest in expanding approaching capacity constrains 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 requires 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. In keeping with this strategy, it 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. Consequentially, cost of goods sold increased from 67.8% to 68.3% as a percentage of net sales, while selling and distribution expenses increased from 12.2% to 13.7% of net sales. Depreciation and amortization of capital expenditure accounted for the increase in cost of good sold by 0.5% of net sales percentage as well as the increase in selling and distribution expense also by 0.5% of net sales. General and administrative expenses as a percentage over net sales increased from 4.8% to 5.4% of net sales 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. As mentioned elsewhere in this report, marketing expense as % Net Sales was up from 3.6% to 5.1% of net sales on account of the one time increase in expenditures incurred in Q2 fiscal year 2008.

RESULTS OF OPERATIONS – fiscal 2007 versus 2006

Net income for fiscal year 2007 was ₱1,001 million, an increase of ₱133 million, or 15.3% from fiscal year 2006. Net sales rose by ₱1,923 million or 17.5%, but this increase was partially offset by a ₱1,507 million or 20.8% increase in cost of goods sold and a ₱266 million or 11.1% increase in operating expenses.

Net sales increased from ₱10,996 million in fiscal year 2006 to ₱12,916 million in fiscal year 2007, an increase of ₱1,923 million or 17.5%. Increases in revenues were driven by the growth in CSD as well as the continuing geographical expansion of distribution and overall category growth in NCB, both the NCB and C on account of 10.7% volume increase and 6.2% price increase.

Cost of goods sold increased from ₱7,253 million in fiscal year 2006 to ₱8,760 million in fiscal year 2007, an increase of 20.8%. The increase in cost of goods sold were partly in line with volume growth and partly due to higher raw material costs such as sugar and concentrate costs and packaging costs as well as product mix shift towards non-carbonated beverages.

Selling and distribution expenses increased from ₱1,435 million in fiscal year 2006 to ₱1,594 million in fiscal year 2007, an increase of 11.1%. The increase in selling and distribution expenses were mainly due to higher cost of fuel, increase in the number of warehouses and number of powered coolers provided to retailers in line with the volume growth in CSD and NCB and geographical growth particularly in NCB.

Marketing expenses increased from ₱424 million in fiscal year 2006 to ₱468 million in fiscal year 2007, an increase of 10.4%. This increase reflected the additional investment to support newly-introduced non-carbonated beverage products, as well as increased volumes of carbonated beverages.

General and administrative expenses increased from ₱536 million in fiscal year 2006 to ₱599 million in fiscal year 2007, an increase of 11.6%. The increase was primarily due to a 13.7% increase in salaries, wages and employee benefits, reflecting increased headcount, scheduled salary increases and increased performance bonuses, and a ₱16 million increase in rental and utilities and outside services in fiscal year 2007.

The foregoing factors resulted in an increase in income from operations of ₱150 million or 11.2%. Effective tax rate was 34.1% in fiscal year 2007 compared to 32.6% in fiscal year 2006. This resulted in increase in net income of ₱133 million or 15.3%. Net income margin for fiscal year 2007 was 7.8%, compared to 7.9% in fiscal year 2006.

FINANCIAL CONDITION AND LIQUIDITY

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 give it ready access to financing alternatives (refer to Note 4 to the Audited Financial Statements for a detailed discussion on the Corporation's revolving credit facilities as of June 30, 2008).

Credit sales have increased over the past five years from 42% of total sales in 2006 to 48% in 2007 and 62% in 2008. 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 period improved from 34 days in 2006 to 32 days in 2007 and 30 days in 2008.

Inventory days have increased from 9 days in 2006 to 11 days in 2007 and 12 days in 2008 in order to support introduction of new products and volume growth. Trade payable days have remained at manageable levels ranging from 49 days to 56 days over the past five years. Operating cycle (a.k.a. average receivable collection period plus average inventory conversion period) has remained shorter than the credit terms given by the suppliers.

Increase in current assets from ₱2,256 million as of June 2006 to ₱2,547 million as of June 2007 were due to increase in receivables, inventories and due from related parties. Increases in receivables and inventories were in line with increase in volume.

Decrease in current liabilities from ₱3,216 million as of June 2006 to ₱2,289 million as of June 2007 mainly due to the payment of long-term debt, dividends and lower income tax payable in 2007.

Total assets increased from ₱6,785 million as of June 2006 to ₱8,045 million as of June 2007 mainly due to the investments in bottles and cases and property, plant and equipment in support of expansion program and volume growth. Total liabilities decreased from ₱3,462 million as of June 2006 to ₱2,765 million as of June 2007 mainly due to payment of long-term debt and dividends. Total equity increased from ₱3,323 million to ₱5,279 million mainly due to the ₱1.2 billion proceeds from the Initial Public Offering (IPO) in January 2008.

MATERIAL COMMITMENTS FOR CAPITAL EXPENDITURES

Historically, the Corporation has sourced funding for the 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 recently completed the expansion projects of Cebu and San Fernando plants and expects to complete to other expansion projects by year 2009. Capital expenditure for fiscal year 2008 amounted to ₱2 billion, ₱386 million higher than previous year's level. In addition to maintaining a level of ongoing capital expenditures broadly consistent with that incurred in recent periods, it expects to use the net proceeds received from the IPO offering to complete the remaining expansion projects lined up.

FACTORS THAT MAY IMPACT COMPANY'S OPERATIONS / SEASONALITY ASPECTS

Refer to Item 1 (2) (o) on discussion of Major Risks.

SIGNIFICANT ELEMENTS OF INCOME OR LOSS THAT DID NOT ARISE FROM CONTINUING OPERATIONS

Refer to Note 22 to the Audited Financial Statements for details of net finance and other income (expenses).

ITEM 7. FINANCIAL STATEMENTS

Please see Exhibit I hereof for the Audited Financial Statements as of June 30, 2008.

ITEM 8. INFORMATION ON INDEPENDENT ACCOUNTANT

The Corporation has engaged the services of an independent Certified Public Accountant (CPA) to conduct an audit and provide objective assurance on the reasonableness of the financial statements and relevant disclosures. The independent CPA is responsible solely to the Board of Directors.

The appointment of the independent CPA is submitted to the Audit Committee, the Board of Directors and shareholders for approval. The representatives of the independent CPA are expected to be present during the Annual Stockholders' Meeting and have the opportunity to make a statement on the Corporation's financial statements and results of operations, when they opt to do so. They are also available to reply to queries during the said meeting. Upon request, the independent CPA can also be asked to attend meetings of the Audit Committee and the Board, to make presentations and reply to inquiries on matters relating to the Corporation's financial statements.

The Corporation has appointed Manabat Sanagustin & Co. as its independent CPA for the fiscal year 2008. Aside from audit services, it has also engaged Manabat Sanagustin & Co. to perform tax assurance services and render opinion on projects relating to the interpretation of tax laws, regulations and rulings.

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

	FY 2008	FY 2007
Statutory audit fees	₱ 2.70 million	₱ 3.00 million
IPO-related audit fees	15.40 million	-
Tax fees	0.25 million	-
Total	₱ 19.35 million	₱ 3.00 million

ITEM 9. 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 interpretations 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.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

Term of office

Directors elected during the annual meeting of the 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 year position was assumed, of our incumbent directors, including independent directors:

Name	Age	Citizenship	Year Position was Assumed
Micky Yong	61	Singaporean	1997
Varun Berry	47	Indian	2001
James Eng, Jr.	66	American	2005
Tsang Cho Tai (Allan Tsang)	58	British	2005
Rahul Bhatnagar	50	Indian	2004
Timothy E. Minges	50	American	2007
Qasim Khan	51	Pakistani	2008
Jose M. Periquet, Jr.	62	Filipino	2007
Rafael M. Alunan III*	60	Filipino	2007
Oscar S. Reyes*	62	Filipino	2007

*Independent Director

Executive Officers

The following are the names, ages, positions, citizenship and year position was assumed, of our incumbent executive officers:

Name	Age	Citizenship	Position	Year Position was Assumed
Micky Yong	61	Singaporean	Chairman, President and Chief Executive Officer	2002
Partha Chakrabarti	44	Indian	Senior Vice-President and Chief Financial Officer	2006
Felix S. Yu	59	Filipino	Executive Vice-President, National Sales Operations	2004
Roberto H. Goce	54	Filipino	Senior Vice-President, Corporate Services Group	2008
Daniel D. Gregorio, Jr.	56	Filipino	Senior Vice-President for Manufacturing and Logistics	1998
Ma. Rosario C.Z. Nava	39	Filipino	Corporate Secretary	2007

Background Information and Business Experience

Directors:

MICKY YONG

Mr. Yong has held the office of Chief Executive Officer of PCPPI since 2002, but he has been a director since the Guoco Group Limited and its subsidiaries ("Guoco Group") acquired its interest in PCPPI 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.

VARUN BERRY

Mr. Berry is PepsiCo, Inc. ("PepsiCo")'s country manager for the Philippines, a post he has held since 2001. He joined PepsiCo in India in 1993 and has held a variety of marketing and operating roles within the organization. Prior to joining PepsiCo, he was a marketing manager for Unilever. He holds an MBA and a Bachelor of Science degree in Engineering from the Panjab University - Chandigarh.

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.

RAHUL BHATNAGAR

Mr. Bhatnagar is the Vice-President and Chief Financial Officer, Asia Region, for PepsiCo, where he leads the finance function for both beverages and food throughout the Asian region, and he has served as such since 2003. Mr. Bhatnagar joined PepsiCo in 1996 as Chief Financial Officer of the India beverage business. Prior to joining PepsiCo, he spent two years as Chief Financial Officer of Seagram India, and before that, he spent seven years with Nestle India in the finance division in various leadership roles, the last of which was as the Financial Controller of the business. He started his career as a management consultant in India and the United States. He holds an MBA degree from Wharton School, an honors Bachelor of Arts degree in Economics from St. Stephen's College, Delhi University and is a member of the Institute of Chartered Accountants in India.

TIMOTHY E. MINGES

Mr. Minges is the President of Asia Pacific Markets for PepsiCo. He has been with PepsiCo for 25 years including 15 years in Asia with a variety assignment 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 PepsiCo's Asia Franchise Business Unit General Manager. 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 the 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 the President of the First Philippine Infrastructure Development Corporation a position he has held since 1999 up to the present, and sits on the board of several of its operating subsidiaries. He is a director of Sun Life of Canada (Philippines) Inc., Sun Life Financial Plans, Inc. Sun Life Balanced Fund, Inc. and the Management Association of the Philippines. Mr. Alunan is the President of Kilosbayan, a non-profit, non-partisan, ethics-oriented people's organization and a columnist for BusinessWorld. He served in the cabinets of President Fidel V. Ramos and President Corazon C. Aquino as Secretary of the Interior and Local Government and Secretary of Tourism, respectively. He holds a double degree in Business Administration and History-Political Science from De La Salle University and a Master's degree in Public Administration from Harvard University.

OSCAR S. REYES

Mr. Reyes is the Chairman of Link Edge, Inc. He has been a director of the Philippine Long Distance Telephone Company since 2002, Bank of the Philippine Islands since 2003, Sun Life of Canada Phils. Inc since 2004, Manila Water Company since 2005, SMART Communications, Inc since 2006, among other companies. He previously served the Shell Group of Companies in the Philippine 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, Consultant for National Steel Corporation and its affiliated companies 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 PCPPI 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 qualified as a Chartered Accountant in India.

FELIX S. YU

Mr. Yu joined the predecessor of PCPPI in 1983 and has served in various roles in sales and plant management. Prior to joining PCPPI, 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 PCPPI 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 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 Soletron 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 re-elected in 2004 up to 2007, and was its Corporate Secretary from 2006 to 2007. She holds a Bachelor of Science degree in Legal Management with honors from Ateneo de Manila University and a Juris Doctor degree from the Ateneo de Manila University School of Law.

Resignation of Directors

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 any disagreement on any matter relating to our operations, policies or practices.

Significant Employees and Family Relationships

No single person is expected to make a significant contribution to the business since we consider the collective efforts of all our employees as instrumental to the overall success of our business. We are not aware of any family relationship between or among the aforementioned Directors or Executive Officers up

to the fourth civil degree. We have not had any transaction during the last two (2) years in which any Director or Executive Officer had a direct or indirect interest.

Involvement in Certain Legal Proceedings

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 5 years and up to the latest date.

ITEM 11. EXECUTIVE COMPENSATION

Compensation of Directors and Executive Officers

The aggregate compensation paid in the fiscal years 2008, 2007 and 2006 to our Executive Officers 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 for Manufacturing & Logistics				
Roberto H. Goce					
Aggregate for above-named officers	Senior Vice-President, Corporate Services Group	2006	₱42,100,000	₱18,800,000	-
		2007	42,300,000	19,300,000	-
		2008	43,708,000	22,066,000	-
All other directors and officers as a group unnamed		2006	-	-	-
		2007	-	-	-
		2008	-	-	₱ 1,336,765*

* This relates to per diem allowances paid to the directors.

There are no special employment contracts between us 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. Seven of the Directors who are associated with PepsiCo and the Guoco Group have agreed to forego such payments. On September 30, 2008, the Board has recommended, for approval by the stockholders, the payment of an annual directors' fee to each member of the Board of Directors in the amount of Five Hundred Thousand Pesos (₱ 500,000). If approved, total annual directors' fee (excluding per diem allowances) will amount to One Million Five Hundred Thousand Pesos (₱ 1,500,000).

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

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Record and Beneficial Owners of at Least 5% of Our Securities as of 30 June 2008

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	Quaker Global Investments B.V. ¹ Zonnebaan 35, 3542 Eb Utrecht The Netherlands Relationship – stockholder	Same as indicated in column 2	Dutch	1,089,101,362	29.48%
Common shares	PCD Nominee Corporation (Non-Filipino) ² 37 th Floor, The Enterprise Center Ayala Avenue, Makati City Relationship – please refer to footnote	Please refer to footnote	Non-Filipino	993,701,223	26.90%
Common shares	Hong Way Holdings, Inc. ³ 20 th Floor, LKG Tower 6801 Ayala Avenue, Makati City Relationship – stockholder	Same as indicated in column 2	Singaporean	857,788,628	23.22%
Common shares	PCD Nominee Corporation (Filipino) ⁴ 37 th Floor, The Enterprise Center Ayala Avenue, Makati City Relationship – please refer to footnote	Please refer to footnote	Filipino	322,694,500	8.74%
Common shares	Guoco Assets (Philippines), Inc. ⁵ 20 th Floor, LKG Tower 6801 Ayala Avenue, Makati City Relationship – stockholder	Same as indicated in column 2	Singaporean	255,594,964	6.92%

Note: Shares indicated above include qualifying shares held by their directors.

¹ 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, usually designates Mr. Varun Berry to vote its shares of stock in the Corporation.

² 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 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.

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.

Security Ownership of Management as of 30 June 2008

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, Barangay Tunasan, Muntinlupa City	20,000,001 - direct ownership except for one qualifying share	Singaporean	0.5414%
Common shares	Varun Berry Non-Executive Director c/o 21 st Floor, LKG Tower, 6801 Ayala Avenue, Makati City	1*	Indian	Nil
Common shares	James Eng, Jr. Non-Executive Director c/o 50 th 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 50 th Floor, The Center, 99 Queen's Road, Central, Hong Kong	1*	British	Nil
Common shares	Rahul Bhatnagar Non-Executive Director c/o 20 th Floor Caroline Center 28 Yun Ping Road, Causeway Bay, Hong Kong	1*	Indian	Nil
Common shares	Timothy E. Minges Non-Executive Director c/o 20 th Floor Caroline Center 28 Yun Ping Road, Causeway Bay, Hong Kong	1*	American	Nil
Common shares	Qasim Khan Non-Executive Director c/o 20 th 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 3 rd 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 5 th 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, Barangay Tunasan, Muntinlupa City	0	Indian	0%
Common shares	Felix S. Yu Executive Vice-President, National Sales Operations c/o Km. 29 National Road, Barangay 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, Barangay Tunasan, Muntinlupa City	0	Filipino	0%
Common shares	Daniel D. Gregorio, Jr. Senior Vice-President for Manufacturing and Logistics c/o Km. 29 National Road, Barangay Tunasan, Muntinlupa City	70,000 - direct ownership	Filipino	0.0019%
Common shares	Ma. Rosario C. Z. Nava Corporate Secretary c/o 7 th 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 as of 30 June 2008 amounted to 20,430,008 shares which is approximately 0.5531% of our outstanding capital stock.

Changes in Control

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

- a. The Corporation has Exclusive Bottling Agreements with PepsiCo, which has 29.49% beneficial interest in PCPPI, up to year 2017 and Pepsi Lipton, a joint venture of PepsiCo, up to year 2012. Under the agreements, the Corporation is authorized to bottle, sell and distribute PepsiCo 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 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 Corporation, change of ownership control of an entity which controls PCPPI, 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 ₱1 billion and ₱2 billion in fiscal years 2008 and 2007, respectively. Total purchases from Pepsi Lipton for the fiscal year ended June 30, 2008 amounted to ₱648 million.

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, it pays for the said expenses and claim reimbursement from PepsiCo. As of June 30, 2008, reimbursable marketing charges from PepsiCo amounted to ₱99 million. For the years ended June 30, 2008, 2007 and 2006, it incurred marketing expenses amounting to ₱665 million, ₱468 million and ₱424 million, respectively.

- b. On April 11, 2007, the Corporation entered into a Performance Agreement with PepsiCo, Orion Brands International ("Orion Brands"), Guoco Assets (Philippines), Inc. and Hong Way Holdings, Inc. 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 sales to expand the manufacturing capacity; (3) invest in a minimum number of coolers per year to support distribution expansion; (4) expand the distribution capabilities in terms of the number of active routes, the number of new routes and the number of trucks used for distribution support; and (5) observe financial guidelines as set by the Board.
- c. Certain real estate properties of Nadeco Realty were mortgaged to secure the outstanding long-term debt and a portion of its notes payable.
- d. It leases certain parcels of land where some of its bottling plants are located from Nadeco Realty. Lease expenses recognized amounted to ₱11 million in 2008 and ₱3 million in 2007. There were no lease expenses recognized on these leases before January 31, 2007 as a result of the elimination in the consolidation.
- e. Working capital advances. Its advances to Nadeco Realty amounting to ₱38 million bear interest at a fixed rate of 10% per annum.

PART IV – CORPORATE GOVERNANCE

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

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

Audit Committee

The 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 continuous improvement of the risk management systems, business operations and the proper safeguarding and use of our resources and assets. The Audit Committee provides a general evaluation of and assistance in the overall improvement of our risk management, control and governance processes.

The Audit Committee must be comprised of at least 3 Directors, preferably with accounting and financial background. Two (2) 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 (3) months.

The incumbent Chairman and members of the Audit Committee are Messrs. Oscar S. Reyes (Chairman), Rahul Bhatnagar, Tsang Cho Tai (Allan Tsang), and Rafael M. Alunan III.

Compensation and Remuneration Committee

The 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.

The Compensation and Remuneration Committee must be comprised of at least three (3) Directors, including one independent director who reports directly to our Board. The Committee is required to meet at least once per year.

The incumbent Chairman and members of the Compensation and Remuneration Committee are Messrs. James Eng Jr. (Chairman), Micky Yong, Rahul Bhatnagar, and Rafael M. Alunan III.

Nomination Committee

The 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 long-term success and secure competitiveness of the Corporation.

The Nomination Committee must comprise at least three (3) Directors, including one (1) Independent Director. The Nomination Committee reports directly to the Board and is required to meet at least once a year.

The incumbent Chairman and members of the Nomination Committee are Messrs. Micky Yong (Chairman), James Eng Jr., Rahul Bhatnagar, and Rafael M. Alunan III.

Executive Committee

The Executive Committee is responsible for developing and monitoring the Company's risk management policies. The Executive Committee reviews the detailed financial and operating performance of the corporation every month and review progress against the relevant Annual Operating Plan and Operating Targets, monitor 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.

The incumbent Chairman and members of the Executive Committee are Messrs. Micky Yong (Chairman), Varun Berry, James Eng Jr., Tsang Cho Tai (Allan Tsang), Qasim Khan, and Partha Chakrabarti (CFO).

For purposes of evaluating compliance with our Manual on Corporate Governance, the Corporation has adopted the self-rating form prescribed by the Securities and Exchange Commission (SEC). The Corporation has complied with its Manual on Corporate Governance 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.

We have fulfilled our corporate governance obligations and there have been no deviations from the Our Manual as of date.

We continue to evaluate and review our Manual on Corporate Governance to ensure that best practices on corporate governance are being adopted.

SIGNATURES

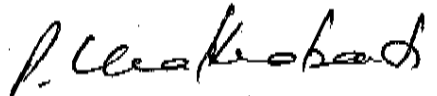
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Muntinlupa on 29 October 2008

By:



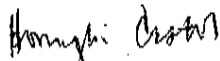
MICKY YONG

Chairman, President and Chief Executive Officer



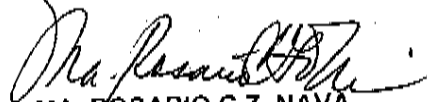
PARTHA CHAKRABARTI

Senior Vice President and Chief Financial Officer



HONEYLIN C. CASTOLO

AVP-Planning and Reporting



MA. ROSARIO C.Z. NAVA

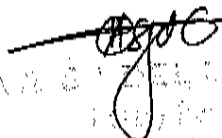
Corporate Secretary

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

SUBSCRIBED AND SWORN TO before me in the City of MUNTINLUPA CITY this
OCT 29 2008 th day of _____ by:

<u>Name</u>	<u>Competent Evidence of Identity</u>	<u>Date/Place Issued</u>
Micky Yong	Passport No. S06034791	April 26, 2001/Singapore
Partha Chakrabarti	Passport No. Z1751780	Feb. 26, 2008/ Manila
Honeylin C. Castolo	CTC No. 19342708	Feb. 27, 2008/ Makati City
Ma. Rosario C. Z. Nava	CTC No. 19474972	Jan. 11, 2008/ Makati City

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.


NOTARY PUBLIC
Name: JOSE FELIX ARNAS
Date: Oct 29, 2008
Office: Muntinlupa City
Address: 1127, 11th St., Muntinlupa City
Bar No. 1127

Doc. No. 633
Page No. 23
Book No. 2
Series of 2008.

COVER SHEET

1 6 0 9 6 8

S.E.C. Registration Number

PEPSI-COLA PRODUCTS

PHILIPPINES, INC.

(Company's Full Name)

K m . 2 9 , N a t i o n a l R o a d

T u n a s a n , M u n t i n l u p a C i t y

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

Honeylin C. Castolo

Contact Person

807-9905

Company Telephone Number

0 6

Month

3 0

Day

A A F S

FORM TYPE

Month

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles 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

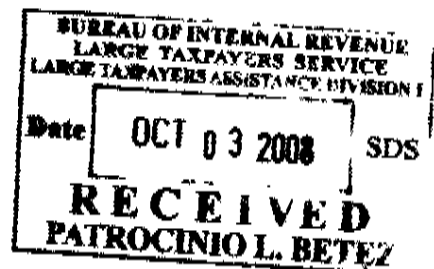
STAMPS

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYER ASSISTANCE DIVISION I
Date OCT 03 2008 SDS
RECEIVED
PATROCINIO L. BETEZ

Remarks = pls. use black ink for scanning purposes.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

FINANCIAL STATEMENTS
June 30, 2008, 2007 and 2006





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

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

Branches - Subic - Cebu - Bacolod - Iloilo

PRC-BOA Registration No. 0003
 SEC Accreditation No. 0004-FR-1
 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. (the Company), which comprise the balance sheets as at June 30, 2008 and 2007, and the statements of income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes. We have also audited the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended June 30, 2006, and a summary of significant accounting policies and other explanatory notes of Pepsi-Cola Products Philippines, Inc. and Subsidiary (collectively referred to as "the Group").

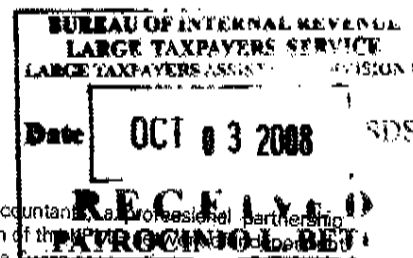
Management's Responsibility for the Financial Statements

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.



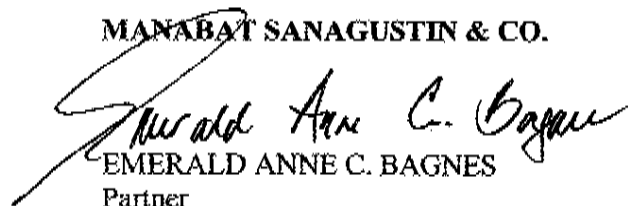


We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2008 and 2007, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards. Also, in our opinion, the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended June 30, 2006, present fairly, in all material respects, the financial performance of the Group for the year then ended in accordance with Philippine Financial Reporting Standards.

MANABAT SANAGUSTIN & CO.


EMERALD ANNE C. BAGNES
Partner

CPA License No. 0083761

SEC Accreditation No. 0312-A

Tax Identification No. 102082332

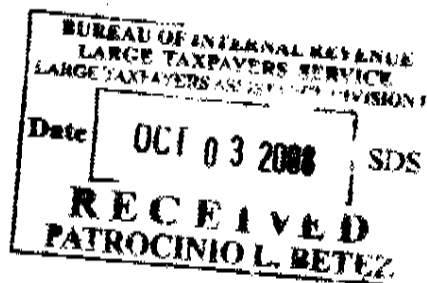
BIR Accreditation No. 08-001987-12-2007

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

PTR No. 0988683 J

Issued January 7, 2008 at Makati City

September 30, 2008
Makati City, Metro Manila





PEPSI-COLA PRODUCTS PHILIPPINES, INC.

Km. 29 National Road, Tunasan, Muntinlupa City 1773 Philippines
Tel. No.: (632) 850-7901 • Fax No.: (632) 850-7928


**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 the financial statements for the year ended **June 30, 2008**. The financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise 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.

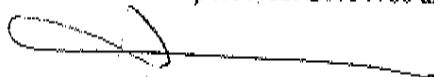
The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the company.

Manabat Sanagustin & Co., 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
Chairman President and Chief Executive Officer


PARTHA CHAKRABARTI
Senior Vice President and Chief Finance Officer

Subscribed and Sworn to this **OCT 02 2008** day of _____, in the City of **MUNTINLUPA CITY** taxpayers exhibiting their competent evidence of identity in the form of Passport Nos. Z1751780 and S06034791 respectively.


ATTY. CELERINO T. GRECIA III
Notary Public

Commission No. 07-029
Until December 31, 2009

SDSKm. 29 National Rd., Tunasan, Muntinlupa City
IBP LRN: 04683; May 12, 2003; Iloilo
PTR No. 0104302; 01/03/2008; Muntinlupa Cit:
Attorney's Roll No. 31466

Doc. No. 157
Page No. 33
Book No. II
Series 2008

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANT DIVISION
Date **OCT 03 2008**
RECEIVED
PATROCINIO L. BETEZ



PEPSI-COLA PRODUCTS PHILIPPINES, INC.

BALANCE SHEETS
(Amounts in Thousands)

		June 30	
	<i>Note</i>	2008	2007
ASSETS			
Current Assets			
Cash and cash equivalents	5	P590,326	P632,272
Receivables - net	6, 15	918,952	827,095
Inventories	7, 11	678,933	600,899
Due from related parties	15	245,673	134,468
Prepaid expenses and other current assets		113,252	61,045
Total Current Assets		2,547,136	2,255,779
Noncurrent Assets			
Investments in associates	8, 22	525,502	505,474
Bottles and cases - net	9, 11	1,972,654	1,687,581
Property, plant and equipment - net	8, 10, 11	2,861,459	2,158,107
Deferred tax assets - net	14	-	40,444
Other assets - net		138,039	137,963
Total Noncurrent Assets		5,497,654	4,529,569
		P8,044,790	P6,785,348
LIABILITIES AND EQUITY			
Current Liabilities			
Notes payable	7, 9, 10, 11, 13, 22	P147,100	P48,600
Accounts payable and accrued expenses	7, 12, 15, 26	2,079,994	2,201,248
Due to a related party	15	62,021	53,453
Income tax payable		-	271,130
Current portion of long-term debt	13, 22	-	241,666
Dividends payable	28	-	400,000
Total Current Liabilities		2,289,115	3,216,097
Noncurrent Liabilities			
Accrued retirement cost - net of current portion	26	186,577	203,909
Deferred tax liabilities - net	14	289,712	-
Long-term debt - net of current portion	13, 22	-	41,667
Total Noncurrent Liabilities		476,289	245,576
Total Liabilities		2,765,404	3,461,673
Equity			
Capital stock	27	554,066	496,948
Additional paid-in capital	27	1,197,369	59,473
Effect of dilution of ownership	8	(1,018)	(1,018)
Retained earnings	8, 28	3,528,969	2,768,272
Total Equity		5,279,386	3,323,675
		P8,044,790	P6,785,348

See Notes to the Financial Statements.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

STATEMENTS OF INCOME

(Amounts in Thousands)

	<i>Note</i>	Years Ended June 30		
		Company 2008 (See Note 8)	Company 2007 (See Note 8)	Group 2006 (See Note 8)
NET SALES	16, 24	P12,980,886	P12,916,212	P10,992,812
COST OF GOODS SOLD	15, 17, 20, 21, 26, 29	8,864,371	8,760,036	7,252,766
GROSS PROFIT		4,116,515	4,156,176	3,740,046
OPERATING EXPENSES				
Selling and distribution	15, 18, 20, 21, 26, 29	1,784,405	1,570,682	1,434,773
General and administrative	15, 19, 20, 21, 26, 29	703,719	622,096	536,321
Marketing expenses	15	664,935	468,291	424,059
		3,153,059	2,661,069	2,395,153
INCOME FROM OPERATIONS		963,456	1,495,107	1,344,893
NET FINANCE AND OTHER INCOME (EXPENSE)	8, 11, 13, 15, 22	37,463	24,520	(55,272)
INCOME BEFORE INCOME TAX		1,000,919	1,519,627	1,289,621
INCOME TAX EXPENSE	14	240,222	518,241	420,876
NET INCOME		P760,697	P1,001,386	P868,745
Basic Earnings Per Share	23	P0.22	P0.30	P0.26

See Notes to the Financial Statements.

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

	<i>Note</i>	Years Ended June 30		
		Company 2008 (See Note 8)	Company 2007 (See Note 8)	Group 2006 (See Note 8)
CAPITAL STOCK				
Balance at beginning of year		P496,948	P496,948	P496,948
Issuance during the year	27	57,118	-	-
Balance at end of year		554,066	496,948	496,948
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year		59,473	59,473	59,473
Issuance during the year	27	1,275,622	-	-
Transaction cost on initial public offering	27	(137,726)	-	-
Balance at end of year		1,197,369	59,473	59,473
EFFECT OF DILUTION OF OWNERSHIP				
	8	(1,018)	(1,018)	-
REVALUATION INCREMENT ON LAND				
Balance at beginning of year	28	-	274,569	265,995
Transfer to retained earnings	8	-	(274,569)	-
Increase in revaluation increment		-	-	1,072
Effect of change in tax rate		-	-	7,502
Balance at end of year		-	-	274,569
RETAINED EARNINGS				
Balance at beginning of year		2,768,272	1,892,317	1,421,041
Net income for the year		760,697	1,001,386	868,745
Transfer from revaluation increment on land	8	-	274,569	-
Dividends declared	28	-	(400,000)	(397,469)
Balance at end of year		3,528,969	2,768,272	1,892,317
		P5,279,386	P3,323,675	P2,723,307

See Notes to the Financial Statements.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended June 30			
	<i>Note</i>	Company 2008 (See Note 8)	Company 2007 (See Note 8)	Group 2006 (See Note 8)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P1,000,919	P1,519,627	P1,289,621
Adjustments for:				
Depreciation and amortization	20	969,611	813,537	703,284
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, 10	45,722	25,222	93,924
Interest expense	22	35,713	52,439	80,011
Interest income	22	(22,581)	(18,050)	(14,278)
Share in net earnings of associates	8, 22	(20,028)	(6,792)	-
Gain on disposal of property and equipment		(1,527)	(759)	(1,859)
Operating income before working capital changes		2,007,829	2,385,224	2,150,703
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Receivables	6	(132,588)	(168,955)	(78,237)
Inventories	7	(81,106)	(115,445)	(119,974)
Due from related parties - net	15	(101,282)	-	-
Prepaid expenses and other current assets		(18,309)	(12,370)	4,545
Increase (decrease) in accounts payable and accrued expenses	12	(112,431)	356,609	113,900
Cash generated from operations		1,562,113	2,445,063	2,070,937
Interest received		22,035	17,934	17,942
Income taxes paid		(203,607)	(275,758)	(328,282)
Interest paid		(39,957)	(65,988)	(80,857)
Net cash provided by operating activities		1,340,584	2,121,251	1,679,740

Forward

	Years Ended June 30			
	<i>Note</i>	Company 2008 (See Note 8)	Company 2007 (See Note 8)	Group 2006 (See Note 8)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposals of property and equipment	<i>10</i>	P17,681	P5,269	P1,825
Net additions to:				
Property, plant and equipment	<i>10</i>	(1,309,518)	(918,905)	(429,612)
Bottles and cases	<i>9</i>	(693,180)	(697,858)	(509,289)
Investments in associates	<i>8</i>	-	(632)	-
Increase in other assets		(7,694)	(88,646)	(59,689)
Net cash used in investing activities		(1,992,711)	(1,700,772)	(996,765)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares of stocks		1,195,014	-	-
Net proceeds from (repayments of):				
Notes payable	<i>11</i>	98,500	-	(279,800)
Long-term debt	<i>13</i>	(283,333)	(166,667)	39,633
Cash dividends paid	<i>28</i>	(400,000)	(99,367)	(298,102)
Net cash provided by (used in) financing activities		610,181	(266,034)	(538,269)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		(41,946)	154,445	144,706
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		632,272	477,827	333,121
CASH AND CASH EQUIVALENTS AT END OF YEAR				
	<i>5</i>	P590,326	P632,272	P477,827

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 Company's registered office and principal place of business is at Km. 29, National Road, Tunasan, Muntinlupa City.

The Company's associate (formerly a wholly-owned subsidiary), Nadeco Realty Corporation (NRC), was incorporated under Philippine laws primarily to engage in the real estate business. On February 1, 2007, a change in NRC's capital structure decreased the Company's ownership interest to 40% (see Note 8).

2. Basis of Preparation

Statement of Compliance

The financial statements for fiscal years 2008 and 2007 refer to the accounts of the Company while the financial statements for fiscal year 2006 refer to the consolidated accounts of the Company and NRC (collectively referred to as "Group"). The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The financial statements of the Company as of and for the year ended June 30, 2008 were approved and authorized for issue by the Board of Directors (BOD) on September 30, 2008.

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 entity 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 Judgments and Estimates

The preparation of the financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the financial statements. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. 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 is included in the following:

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 P162 million in 2008, P113 million in 2007 and P95 million in 2006 (see Notes 17, 18 and 19).

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 29).

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 allowance for impairment losses would increase the recorded operating expenses and decrease current assets. As of June 30, 2008 and 2007 allowance for impairment losses on receivables amounted to P102 million and P67 million, respectively (see Note 6).

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 adjusts the cost of inventory 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. As of June 30, 2008 and 2007, the amounts to reduce inventories to net realizable values amounted to P9 million and P15 million, 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 on the EUL of excess of cost over deposit value would increase amortization and decrease noncurrent assets. As of June 30, 2008 and 2007, accumulated amortization of excess of cost over deposit values of returnable bottles and cases amounted to P2.7 billion and P2.3 billion, 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, 2008, allowance for unusable containers amounted to P7 million. There was no allowance for unusable containers as of June 30, 2007 (see Note 9).

Estimating Useful Lives of Property, Plant and Equipment

The Company annually reviews the EUL of property, plant and equipment based on the period over which the assets are expected to be available for use and updates if expectations 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, 2008 and 2007, the carrying amount of property, plant and equipment amounted to P2.9 billion and P2.2 billion, respectively (see Note 10).

Estimating Allowance for Impairment Losses on Other Financial Assets and Non-Financial Assets

The Company assesses impairment on other financial and non-financial assets whenever events or changes in circumstances indicate that the carrying amount of such asset 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 indicator exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

As of June 30, 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 under machinery and other equipment) in fiscal year 2007. The related allowance was fully written-off in fiscal year 2007.

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. As of June 30, 2008 and 2007, the Company has no unrecognized deferred tax assets (see Note 14).

Pension and Other Employee Benefits

The determination of the obligation and cost of pension and other employee benefits is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions include, among others, discount rate, rate of expected return on plan assets and salary increase rate. In accordance with PFRS, 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, 2008 and 2007, the Company has unrecognized net actuarial gains amounting to P89 million and unrecognized net actuarial losses amounting to P4 million, respectively (see Note 26).

3. Significant Accounting Policies

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

Adoption of New Standard, Amendment to Standard and Interpretation in 2007

The Company adopted the following new standard, amendment to standard and interpretation effective July 1, 2007, which are relevant to its operations:

- *PFRS 7, Financial Instruments: Disclosures.* This standard introduces new disclosures to improve the information about financial instruments. It requires the disclosure of quantitative and qualitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, as well as sensitivity analysis to market risk. It replaces Philippine Accounting Standard (PAS) 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, and the disclosure requirements of PAS 32, *Financial Instruments: Disclosures and Presentation*. Additional disclosures were included in the financial statements as a result of the adoption of this standard.

The Company adopted the amendment to the transitional provisions of PFRS 7 as approved by the Financial Reporting Standards Council of the Philippines, which gives transitory relief with respect to the presentation of comparative information for the new risk disclosures about the nature and extent of risks arising from financial instruments. Accordingly, the Company did not present comparative information for the disclosures required by PFRS 7, unless the disclosure was previously required under PAS 32 (see Notes 4 and 25).

- Amendment to PAS 1, *Presentation of Financial Statements - Capital Disclosures*. This amendment introduces disclosures about the entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and if it has not complied, the consequences of such non-compliance. Additional disclosures were included in the financial statements as a result of the adoption of this amendment (see Note 4).
- Philippine Interpretation - IFRIC 11, *IFRS 2 - Group and Treasury Share Transactions*. This interpretation describes how to apply PFRS 2, *Share-based Payment*, to share-based payment arrangements involving an entity's own equity instruments and share-based payment arrangements of subsidiaries involving equity instruments of its company. This interpretation has no significant impact on the financial statements.

New and Revised Standards Not Yet Adopted

The following are the new and revised standards which 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 Company will assess the impact of this standard to its current manner of reporting segment information when it adopts the standard 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 revised PAS 1 will be included in the Company's financial statements upon its adoption in 2009.

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 risk and rewards of ownership coincides with the delivery of the products to the customers.

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. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

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

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

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.

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

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognized in the statements of income. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Company has no investments classified as financial assets at FVPL.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS or financial asset at FVPL. Loans and receivables are carried at cost or amortized cost, less impairment in value. Amortization is determined using the effective interest method. 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 and due from related parties are included in this category (see Notes 6 and 15).

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

The Company has no investments classified under this category.

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

The Company has no investments classified under this category.

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

The Company has no designated financial liability at FVPL.

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, accounts payable and accrued expenses, due to a related party and long-term debt (see Notes 11, 12, 13 and 15).

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

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

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 an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of income.

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 progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Determination of Fair Values

A number of the Company's accounting policies and disclosures requires the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Receivables. The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at balance sheet date.

Inventories. The fair value of inventories is determined based on its estimated selling price in the ordinary course of business less estimated cost of completion and sale, and reasonable profit margin based on the effort required to complete and sell inventories.

Other Financial liabilities The fair value is determined as the present values, which approximate the cash amounts that would fully satisfy the obligations as of balance sheet date. The carrying amount approximates fair value since the interest rates are repriced frequently. These are classified as current liabilities when they become payable within a year.

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 of the Company. 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. 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.

Goodwill 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. Goodwill is stated at cost less accumulated amortization and impairment in value, if any. In fiscal year 2008 and 2007, goodwill is included as part of "Investments in Associates" account.

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.

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 method are reviewed at each balance sheet date to ensure that the period and depreciation and amortization method 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 reflected in current operations.

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.

Non-Financial Assets

The carrying amounts of the Company's non-financial 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 non-financial 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.

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 placement, 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.

Provisions and Contingent Liabilities

A provision is a liability of uncertain timing or amount. It is recognized when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of 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 obligation 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 Exchange 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.

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.

Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. It includes companies in which one or more of the directors and/or controlling stockholders of a company either have a beneficial controlling interest or are in a position to exercise significant influence therein.

Events After the Balance Sheet Date

Post year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are recognized 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 25 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 detriment 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 the use of no negative record requests and list of blacklisted accounts, 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 25). 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. 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 as of June 30, 2008:

- Omnibus line of credit with a number of Philippine banks consisting of commitments for short-term loans, letters of credit and documents against acceptances/documents against payment (DA/DP) facilities trust receipts. The total commitment under the line of credit is P2 billion, of which the Company had drawn P411 million under letters of credit and short-term loan as of June 30, 2008. All facilities under the omnibus line bear interest at floating rates consisting of a margin over current Philippine treasury rates; and
- P480 million domestic bills purchased line, which is currently available.

Market Risk

Market risk is the risk that changes in market prices, such as 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.

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, through 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 than 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 management considered the exposure to interest rate risk to be insignificant.

Capital Management

The Company's objectives when managing capital are to increase the value of shareholders' investment and maintain high growth by applying free cash flow to selective investments that would further the Company's 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.

The Company monitors capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity. Total debt is equivalent to notes payable and long-term debt. Total equity comprises all components of equity including capital stock, additional paid-in capital and retained earnings.

The Company has externally-imposed capital requirements arising from its loans with local banks. Such loan agreements include the requirement to maintain a debt-to-equity ratio of not greater than 2:1. The Company has complied with such externally-imposed capital requirements as of June 30, 2008 and 2007.

The debt-to equity ratios are as follows:

	2008	2007
Debt		
Notes payable	P147,100	P48,600
Long-term debt	-	283,333
Total debt	P147,100	P331,933
Equity	P5,279,386	P3,323,675
Debt-to-equity ratio	0.028:1	0.099:1

5. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	2008	2007
Cash on hand and in banks	P146,183	P200,919
Short-term investments	444,143	431,353
	P590,326	P632,272

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 are disclosed in Note 25.

6. Receivables

Receivables consist of:

	<i>Note</i>	2008	2007
Trade	25	P917,272	P840,364
Related party	15	36,877	10,487
Others		66,885	43,635
		1,021,034	894,486
Less allowance for impairment losses		102,082	67,391
		P918,952	P827,095

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

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

	Amount
Balance at July 1, 2006	P105,400
Impairment loss recognized during the year	-
Receivables written-off during the year	(38,009)
Balance at June 30, 2007	67,391
Impairment loss recognized during the year	41,277
Receivables written-off during the year	(6,586)
Balance at June 30, 2008	P102,082

The Company's exposure to credit risk related to trade and other receivables is disclosed in Note 25.

7. Inventories

Inventories consist of:

	<i>Note</i>	2008	2007
Finished goods:	<i>11</i>		
At cost		P359,021	P311,658
At net realizable value		358,140	311,658
Work in process:	<i>11</i>		
At cost		10,812	9,723
At net realizable value		10,812	9,723
Raw and packaging materials:	<i>11</i>		
At cost		227,376	213,045
At net realizable value		218,985	198,237
Spare parts and supplies:			
At cost		91,086	81,281
At net realizable value		90,996	81,281
Total inventories at lower of cost or net realizable value		P678,933	P600,899

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 trustee inventories (see Note 11).

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

8. Investments in Associates

Investments in associates consist of:

	<i>Note</i>	2008	2007
Acquisition cost:			
NRC		P232,508	P232,508
Nadeco Holdings Corporation (NHC)		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		273,852	267,060
Share in net earnings of associates	<i>22</i>	20,028	6,792
Balance at the end of the year		293,880	273,852
		P525,502	P505,474

On February 1, 2007, the Company invested P132 for a 39.8% interest in NHC, a domestic company organized on May 10, 2006 primarily to engage in management of real and other properties. On the same date, NRC issued additional shares to the Company and NHC in exchange for cash. A larger number of voting shares was issued to NHC, which led to the eventual dilution of the Company's interest in NRC from 100% to 40% resulting in a loss of control. Accordingly, the accounts of NRC ceased to be consolidated into the accounts of the Company starting February 1, 2007 and are accounted for as an associate using the equity method of accounting from such date. As a result, the following accounts were affected:

- Land owned by NRC is no longer shown as land in the financial statements of the Company (see Note 10). Accordingly, the balance of revaluation increment (included in the accumulated equity in net earnings line item in the table above) relating to the fair value adjustments of the said property in prior periods was reclassified to "Retained Earnings" account in the 2007 statement of changes in equity (see Note 28) since from NRC's point of view, the land is considered as "Investment Property" and accordingly, changes in fair value of the investment property will be recognized in profit and loss. The corresponding deferred tax liability related to the said land was also derecognized.
- Receivables and payables between the Company and NRC are no longer eliminated. Likewise, rent income and expense between the Company and NRC are no longer fully eliminated (see Note 15).
- The dilution of the Company's investment in NRC was recognized as an adjustment to equity in 2007.

The 2006 Group statement of income, statement of changes in equity and statement of cash flows reflect the consolidated accounts of the Company and NRC (which was then accounted for as a subsidiary). Intra-group balances and any unrealized gains and losses or income and expenses arising from intra-group transactions are eliminated in the consolidation. Unrealized gains arising from transactions with subsidiaries are eliminated to the extent of the Group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

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 interest in the net profits and net assets of NRC and NHC of 99.9% and 39.8%, respectively.

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

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

As of June 30, 2007					
	Assets	Liabilities	Equity	Revenues	Net Income
NRC	P750,338	P253,204	P497,134	P15,642	P6,283
NHC (consolidated)	750,425	253,720	496,705	11,946	6,850

9. Bottles and Cases

Bottles and Cases consists of:

	<i>Note</i>	2008	2007
Deposit values of returnable bottles and cases on hand - net of allowance for unusable containers of P7,386 in 2008	<i>11</i>	P305,576	P312,097
Excess of cost over deposit values of returnable bottles and cases - net of accumulated amortization	<i>11</i>	1,635,490	1,341,914
		1,941,066	1,654,011
Bottles in transit		31,588	33,570
		P1,972,654	P1,687,581

There was no allowance for unusable containers as of June 30, 2007 due to the write-off and reversal during the fiscal year 2007.

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

	Company 2008 (See Note 8)	Company 2007 (See Note 8)	Group 2006 (See Note 8)
Gross carrying amount:			
Balance at beginning of year	P3,633,724	P3,025,680	P2,555,376
Additions	683,978	608,044	470,304
Balance at the end of year	4,317,702	3,633,724	3,025,680
Accumulated amortization:			
Balance at beginning of year	2,291,810	1,964,922	1,705,780
Amortization for the year	379,599	329,079	259,716
Other movements	10,803	(2,191)	(574)
Balance at the end of year	2,682,212	2,291,810	1,964,922
Carrying amount:			
Balance at beginning of year	P1,341,914	P1,060,758	P849,596
Balance at end of year	P1,635,490	P1,341,914	P1,060,758

10. Property, Plant and Equipment

The movements in this account are as follows:

Measurement basis	Land	Machinery and Other Equipment	Buildings and Leasehold Improvements	Construction in Progress	Furniture and Fixtures	Total
	Revalued	Cost	Cost	Cost	Cost	
Gross carrying amount:						
July 1, 2006 (Group)	P691,598	P4,753,042	P555,730	P65,350	P23,537	P6,089,257
Additions	-	365,868	12,104	539,803	1,130	918,905
Effect of deconsolidation	(691,598)	-	-	-	-	(691,598)
Disposals/write-offs	-	(358,660)	(5,310)	-	(106)	(364,076)
Transfers	-	144,738	4,373	(149,201)	90	-
June 30, 2007 / July 1, 2007 (Company)	-	4,904,988	566,897	455,952	24,651	5,952,488
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	-	6,290,757	658,272	212,236	26,608	7,187,873
Accumulated depreciation, amortization and impairment losses:						
July 1, 2006 (Group)	-	3,277,418	352,039	-	19,595	3,649,052
Depreciation and amortization	-	453,438	30,235	-	785	484,458
Impairment losses	-	20,436	-	-	-	20,436
Disposals/write-offs	-	(357,773)	(1,686)	-	(106)	(359,565)
June 30, 2007 / July 1, 2007 (Company)	-	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	-	3,893,794	411,598	-	21,022	4,326,414
Carrying amount:						
June 30, 2007 (Company)	P -	P1,511,469	P186,309	P455,952	P4,377	P2,158,107
June 30, 2008 (Company)	P -	P2,396,963	P246,674	P212,236	P5,586	P2,861,459

The above parcels of land are owned by NRC and were reappraised in fiscal year 2006 by an independent firm of appraisers based on their market values as of the said date. The revaluation increase was presented under the "Revaluation Increment on Land" account in the 2006 statement of changes in equity. Had the land been carried at cost, its carrying amount would have been P263,357. In fiscal year 2007, due to the deconsolidation of NRC, land was no longer included in the "Property, Plant and Equipment" account of the Company (see Notes 1 and 8).

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 are mortgaged and placed in trust under two mortgage trust indentures to secure the Company's outstanding debt (see Notes 11 and 13).

In fiscal year 2007, an impairment loss amounting to P15 million (included under "Selling and Distribution Expenses" in the statement of income) was recognized for marketing equipment.

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 July 10, 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 (see Note 13).

Interest rates range from 6.00% to 6.25% for the year ended June 30, 2008, from 7.00% to 8.00% for 2007, and from 8.00% to 9.00% for 2006.

Information about the Company's exposure to interest rate risk and liquidity risk is disclosed in Note 25.

12. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	<i>Note</i>	2007	2007
Trade payables	7, 15	P1,485,148	P1,632,272
Accrued expenses		469,264	349,265
Others	26	125,582	219,711
		P2,079,994	P2,201,248

The Company's exposure to liquidity risk related to trade and other payables is disclosed in Note 25.

13. Long-term Debt

Long-term debt consists of:

	2008	2007
Local banks, payable in equal quarterly installments	P -	P283,333
Less current portion	-	241,666
	P -	P41,667

The loan agreements and the mortgage trust indentures securing all the long-term debt from local banks and a portion of the notes payable (see Note 11), include certain restrictions and requirements with respect to, among others, changes in the Company's nature of business and business ownership, disposition and hypothecation of assets, material advances to stockholders and officers, entering into mergers and consolidations, incurrence of additional debt and maintenance of certain financial ratios.

The long-term debt from two local banks, with respective maturity dates up to October 6, 2009, were pre-terminated during the year.

Interest rates range from 6.00% to 6.25% for the year ended June 30, 2008, from 7.00% to 8.00% for 2007, and from 8.00% to 9.00% for 2006.

14. Income Taxes

The components of the income tax expense are as follows:

	Company 2008 (See Note 8)	Company 2007 (See Note 8)	Group 2006 (See Note 8)
Current tax expense and final taxes on interest income:			
Current period	P81,302	P363,235	P419,983
Prior period	(171,236)	-	-
Deferred tax expense from origination and reversal of temporary differences and others	330,156	155,006	893
	P240,222	P518,241	P420,876

Deferred tax assets (liabilities) - net are attributable to the following:

	2008	2007
Accrual for retirement costs	P70,709	P64,096
Allowance for probable losses in values of bottles and cases, idle assets, impairment losses, inventory obsolescence and other provisions	68,584	41,979
Past service cost	35,188	22,799
Excess MCIT	29,103	-
	203,584	128,874
Bottles and cases	(368,195)	-
Marketing equipment	(125,101)	(88,430)
	(493,296)	(88,430)
	(P289,712)	P40,444

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:

	Company 2008 (See Note 8)	Company 2007 (See Note 8)	Group 2006 (See Note 8)
Income before income tax	P1,000,919	P1,519,627	P1,289,621
Expected tax at 35%	P350,322	P531,869	P438,472
Additions to (reductions in) income tax resulting from the tax effects of:			
Nondeductible expenses	2,757	2,528	4,839
Change in tax rate	(51,607)	(45)	(15,981)
Transaction cost charged to equity	(48,204)	-	-
Share in net earnings of associates	(7,010)	(2,377)	-
Interest income subjected to final tax	(6,565)	(4,979)	(4,854)
Changes in unrecognized deferred tax assets	-	-	(1,051)
Others	529	(8,755)	(549)
	P240,222	P518,241	P420,876

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. Increase in the corporate income tax rate from 32% to 35% with a reduction thereof to 30% starting January 1, 2009 and onwards;
- b. Increase in unallowable interest rate from 38% to 42% with a reduction thereof to 33% beginning January 1, 2009;
- c. Increase in value added tax (VAT) rate from 10% to 12% effective February 1, 2006 as authorized by the Philippine President pursuant to the recommendation of the Secretary of Finance; and
- d. Expanded scope of transactions subject to VAT.

On October 10, 2007, Revenue Regulation No. 12-2007 was issued providing for the payment of MCIT which shall likewise apply at the time of filing of the quarterly corporate income tax, as prescribed under Section 75 and 77 of the Tax Code, as amended. MCIT shall thus be paid in same manner as the RCIT, which is on a quarterly and yearly basis.

15. Related Party Transactions

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

- a. The Company has exclusive bottling agreements with PepsiCo, Inc. (PepsiCo), 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, up to year 2012. Under the agreements, the Company is authorized to bottle, sell and distribute PepsiCo 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 Company's 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 other things. Total net purchases from PepsiCo amounted to P1 billion and P2 billion in fiscal years 2008 and 2007, respectively. Total purchases from Pepsi Lipton for the fiscal year ended June 30, 2008 amounted to P648 million.

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 claims reimbursement from PepsiCo. As of June 30, 2008, reimbursable marketing charges from PepsiCo amounted to P99 million. For the years ended June 30, 2008, 2007 and 2006, the Company incurred marketing expenses amounting to P665 million, P468 million and P424 million, respectively.

- b. On April 11, 2007, the Company entered into a Performance Agreement with PepsiCo, Orion Brands International (Orion Brands), Guoco Assets (Phils.), Inc. and Hong Way Holdings, Inc. 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 real estate properties of NRC were mortgaged to secure the Company's outstanding long-term debt and a portion of its notes payable (see Notes 10, 11 and 13).
- d. The Company leases certain parcels of land where some of its bottling plants are located from NRC. Lease expense recognized on these leases amounted to P11 million in 2008 and P3 million in 2007. There were no lease expenses recognized on these leases before January 31, 2007 as a result of the elimination in the consolidation (see Note 8).

- e. Working capital advances. The Company's advances to NRC amounting to P38 million bear interest at a fixed rate of 10% per annum.

The effects of the foregoing transactions are shown under the appropriate accounts in the financial statements.

Related Parties	Relationship	Note	2008	2007
Due from related parties:				
NRC	Associate		P145,523	P133,286
PepsiCo	Stockholder		98,775	-
NHC	Associate		1,375	1,182
			P245,673	P134,468
<hr/>				
PepsiCo (included under "Receivables" account)	Stockholder	6	P36,877	P10,487
<hr/>				
Due to a related party - NRC	Associate		P62,021	P53,453

In addition to their salaries, the Company also provides non-cash benefits to executive officers and contributes to a defined benefit retirement plan on their behalf.

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

	Company 2008 (See Note 8)	Company 2007 (See Note 8)	Group 2006 (See Note 8)
Short-term employee benefits	P78,304	P66,168	P69,824
Post-employment benefits	3,721	3,511	3,402
	P82,025	P69,679	P73,226

16. Net Sales

Net sales consist of:

	Company 2008 (See Note 8)	Company 2007 (See Note 8)	Group 2006 (See Note 8)
Gross sales	P15,283,095	P15,062,155	P12,803,381
Less sales returns and discounts	2,302,209	2,145,943	1,810,569
	P12,980,886	P12,916,212	P10,992,812

17. Cost of Goods Sold

Cost of goods sold consists of:

	<i>Note</i>	Company 2008 (See Note 8)	Company 2007 (See Note 8)	Group 2006 (See Note 8)
Materials and supplies used	15	P6,617,972	P6,679,823	P5,565,414
Delivery and freight		713,597	646,252	450,232
Depreciation and amortization	20	654,400	561,242	485,387
Rental and utilities	29	261,934	248,264	218,772
Others	21, 26	616,468	624,455	532,961
		P8,864,371	P8,760,036	P7,252,766

18. Selling and Distribution Expenses

Selling and distribution expenses consist of:

	<i>Note</i>	Company 2008 (See Note 8)	Company 2007 (See Note 8)	Group 2006 (See Note 8)
Distribution		P438,582	P400,295	P341,893
Personnel expenses	15, 21, 26	388,696	347,940	329,423
Depreciation and amortization	20	269,348	211,031	183,071
Delivery and freight		193,776	192,488	141,536
Rental and utilities	29	131,703	108,413	82,743
Others		362,300	310,515	356,107
		P1,784,405	P1,570,682	P1,434,773

19. General and Administrative Expenses

General and administrative expenses consist of:

	<i>Note</i>	Company 2008 (See Note 8)	Company 2007 (See Note 8)	Group 2006 (See Note 8)
Personnel expenses	15, 21, 26	P400,456	P336,067	P295,687
Rental and utilities	15, 29	88,838	69,285	49,918
Outside services		73,883	72,714	65,242
Others	20	140,542	144,030	125,474
		P703,719	P622,096	P536,321

20. Depreciation and Amortization

Depreciation and amortization are distributed as follows:

	<i>Note</i>	Company 2008 (See Note 8)	Company 2007 (See Note 8)	Group 2006 (See Note 8)
Cost of sales:				
Property, plant and equipment		P274,801	P232,163	P225,671
Bottles and cases		379,599	329,079	259,716
	<i>17</i>	654,400	561,242	485,387
Selling and distribution expenses:				
Property, plant and equipment	<i>18</i>	269,348	211,031	183,071
General and administrative expenses:				
Property, plant and equipment	<i>19</i>	45,863	41,264	34,826
		P969,611	P813,537	P703,284

21. Personnel Expenses

	<i>Note</i>	Company 2008 (See Note 8)	Company 2007 (See Note 8)	Group 2006 (See Note 8)
Salaries and wages	<i>17, 18, 19</i>	P970,446	P860,320	P805,196
Retirement cost	<i>26</i>	67,708	67,276	52,048
		P1,038,154	P927,596	P857,244

The above amounts are distributed as follows:

	<i>Note</i>	Company 2008 (See Note 8)	Company 2007 (See Note 8)	Group 2006 (See Note 8)
Cost of sales	<i>17</i>	P249,002	P243,589	P232,134
Selling and distribution expenses	<i>18</i>	388,696	347,940	329,423
General and administrative expenses	<i>19</i>	400,456	336,067	295,687
		P1,038,154	P927,596	P857,244

22. Net Finance and Other Income (Expense)

Net finance income and other income (expense) consists of:

	<i>Note</i>	Company 2008 (See Note 8)	Company 2007 (See Note 8)	Group 2006 (See Note 8)
Interest income	15	P22,581	P18,050	P14,278
Share in net earnings of associates	8	20,028	6,792	-
Foreign exchange gain (loss)		4,319	(13,261)	(1,361)
Interest expense	11, 13	(35,713)	(52,439)	(80,011)
Other income - net		26,248	65,378	11,822
		P37,463	P24,520	(P55,272)

23. Basic Earnings Per Share (EPS)

Basic EPS is computed as follows:

	Company 2008 (See Note 8)	Company 2007 (See Note 8)	Group 2006 (See Note 8)
Net income (a)	P760,697	P1,001,386	P868,745
Weighted average number of shares outstanding (b)*	3,471,648,925	3,312,989,386	3,312,989,386
Basic EPS (a/b)	P0.22	P0.30	P0.26

* Weighted average number of shares outstanding for fiscal year 2008 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, 2008, 2007 and 2006, the Company has no dilutive debt or equity instruments.

24. Segment Information

As discussed in Note 1, the Company is engaged in the manufacture, sales and distribution of CSD and NCB. Since its start of commercial operations in 1989, the Company's main products are CSD which include brands like Pepsi-Cola, 7Up, Mountain Dew and Mirinda.

The Company began its distribution of NCB products to its consumers following the installation of NCB production lines in the Muntinlupa Plant in December 2004. The NCB brand category includes Gatorade, Tropicana/Twister, Lipton and the recently introduced Sting energy drink and Propel fitness water.

Accordingly, the Company operates in two (2) reportable business segments, which include 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.

Analysis of financial information by business segment is as follows:

(In 000,000's)	Company			Company			Company		
	Carbonated	Soft Drinks	Group	Noncarbonated	Beverages	Group	Carbonated	Soft Drinks	Group
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Net Sales									
External sales	P12,390	P12,736	P10,950	P2,893	P2,326	P1,853	P15,283	P15,062	P12,803
Sales discounts and returns	(1,985)	(1,962)	(1,688)	(317)	(184)	(123)	(2,302)	(2,146)	(1,811)
Net sales	P10,405	P10,774	P9,262	P2,576	P2,142	P1,730	P12,981	P12,916	P10,992
Result									
Segment result*	P3,500	P3,550	P3,234	P817	P606	P506	P4,117	P4,156	P3,740
Unallocated expenses							(3,153)	(2,665)	(2,395)
Interest and financing expense:							(36)	(52)	(80)
Interest income							23	18	14
Foreign exchange loss - net							(4)	(13)	(1)
Equity in net earnings of associates							20	7	-
Other income (expenses) - net							34	69	12
Income tax expense							(240)	(518)	(421)
Net income							P761	P1,002	P869
Other Information									
Segment assets							P7,381	P5,968	P5,445
Investments in and advances to associates							526	639	-
Other assets							138	138	76
Deferred tax assets							-	40	195
Combined total assets							P8,045	P6,785	P5,716
Segment liabilities							P2,328	P2,392	P2,057
Notes payable							147	49	49
Long-term debt							-	283	450
Income and other taxes payable							-	338	220
Dividends payable and others							-	400	99
Deferred tax liabilities							290	-	118
Combined total liabilities							P2,765	P3,462	P2,993
Capital expenditures							P2,003	P1,592	P939
Depreciation and amortization and impairment of property, plant and equipment							963	814	703
Noncash items other than depreciation and amortization							49	30	94

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

25. Financial Instruments

Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at June 30, 2008 is as follows:

	Amount
Receivables - net	P918,952
Cash in bank and cash equivalents	581,973
	P1,500,925

The Company's most significant type of customer pertains to modern trade channel, which accounts for P361 million of the gross trade receivables amount as of June 30, 2008.

The aging of trade receivables as of June 30, 2008 is as follows:

	June 30, 2008	
	Gross Amount	Impairment
Current	P518,732	P -
Past due 0-30 days	211,240	-
Past due 31-60 days	69,315	-
More than 60 days	117,985	75,228
	P917,272	P75,228

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, 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	2,079,994	2,079,994	2,079,994
Due to a related party	62,021	62,021	62,021
	P2,289,115	P2,289,905	P2,289,905

Interest Rate Risk

As of June 30, 2008, the interest rate profile of the Company's interest-bearing financial instruments is as follows:

	Amounts
Financial assets	P463,947
Financial liabilities	(147,100)
	P316,847

Sensitivity Analysis

A 2% increase in interest rates would have increased equity and profits for the year ended June 30, 2008 P6.3 million.

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

Fair Values

The carrying amounts of the financial assets and liabilities approximate fair values due to the short-term nature of these financial instruments.

26. Retirement Plan

The Company has a funded, non contributory defined benefit retirement plan covering substantially all of its regular and full time employees. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is June 30, 2008. The actuarial valuation is made on an annual basis.

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

	2008	2007
Present value of defined benefit obligations	P333,886	P366,031
Fair value of plan assets	195,117	148,454
Unfunded obligations	138,769	217,577
Unrecognized net actuarial gains (losses)	88,593	(3,923)
Accrued retirement cost	P227,362	P213,654

The accrued retirement costs are classified in the balance sheets as follows:

	2008	2007
Accounts payable and accrued expenses	P40,785	P9,745
Accrued retirement cost (long-term)	186,577	203,909
	P227,362	P213,654

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

	Company 2008 (See Note 8)	Company 2007 (See Note 8)	Group 2006 (See Note 8)
Current service cost	P35,469	P39,394	P26,025
Interest cost	33,649	38,452	33,552
Past service cost	13,977	-	-
Expected return on plan assets	(15,387)	(13,539)	(7,529)
Amortization of unrecognized net actuarial loss	-	2,969	-
Net retirement cost	P67,708	P67,276	P52,048
Actual return on plan assets	P3,725	P7,241	P4,362

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

	2008	2007
Balance at beginning of year	P366,031	P409,055
Current service cost	35,469	39,394
Interest cost	33,649	38,452
Past service cost	13,977	-
Benefits paid	(11,062)	(16,209)
Actuarial gain	(104,178)	(104,661)
Balance at end of year	P333,886	P366,031

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

	2008	2007
Balance at beginning of year	P148,454	P111,472
Contributions	54,000	62,000
Benefits paid	(11,062)	(13,013)
Expected return	15,387	13,539
Net actuarial loss (inclusive of experience adjustment)	(11,662)	(25,544)
Balance at end of year	P195,117	P148,454

The pension expense is recognized in the following accounts in the statements of income:

	<i>Note</i>	Company 2008 (See Note 8)	Company 2007 (See Note 8)	Group 2006 (See Note 8)
Cost of goods sold	17	P14,498	P25,495	P19,024
Operating expenses	18, 19	53,210	41,781	33,024
		P67,708	P67,276	P52,048

The allocation of the fair value of plan assets of the Company as of June 30, 2008 and 2007 follows:

	2008	2007
Investment in fixed income securities	99%	98%
Investment in shares of stocks	1%	2%

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are as follows:

Annual rates	2008	2007
Discount rate	10.00%	9.00%
Expected rate of return on plan assets	10.00%	9.00%
Rate of future salary increase	5.00%	7.00%

The historical information of the amounts is as follows:

	Company 2008 (See Note 8)	Company 2007 (See Note 8)	Group 2006 (See Note 8)
Present value of the defined benefit obligation	P333,886	P366,031	P409,055
Fair value of plan assets	195,117	148,454	111,472
Deficit in the plan	(138,769)	(217,577)	(297,583)
Experience adjustments on plan liabilities	(5,603)	(42,167)	-
Experience adjustments on plan assets	-	(19,246)	-

27. Capital Stock

This account consists of:

	2008		2007	
	Shares	Amount	Shares	Amount
Authorized - P0.15 par value	5,000,000,000	P750,000	5,000,000,000	P750,000
Issued and outstanding:				
Balance at beginning of year	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	3,312,989,386	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.

28. Retained Earnings

- a. The BOD approved several declarations of cash dividends amounting to P400 million in 2007 and P397 million in 2006. Details of the declarations are as follows:

Date of Declaration	Dividend Per Share	Payable to Stockholders of Record as of	Date of Payment
August 9, 2005	P0.03	June 30, 2005	August 31, 2005
October 21, 2005	0.03	October 31, 2005	November 11, 2005
April 17, 2006	0.03	April 17, 2006	April 28, 2006
June 22, 2006	0.03	June 22, 2006	July 28, 2006
June 21, 2007	0.12	June 21, 2007	August 20, 2007
September 30, 2008	0.10	October 15, 2008	November 7, 2008

On September 30, 2008 (audit report date), the BOD approved the declaration of dividend amounting to P369 million.

- b. The balance of the revaluation increment was reclassified to retained earnings on February 1, 2007 due to loss of control over NRC (see Note 8).

29. Commitments and Contingencies

- a. As of June 30, 2008, the Company leases certain parcels of land where its bottling plants and warehouses are located from third parties and NRC for a period of one to 25 years and are renewable for another one to 25 years. None of these leases includes contingent rentals. Rent expense pertaining to these leased properties amounted to P69 million in 2008 and P61 million in 2007 and 2006 each year (see Notes 15, 17, 18 and 19).

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

	Company 2008 (See Note 8)	Company 2007 (See Note 8)	Group 2006 (See Note 8)
Less than one year	P74,020	P62,676	P53,133
Between one and five years	239,534	470,329	193,285
More than five years	227,138	41,748	28,154
	P540,692	P574,753	P274,572

- 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.



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

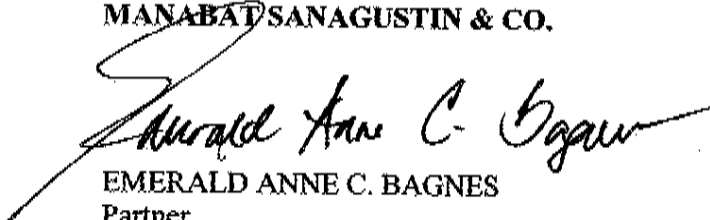
REPORT OF INDEPENDENT AUDITORS

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. as of and for the year ended June 30, 2008, on which we have rendered our report dated September 30, 2008.

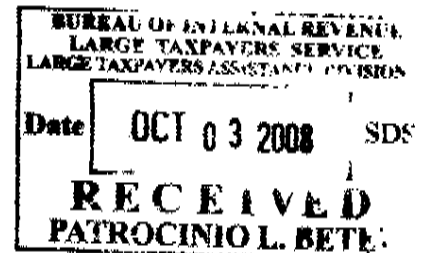
Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary schedules as of June 30, 2008 and for the year then ended, required by the Securities and Exchange Commission, are presented for the purpose of additional analysis and are not required part of the basic financial statements. The information in such supplementary schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

MANABAT SANAGUSTIN & CO.



EMERALD ANNE C. BAGNES
 Partner
 CPA License No. 0083761
 SEC Accreditation No. 0312-A
 Tax Identification No. 102082332
 BIR Accreditation No. 08-001987-12-2007
 Issued July 10, 2007; Valid until July 9, 2010
 PTR No. 0988683 J
 Issued January 7, 2008 at Makati City

September 30, 2008
 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

**BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION**

Date **OCT 03 2008** SD:

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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
Employees	2,860,086	4,101,509	4,228,742		2,732,854		2,732,854
Total	2,860,086	4,101,509	4,228,742		2,732,854		2,732,854

BUREAU OF INTERNAL REVENUE
 LARGE TAXPAYERS SERVICE
 LARGE TAXPAYERS ASSISTANCE DIVISION

Date: **OCT 03 2008** DS

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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)	Distribution of earnings by investees	Other (5)	Number of shares (2) or principal	Amount in Pesos (7)	Dividends received from
Nacoco Realty Corporation	22,000,000	505,228,371	18,811,501					525,139,872	
Nacoco Holdings	400	245,570	116,040					362,416	
Total		505,473,940	19,927,541					525,502,287	

BUREAU OF INTERNAL REVENUE
 LARGE TAXPAYERS SERVICE
 LARGE TAXPAYERS ASSISTANCE DIVISION
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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)
------------------------	--------------------------------	------------------------------

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BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE CENTER
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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	4,904,988,659	728,218,310	(56,545,907)	714,097,715	6,290,756,776
Buildings and Leashold Improvements	566,887,175	88,535,888	(5,623,888)	8,462,806	668,271,979
Construction in Progress	455,951,507	491,289,268	(11,963,874)	(723,050,640)	212,236,361
Furniture and Fixtures	24,650,975	1,464,818	-	490,120	26,607,913
Total	5,952,488,417	1,309,818,283	(74,133,671)	-	7,187,873,029

BUREAU OF INTERNAL REVENUE
 LARGE TAXPAYERS SERVICE
 LARGE TAXPAYERS ASSISTANCE DIVISION I

Date **OCT 03 2008** SDS

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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	3,393,518,911	553,149,466	(52,874,181)		3,893,794,197
Buildings and Leashold Improvements	380,588,817	36,114,917	(5,105,284)		411,598,450
Furniture and Fixtures	20,274,137	747,178			21,021,316
Total	3,794,381,865	590,011,563	(57,979,465)		4,326,413,962

BUREAU OF INTERNAL REVENUE
 LARGE TAXPAYERS SERVICE
 LARGE TAXPAYERS SERVICE CENTER
 Date **OCT 03 2008**
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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	445,518					
Input tax on capital goods	102,714,223				607,877	1,053,396
Miscellaneous investments and dep	26,389,195				1,227,319	103,941,538
Miscellaneous receivables - long term	327,053				5,658,161	32,047,356
Miscellaneous assets	8,086,831				201,233	528,266
Total	137,962,820				(7,617,526)	469,305
					77,058	139,039,878

BUREAU OF INTERNAL REVENUE
 LARGE TAXPAYERS SERVICE
 LARGE TAXPAYERS ASSISTANT DIVISION
 Date **OCT 03 2008** SDS
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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

**BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I**

Date **OCT 03 2008** SDS

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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)
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**BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I**

Date **OCT 03 2008** SDS

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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)
--------------------------------------------------------------------------------------------------	-------------------------------------------------------	---------------------------------------------	-----------------------------------------------------	-------------------------

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BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS SERVICE DIVISION

Date **OCT 03 2008** 4DS

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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	3,693,772,278		3,518,880,868	20,220,008	154,871,602

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
 LARGE TAXPAYERS ASSISTANT DIVISION I
 Date **OCT 03 2008** SDS
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