COVER SHEET

1 6 0 9 6 8

S.E.C. Registration Number

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

(Company's Full Name)

Km. 29, National Road Tunasan, Muntinlupa City

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

Honeylin C. Castolo	807-9905
Contact Person	Company Telephone Number

0 6	3 0	A A F S		
Month	*Day*	FORM TYPE	*Month*	*Day*
			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

FINANCIAL STATEMENTS
June 30, 2009, 2008 and 2007

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

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

REPORT OF INDEPENDENT AUDITORS

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

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Manabat Sanagustin & Co., certified public accountants, a professional partnership established under Philippine law, is a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

MICKY YONG
Chief Executive Officer and Chairman of the Board

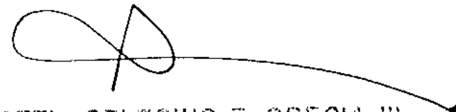
PARTHA CHAKRABARTI
Chief Financial Officer

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

SUBSCRIBED AND SWORN TO before me in the City of MUNTINLUPA CITY this ___th day of SEP 2 2 2009 by:

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

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



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

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Book No. II
Series of 2009.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

BALANCE SHEETS

(Amounts in Thousands)

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

See Notes to the Financial Statements.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

STATEMENTS OF INCOME

(Amounts in Thousands)

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

See Notes to the Financial Statements.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

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

See Notes to the Financial Statements.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

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

Forward

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

See Notes to the Financial Statements.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

NOTES TO THE FINANCIAL STATEMENTS

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

1. Reporting Entity

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

2. Basis of Preparation

Statement of Compliance

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

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

Basis of Measurement

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

Functional and Presentation Currency

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

Use of Estimates and Judgments

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

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

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

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

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

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

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

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

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

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

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

The EUL are as follows:

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

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

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

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

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

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

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

3. Significant Accounting Policies

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

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

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

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

New Standard, Revised Standard, Amendments to Standards and Interpretation Not Yet Adopted

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

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

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

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

- Amendments to PFRS 7, *Improving Disclosures about Financial Instruments.* This will be effective for annual periods beginning on or after January 1, 2009. These amendments enhance disclosures over fair value measurements relating to financial instruments, specifically in relation to disclosures over the inputs used in valuations techniques and the uncertainty associated with such valuations and improves disclosures over liquidity risk to address current diversity in practice in how such

disclosure requirements are being interpreted and applied, proposing quantitative disclosures based on how liquidity risk is managed and strengthening the relationship between quantitative and qualitative liquidity risk disclosures. The requirements of the amendments to standard will be included in the Company's financial statements upon its adoption on July 1, 2009.

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

Financial Instruments

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

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

Subsequent to initial recognition, the Company classifies its financial assets in the following categories: held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, FVPL financial assets, and loans and receivables. Financial liabilities are classified as financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. As of June 30, 2009 and 2008, the Company has no financial assets and financial liabilities at FVPL, HTM investments and AFS financial assets.

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

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

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

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

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

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

Derecognition of Financial Instruments

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

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

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

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

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

Offsetting Financial Instruments

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

Inventories

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

Investments in Associates

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

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

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

Bottles and Cases

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

Property, Plant and Equipment

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

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

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

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

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

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

Impairment

Financial Assets

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

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

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

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

Nonfinancial Assets

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

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

The recoverable amount of a nonfinancial asset is the greater of the asset's fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks

specific to the asset. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

Capital Stock

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

Revenue Recognition

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

Cost and Expense Recognition

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

Advertising and Marketing Costs

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

Finance Income and Expenses

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

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

Leases

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

Borrowing Costs

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

Provisions and Contingencies

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

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

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

Income Taxes

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

Current Tax

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

Deferred Tax

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

Retirement Plan

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

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

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

Foreign Currency Transactions

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

Earnings Per Share (EPS)

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

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

Dividends on Common Shares

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

Segment Reporting

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

Subsequent Events

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

4. Financial Risk Management

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. All risks faced by the Company are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Company's operations and forecasted results. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee performs oversight over financial management functions, specifically in the areas of managing credit, liquidity, market and other risks of the Company. The Audit Committee directly interfaces with the internal audit function, which undertakes reviews of risk management controls and procedures and ensures the integrity of internal control activities which affect the financial management system of the Company. The results of procedures performed by Internal Audit are reported to the Audit Committee.

Credit Risk

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

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

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

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

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

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

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

In addition, the Company has the following credit facilities:

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

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

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

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

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

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

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

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

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

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

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

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

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

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

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

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

6. Receivables

Receivables consist of:

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

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

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

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

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

7. Inventories

Inventories consist of:

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

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

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

8. Investments in Associates

Investments in associates consist of:

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

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

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

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

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

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

9. Bottles and Cases

Bottles and cases consist of:

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

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

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

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

10. Property, Plant and Equipment

The movements in this account are as follows:

	Machinery and Other Equipment	Buildings and Leasehold Improvements	Construction in Progress	Furniture and Fixtures	Total
Gross carrying amount:					
July 1, 2007	P4,904,988	P566,897	P455,952	P24,651	P5,952,488
Additions	728,216	88,536	491,299	1,467	1,309,518
Disposals/write-offs	(56,545)	(5,624)	(11,964)	-	(74,133)
Transfers	714,098	8,463	(723,051)	490	-
June 30, 2008/July 1, 2008	6,290,757	658,272	212,236	26,608	7,187,873
Additions	715,130	116,021	-	2,713	833,864
Disposals/write-offs	(92,842)	(11,126)	-	(162)	(104,130)
Transfers	179,483	(492)	(178,924)	(67)	-
June 30, 2009	**7,092,528**	**762,675**	**33,312**	**29,092**	**7,917,607**
Accumulated depreciation and amortization:					
July 1, 2007	3,393,519	380,588	-	20,274	3,794,381
Depreciation and amortization	553,149	36,115	-	748	590,012
Disposals/write-offs	(52,874)	(5,105)	-	-	(57,979)
June 30, 2008/July 1, 2008	3,893,794	411,598	-	21,022	4,326,414
Depreciation and amortization	498,218	36,497	-	1,078	535,793
Disposals/write-offs	(92,447)	(7,994)	-	(160)	(100,601)
June 30, 2009	**4,299,565**	**440,101**	**-**	**21,940**	**4,761,606**
Carrying amount:					
June 30, 2008	P2,396,963	P246,674	P212,236	P5,586	P2,861,459
June 30, 2009	**P2,792,963**	**P322,574**	**P33,312**	**P7,152**	**P3,156,001**

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

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

Change in EUL of Marketing Equipment

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

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

11. Notes Payable

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

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

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

12. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

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

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

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

13. Income Taxes

The components of the income tax expense are as follows:

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

Deferred tax liabilities - net are attributable to the following:

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

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

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

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

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

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

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

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

14. Related Party Transactions

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

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

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

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

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

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

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

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

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

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

15. Net Sales

Net sales consist of:

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

16. Cost of Goods Sold

Cost of goods sold consists of:

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

17. Selling and Distribution Expenses

Selling and distribution expenses consist of:

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

18. General and Administrative Expenses

General and administrative expenses consist of:

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

19. Depreciation and Amortization

Depreciation and amortization are distributed as follows:

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

20. Personnel Expenses

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

The above amounts are distributed as follows:

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

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

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

21. Basic/Diluted Earnings Per Share (EPS)

Basic EPS is computed as follows:

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

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

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

22. Segment Information

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

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

Analysis of financial information by business segment is as follows:

(In 000,000's)	Carbonated Soft Drinks 2009	2008	2007	Noncarbonated Beverages 2009	2008	2007	Combined 2009	2008	2007
Net Sales									
External sales	**P12,547**	P12,390	P12,736	**P4,053**	P2,893	P2,326	**P16,600**	P15,283	P15,062
Sales discounts and returns	**(1,953)**	(1,985)	(1,962)	**(415)**	(317)	(184)	**(2,368)**	(2,302)	(2,146)
Net sales	**P10,594**	P10,405	P10,774	**P3,638**	P2,576	P2,142	**P14,232**	P12,981	P12,916
Result									
Segment result*	**P3,118**	P3,292	P3,462	**P1,071**	P815	P688	**P4,189**	P4,107	P4,150
Unallocated expenses							**(3,044)**	(3,143)	(2,655)
Interest and financing expenses							**(22)**	(36)	(52)
Interest income							**17**	23	18
Equity in net earnings of associates							**2**	20	7
Other income - net							**40**	30	51
Income tax expense							**(382)**	(240)	(518)
Net income							**P800**	P761	P1,001
Other Information									
Segment assets:							**P7,890**	P7,319	P6,049
Investments in associates							**528**	526	505
Other noncurrent assets							**144**	138	138
Deferred tax assets							**-**	-	40
Combined total assets							**P8,562**	P7,983	P6,732
Segment liabilities:							**P2,270**	P2,266	P2,339
Notes payable							**50**	147	49
Long-term debt							**-**	-	283
Income tax payable							**156**	-	338
Dividends payable and others							**-**	-	400
Deferred tax liabilities - net							**376**	290	-
Combined total liabilities							**P2,852**	P2,703	P3,409
Capital expenditures:							**P1,828**	P2,003	P1,617
Depreciation and amortization and impairment losses of property, plant and equipment							**1,026**	970	814
Noncash items other than depreciation and amortization							**133**	46	25

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

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

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

23. Financial Instruments

Credit Risk

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

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

The aging of trade receivables is as follows:

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

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

Liquidity Risk

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

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

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

Interest Rate Risk

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

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

Sensitivity Analysis

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

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

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

24. Retirement Plan

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The historical information of the amounts is as follows:

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

25. Capital Stock

This account consists of:

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

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

26. Retained Earnings

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

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

27. Commitments and Contingencies

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

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

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

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