

COVER SHEET

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S.E.C. Identification No.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

(Company's Full Name)

Km. 29 National Road, Tunasan, Muntinlupa City

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

Ma. Rosario C.Z. Nava

Contact Person

750-9687

Company Telephone Number

1	2
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Month

3	1
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Day

Fiscal Year

SEC Form 20-IS
(Preliminary)

FORM TYPE

Last Friday of May

Month	Date
Annual Meeting	

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Secondary License Type, If Applicable

C	F	D
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Dept. Requiring this Doc.

Amended Article Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

LCU

[illegible]

Document I.D.

Cashier

Cashier

Remarks = pls. Use black ink for scanning purposes



PEPSI-COLA PRODUCTS PHILIPPINES, INC.

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

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO ALL STOCKHOLDERS:

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

Date : **25 May 2012 (Friday)**
Time : **10:00 a.m.**
Venue : **The Palms Country Club, Alabang, Muntinlupa City**

The agenda of the meeting will be as follows:

1. Call to Order
2. Certification of Notice and of Quorum
3. Approval of the Minutes of the Previous Annual Stockholders' Meeting held on 27 May 2011
4. Report of the Chairman
5. Presentation of Audited Financial Statements for the year ended 31 December 2011
6. Ratification of Acts of the Board of Directors and Management for the previous year
7. Election of Directors
8. Appointment of External Auditors
9. Other Matters
10. Adjournment

The Board of Directors has fixed the close of business on 11 April 2012 as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Stockholders' Meeting.

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

17 April 2012, Makati City.


MA. ROSARIO C.Z. NAVA
Corporate Secretary



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

1. Check the appropriate box:
☒ Preliminary Information Statement
☐ Definitive Information Statement
2. Name of Registrant as specified in its charter:
PEPSI-COLA PRODUCTS PHILIPPINES, INC.
3. Province, country or other jurisdiction of incorporation or organization: **Philippines**
4. SEC Identification Number: **0000160968**
5. BIR Tax Identification Code: **000-168-541**
6. Address of principal office: Postal Code:
Km. 29 National Road, Tunasan, Muntinlupa City **1773**
7. Registrant's telephone number, including area code: **(632) 850-7901 to 20**
8. Date, time and place of the meeting of security holders: **25 May 2012, 10:00 a.m., The Palms Country Club, Alabang, Muntinlupa City**
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **4 May 2012**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares of Stock	3,693,772,279

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

Yes **X** No

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

Philippine Stock Exchange - Common Shares of Stock

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

A. GENERAL INFORMATION

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

The Annual Stockholders' Meeting of Pepsi-Cola Products Philippines, Inc. (the "Corporation") will be held on Friday, 25 May 2012, 10:00 a.m., at The Palms Country Club, Alabang, Muntinlupa City.

Notices of the meeting and copies of this Information Statement will be first sent or given to the stockholders of record of the Corporation on or about 4 May 2012. Replies and queries must be sent to the following address:

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

Item 2. Dissenters' Right of Appraisal

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

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

1. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets of the Corporation; and
3. In case of merger or consolidation.

In order that a dissenting stockholder may exercise his appraisal right, such dissenting stockholder must have voted against the proposed corporate action at the annual meeting. Within thirty (30) days after the date of the annual meeting at which meeting such stockholder voted against the corporate action, the dissenting stockholder shall make a written demand on the Corporation for the fair value of his shares which shall be agreed upon by the dissenting stockholder and the Corporation. If the proposed corporate action is implemented, the Corporation shall pay the dissenting stockholder upon surrendering the certificates of stock representing his shares, the fair value of said shares on the day prior to the date on which the vote was taken. If the dissenting stockholder and the Corporation cannot agree on the fair value of the shares within sixty (60) days from the date of stockholders' approval of the corporate action, then the determination of the fair value of the shares shall be made by three (3) disinterested persons, one (1) of whom shall be named by the dissenting stockholder, one (1) by the Corporation and the third to be named by the two (2) already chosen. The findings of the majority of the appraisers shall be final and their award shall be paid by the Corporation within thirty (30) days after such award is made. The procedure to be followed in exercising the appraisal right shall be in accordance with Sections 81 to 86 of the Corporation Code.

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

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

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

The total number of shares of the Corporation outstanding and entitled to vote in the Annual Stockholders' Meeting is Three Billion Six Hundred Ninety-Three Million Seven Hundred Seventy-Two Thousand Two Hundred Seventy-Nine (3,693,772,279) common shares. The record date for purposes of determining the stockholders entitled to notice of and to vote at the Corporation's Annual Stockholders' Meeting is 11 April 2012. Each stockholder shall be entitled to one (1) vote for each common share of stock held as of the record date.

Holders of the common shares of stock of the Corporation are entitled to vote on all matters to be voted upon by the stockholders. Stockholders entitled to vote are also entitled to cumulative voting in the election of directors. Section 24 of the Corporation Code states: "...In stock corporations, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the by-laws, in his own name on the stock books of the corporation, or where the by-laws are silent, at the time of the election; and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit..."

Security Ownership of Record and Beneficial Owners of at Least Five Percent (5%) of the Corporation's Securities as of 31 March 2012

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and relationship with record owner	Citizenship	Number of Shares Held	Percentage
Common shares	Lotte Chilsung Beverage Co., Ltd. ¹ c/o 5 Fl. Castle	Same as indicated in column 2	Korean	1,270,657,644	34.40%

¹ Lotte Chilsung Beverage Co., Ltd. ("Lotte") is a corporation duly organized and existing under and by virtue of the laws of Korea with principal office at c/o 5 Fl. Castle Plaza, Lotte Castle Gold, 7-18, Shinchun-dong, Songpa-gu, Seoul, 138-727 Korea. Lotte, through its Board of Directors, has designated Mr. Yeon-Suk No to vote its shares of stock in the Corporation.

	Plaza, Lotte Castle Gold, 7-18, Shinchun-dong, Songpa-gu, Seoul, 138-727 Korea Relationship – Stockholder				
Common shares	Quaker Global Investments B.V. ² Zonnebaan 35, 35242 EB Utrecht The Netherlands Relationship – Stockholder	Same as indicated in column 2	Dutch	1,089,101,359	29.48%
Common shares	PCD Nominee Corporation (Non-Filipino) ³ 37 th Floor, The Enterprise Center Ayala Avenue, Makati City Relationship – please refer to footnote	Please refer to footnote	Non- Filipino	717,762,983	19.43%
Common shares	PCD Nominee Corporation (Filipino) ⁴ 37 th Floor, The Enterprise Center Ayala Avenue, Makati City	Please refer to footnote	Filipino	569,242,686	15.41%

² Quaker Global Investments B.V. ("QGI") is a corporation duly organized and existing under and by virtue of the laws of the Netherlands with principal office at Zonnebaan 35, 35242 EB Utrecht, The Netherlands. QGI, through its Board of Directors, has designated Mr. Partha Chakrabarti to vote its shares of stock in the Corporation.

³ PCD Nominee Corporation is the registered owner of shares beneficially owned by participants in the Philippine Central Depository, Inc. (PCD), a private company organized to implement an automated book entry system of handling securities transactions in the Philippines. While PCD Nominee Corporation is the registered owner of the shares in the Corporation's books, the beneficial ownership of such shares pertains to PCD participants (brokers) and/or their non-Filipino clients, whether individuals or corporations, in whose names these shares are recorded in their respective books. Under PCD procedures, when an issuer of a PCD-eligible issue will hold a stockholders' meeting, PCD will execute a pro-forma proxy in favor of the participants for the total number of shares in their respective principal securities account, as well as for the total number of shares in their client securities account. For shares held in the principal securities account, the participant is appointed as proxy with full voting rights and powers as registered owner of such shares. For shares held in the client securities account, the participant is appointed as proxy with the obligation to constitute a sub-proxy in favor of its clients with full voting and other rights for the number of shares beneficially owned by them.

⁴ Same as footnote 3 above except that the beneficial ownership of shares registered in the name of PCD Nominee Corporation pertains to PCD participants (brokers) and/or their Filipino clients, whether individuals or corporations, in whose names these shares are recorded in their respective books.

	Relationship – please refer to footnote				
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Security Ownership of Management as of 31 March 2012

Title of Class	Name and Address of Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
Common Shares	Oscar S. Reyes Chairman of the Board (Non-Executive) and Independent Director c/o Unit 2504 Corporate Center, 139 Valero Street, Salcedo Village, Makati City	1*	Filipino	Nil
Common shares	Yeon-Suk No Chief Executive Officer c/o Km. 29, National Road, Tunasan, Muntinlupa City	1*	Korean	Nil
Common shares	Partha Chakrabarti President c/o Km. 29, National Road, Tunasan, Muntinlupa City	1*	Indian	Nil
Common Shares	Jaehyuk Lee Non-Executive Director c/o 5 Fl. Castle Plaza, Lotte Castle Gold, 7-18, Shinchun-dong, Songpa-gu, Seoul, 138-727 Korea	1*	Korean	Nil
Common shares	Choong Ik Lee Non-Executive Director c/o 25th Floor, Lotte Bldg. 1, Sogong- dong, Jung-gu, Seoul (100-721), Korea	1*	Korean	Nil
Common shares	Byoung Tak Hur Non-Executive Director c/o 5 Fl. Castle Plaza, Lotte Castle Gold, 7-18, Shinchun-dong, Songpa-gu, Seoul, 138-727 Korea	1*	Korean	Nil
Common shares	Qasim Khan Non-Executive Director c/o 25th Floor Emporium Tower, 622 Sukhumvit Road, Klongton, Klongtoey, Bangkok, Thailand	1*	Pakistani	Nil
Common shares	John L. Sigalos Non-Executive Director c/o 20th Floor Caroline Center 28 Yun Ping Road, Causeway Bay, Hong Kong	1*	American	Nil
Common shares	Rafael M. Alunan III Independent Director c/o 5th Floor, Benpres Building, Exchange	1*	Filipino	Nil

	Road corner Meralco Avenue, Ortigas Center, Pasig City			
Common Shares	Akash Shah Senior Vice-President and Chief Financial Officer c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Canadian	0%
Common shares	Daniel D. Gregorio, Jr. Senior Vice-President, Manufacturing and Logistics c/o Km. 29 National Road, Tunasan, Muntinlupa City	70,000 Direct ownership	Filipino	0.0019%
Common Shares	Celerino T. Grecia III Senior Vice-President, Human Resources/EIR/Legal c/o Km. 29 National Road, Tunasan, Muntinlupa City	50,000 Direct ownership	Filipino	0.0014%
Common Shares	Juan Gabriel P. Sison Executive Vice-President, Sales c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Filipino	0%
Common Shares	Samuel M. Dalisay, Jr. Vice-President, Supply Chain c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Filipino	0%
Common shares	Ma. Rosario C.Z. Nava Corporate Secretary and Compliance Officer c/o 7th Floor The Pearlbank Centre 146 Valero Street, Salcedo Village, Makati City	10,000 Direct ownership	Filipino	0.0003%

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

The aggregate shareholdings of directors and key officers of the Corporation as of 31 March 2012 amounted to 130,009 shares which is approximately 0.0035% of the Corporation's outstanding capital stock.

Changes in Control

The Corporation is not aware of any voting trust agreement or any other similar agreement which may result in a change in control of the Corporation.

Certain Relationships and Related Transactions

Please refer to Note 13 to the Audited Financial Statements for the year ending 31 December 2011 for details on related party transactions.

Item 5. **Directors and Executive Officers**

Term of Office

Directors elected during the annual meeting of stockholders will hold office for one (1) year until their successors are duly elected and qualified, except in case of death, resignation, disqualification or removal from office. Directors who were elected to fill any vacancy hold office only for the unexpired term of their predecessors.

Directors

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

Name	Age	Citizenship	Year Position was Assumed
Yeon-Suk No	47	Korean	2010
Partha Chakrabarti	47	Indian	2010
Jaehyuk Lee	58	Korean	2011
Choong Ik Lee*	47	Korean	2012
Byoung Tak Hur**	49	Korean	2012
Qasim Khan	55	Pakistani	2008
John L. Sigalos	45	American	2009
Rafael M. Alunan III***	63	Filipino	2007
Oscar S. Reyes***	65	Filipino	2007

*Replaced Mr. Inho Kim who resigned effective February 21, 2012

**Replaced Mr. Hwang Chung who resigned effective February 21, 2012

*** Independent Director

Executive Officers

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

Name	Age	Citizenship	Position	Year Position was Assumed
Yeon-Suk No	47	Korean	Chief Executive Officer	2012
Partha Chakrabarti	47	Indian	President	2010
Akash Shah	38	Canadian	Senior Vice-President and Chief Financial Officer	2010
Daniel D. Gregorio, Jr.	59	Filipino	Senior Vice-President, Manufacturing and Logistics	1998
Celerino T. Grecia III	55	Filipino	Senior Vice-President, Human Resources/EIR/Legal	2011
Juan Gabriel P. Sison	55	Filipino	Executive Vice-President, Sales	2011
Samuel M. Dalisay, Jr.	52	Filipino	Vice-President, Supply Chain	2011
Ma. Rosario C.Z. Nava	43	Filipino	Corporate Secretary and Compliance Officer	2007

Background Information and Business Experience

Directors:

YEON-SUK NO

Mr. No is the incumbent Chief Executive Officer (“CEO”) of the Corporation. Prior to his appointment as CEO, he was the Executive Vice-President and Chief Strategy Officer of the Corporation. Previously, he also held a number of positions in Lotte Chilsung Beverage Co., Ltd. including being the Head of the Overseas Business Department, Sales Branch, and Sales Strategy & Support Team. He was also Manager of Product Planning, Advertisement, Information and Strategy in said company. Mr. No holds a Bachelor of Business Administration degree from the Hanyang University.

PARTHA CHAKRABARTI

Mr. Chakrabarti has been employed by PepsiCo since 1994 and he remains a PepsiCo employee while holding his current position in the Corporation under a formal secondment agreement. He is currently the Corporation’s President. Prior to this, he was the Corporation’s CEO, Executive Vice-President/Chief Operating Officer (“COO”) for Finance, Treasury, HR/EIRC/Legal, Manufacturing and Logistics and before that, he was its Senior Vice-President/Chief Financial Officer (“CFO”). Mr. Chakrabarti began his career with PepsiCo India, where he held a number of positions before moving to Vietnam as CFO of PepsiCo’s business there. Before joining PepsiCo, he worked for ICI India. He holds a Bachelor of Science degree in Commerce from the University of Calcutta and is an Associate of The Institute of Chartered Accountants in India.

JAEHYUK LEE

Mr. Lee is the current President/CEO of Lotte Chilsung Beverage Co., Ltd., Lotte Liquor Co., Ltd. and Lotte Asahi Liquor Co., Ltd. Prior positions held included being President of Lotte HQ, CEO of Lotteria Co., Ltd., and Senior Managing Director of Lotte Chilsung Beverage Co., Ltd.

CHOONG IK LEE

Mr. Lee has been with the Lotte Group for twenty-three (23) years now. He is currently the Director of the International and New Business Division of the Lotte Group. Prior to this appointment, he was the Division’s General Manager, was Deputy General Manager of Lotte Group’s Corporate Strategy and Planning Division, and before that, Assistant Manager of the Marketing Division of Lotte Confectionery Co., Ltd. He holds a Bachelor of Science in Food Science and Technology from Seoul National University.

BYOUNG TAK HUR

Mr. Hur is currently the Director of Lotte Chilsung Beverage Co., Ltd.’s Overseas Business Department. His past work experience in Lotte Chilsung Beverage Co., Ltd. included being Team Leader of the Overseas Business team and having worked at the Export, Information and Strategy, Development, Quality Control and Product Control departments thereof. He was also previously connected with the Lotte Foundation.

QASIM KHAN

Mr. Khan has been connected with PepsiCo for the last twenty-four (24) years and has occupied various executive and managerial roles in different regional offices of PepsiCo. He is currently

General Manager of PepsiCo's North Asia and South Asia Business Unit. Prior to joining PepsiCo, he worked for Procter & Gamble. He holds an MBA and Marketing degrees (with honors) from Michigan State University.

JOHN L. SIGALOS

Mr. Sigalos is currently PepsiCo's CFO for the Asia-Pacific region. He has occupied a variety of positions in PepsiCo for the past fourteen (14) years, including being CFO of PepsiCo Thailand and Vice-President for Non-Carbonated Beverages in PepsiCo's China business unit. He holds a Master's degree in Business Administration ("MBA") from the Wharton School, University of Pennsylvania with dual major in Finance and Strategic Management and a Bachelor of Arts degree in East Asian studies (*Cum laude*) from Yale University.

RAFAEL M. ALUNAN III

Mr. Alunan has had extensive experience in the private and public sectors. He sits on the Boards of Sun Life of Canada (Philippines), Inc., Sun Life Financial Plans, Inc., Sun Life Asset Management Company and Grepalife Asset Management Corp., and on various board committees. Mr. Alunan is also on the Board of the University of St. La Salle and sits on various board committees. He is a regular columnist of Business World. Mr. Alunan obtained his double degree in Business Administration and History-Political Science from the De La Salle University, attended the MBA - Senior Executive Program of the Ateneo de Manila University, and obtained a Master's degree in Public Administration from Harvard University, John F. Kennedy School of Government.

OSCAR S. REYES

Mr. Reyes is the incumbent Chairman of the Board of Directors of the Corporation. He was Country Chairman of the Shell Companies in the Philippines and concurrently President of Pilipinas Shell Petroleum Corporation, and Managing Director of Shell Philippines Exploration B.V. for many years. He holds a Bachelor of Arts in Economics (*Cum laude*) from the Ateneo de Manila University and participated in the Program for Management Development at the Harvard Business School. He is currently the Senior Executive Vice-President, COO, and Director of the Manila Electric Company. He also serves as a director and a member of board committees in the boards of companies engaged in banking, insurance, telecommunications, water distribution, real estate, shipping and mining and as a Trustee of various foundations.

Executive Officers:

AKASH SHAH

Mr. Shah is currently the Corporation's Senior Vice-President and CFO under a secondment agreement from PepsiCo of which he remains an employee. He has been with PepsiCo since 2003 and has held various Finance management positions in the Asia-Pacific region, including China (M&A, Business Development Director), Thailand (Franchise CFO), and across South East Asia (Planning Director). Prior to joining PepsiCo, he worked for A.T. Kearney, Inc. in North America. He holds an MBA from INSEAD and a Bachelor of Commerce degree from Queen's University in Canada.

DANIEL D. GREGORIO, JR.

Mr. Gregorio is currently the Corporation's Senior Vice-President for Manufacturing and Logistics. He has been with the Corporation for fourteen (14) years; and during this period, he held various positions in the Corporation. He began his career as a systems analyst for Coca-Cola Bottling

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

CELERINO T. GRECIA III

Mr. Grecia is currently the Corporation's Senior Vice-President for Human Resources, Employee Industrial Relations, and Legal. He has been with the Corporation for twenty-eight (28) years and during this period he held various positions in the Corporation's Personnel/Human Resources and Sales departments. He holds a Bachelor of Science degree in Criminology (*Magna Cum Laude*) and a Bachelor of Laws (*Cum Laude*) both obtained from the University of Iloilo.

JUAN GABRIEL P. SISON

Mr. Sison is currently the Corporation's Executive Vice-President for Sales. Prior to joining the Corporation, he was Vice-President for Sales directly reporting to the President/CEO of the Century Pacific Group. He has vast experience in sales having occupied various positions in the sales departments of Del Monte Philippines, Inc., S.C. Johnson & Son, Inc., Phil-Asia Food Industries Corp., and Procter & Gamble Philippines. He holds a Bachelor of Science degree in Psychology from the University of the Philippines.

SAMUEL M. DALISAY, JR.

Mr. Dalisay is currently the Corporation's Vice-President for the Supply Chain Group, which includes Corporate Purchasing, National Logistics Services and Marketing Equipment Management. Prior to joining the Corporation, he worked as an expatriate in Vietnam and served as Purchasing Director of THP Group until early 2011. Before that, he had worked for Jollibee Foods Corporation for almost fourteen (14) years until 2010 starting as Purchasing Manager for Foods until his last position as Corporate Purchasing Director for International Operations, and for Sime Darby Pilipinas, Inc. as Materials Management Division Manager for eleven (11) years until 1996. He is a Certified Purchasing Manager from the Institute of Supply Management - USA and a Professional Agricultural Engineer. He holds a Master's degree in Business Management from the Asian Institute of Management.

MA. ROSARIO C.Z. NAVA

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

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

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

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

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

Nomination for Election as Members of the Board of Directors

The following have been nominated for re-election as members of the Board of Directors for the ensuing year (2012-2013):

Yeon-Suk No
Partha Chakrabarti
JaeHyuk Lee
Choong Ik Lee
Byoung Tak Hur
Qasim Khan
John L. Sigalos
Rafael M. Alunan III (Independent Director)
Oscar S. Reyes (Independent Director)

All of the above nominees are incumbent Directors. Messrs. Yeon-Suk No, JaeHyuk Lee, Choong Ik Lee, and Byoung Tak Hur have been formally nominated by Lotte Chilsung Beverage Co., Ltd. Messrs. Partha Chakrabarti, John L. Sigalos, and Qasim Khan have been formally nominated by Quaker Global Investments B.V. Lotte Chilsung Beverage Co. Ltd. and Quaker Global Investments B.V. are stockholders of the Corporation.

The Corporation has complied with the guidelines on the nomination and election of independent directors set forth in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code. The independent directors, Messrs. Rafael M. Alunan III and Oscar S. Reyes, have both been nominated by Veronica G. De Jesus and Roberto S. Franco, registered stockholders of the Corporation who are not directors, officers or substantial stockholders of the Corporation and who are not related in any way to either Mr. Alunan or Mr. Reyes. Attached are the updated Certificates of Qualification for 2012 of the nominated independent directors Messrs. Alunan and Reyes.

Mr. Reyes is the incumbent Chairman of the Audit Committee of the Corporation. The incumbent members of the Audit Committee are as follows: Messrs. John L. Sigalos, JaeHyuk Lee and Rafael M. Alunan III.

Mr. Alunan is the incumbent Chairman of the Nomination Committee of the Corporation. The incumbent members of the Nomination Committee are as follows: Messrs. John L. Sigalos and Yeon-Suk No.

The incumbent members of the Compensation and Remuneration Committee are as follows: Messrs. Oscar S. Reyes, Yeon-Suk No, John L. Sigalos and Rafael M. Alunan III.

The chairmanship of the Compensation and Remuneration Committee shall be decided by the unanimous vote of its Director-members when it convenes in its meeting later this year.

In 2007, the Corporation amended its By-Laws providing for the procedure for nominating members of the Corporation's Board of Directors. The By-Laws provide that the Nomination Committee shall pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with the qualifications and disqualifications provided for in the Articles of Incorporation, By-Laws, the Manual of Corporate Governance, applicable laws, regulations and resolutions and rules passed by it, the stockholders and the Board of Directors. Accordingly, on 23 March 2012, the Nomination Committee approved the final list of candidates for the Board of Directors which included all of the abovenamed individuals.

Item 6. Compensation of Directors and Executive Officers

The aggregate compensation paid in fiscal years 2009 and 2010, for the 6-month period 1 July to 31 December 2010, and for the year ended 31 December 2011, to the Executive Officers of the Corporation is set out below:

Name	Position	Fiscal Year	Salary	Bonus	Others
Micky Yong	Chairman, President and Chief Executive Officer (retired on 20 October 2010)				
Felix S. Yu	Executive Vice-President and Chief Operating Officer for National Sales Operations (retired on 20 October 2010)				
Hwang Chung	Chairman of the Board and Chief Executive Officer (resigned on 21 February 2012)				
Partha Chakrabarti	President (effective 20 October 2010)				
Yeon-Suk No	Chief Executive Officer (effective 21 February 2012) and Executive Vice-President and Chief Strategy Officer (until 20 February 2012)				
Akash Shah	Senior Vice-President and Chief Financial Officer				

Daniel D. Gregorio, Jr.	Senior Vice-President, Manufacturing and Logistics				
Roberto H. Goce	Senior Vice-President /Senior General Manager, Cagayan Valley Operations, Central Luzon Operations and North Luzon Operations				
Celerino T. Grecia III	Senior Vice-President, Human Resources/EIR/Legal (effective 1 April 2011)				
Juan Gabriel P. Sison	Executive Vice-President, Sales (effective 15 July 2011)				
Samuel M. Dalisay, Jr.	Vice-President, Supply Chain (effective 15 July 2011)				
Aggregate for above-named officers		FY 2009	40,716,000	11,618,000	-
		FY 2010	43,739,000	20,444,000	-
		1 July-31 Dec. 2010	23,977,244	2,698,333	-
		CY 2011	50,454,988	1,042,500	-
All other directors and officers as a group unnamed		2009	-	-	3,352,941*
		2010	-	-	2,535,000*
		1 July-31 Dec. 2010	-	-	765,000*
		CY 2011	-	-	1,376,470*

**This relates to per diem allowances and annual directors' fee paid to the directors.*

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

Non-executive Directors are entitled to a per diem allowance of One Thousand United States Dollars (US\$1,000) for each attendance in the Corporation's Board meetings and committee meetings, except

for Audit Committee meetings where the per diem allowance is Two Thousand United States Dollars (US\$2,000). In addition, each Director is entitled to receive an annual directors' fee in the amount of Five Hundred Thousand Pesos (P500,000.00).

The seven (7) Directors representing Lotte Chilsung Beverage Co., Ltd. and Quaker Global Investments B.V. do not collect the per diem allowance as well as the annual directors' fee.

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

Item 7. **Independent Public Accountants**

The auditing firm of Manabat Sanagustin & Co. is being recommended for election as external auditor for the ensuing year (2012-2013).

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

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

	Calendar Year ended 31 December 2011	6 month period ended 31 December 2010	FY 2010 ended 30 June 2010
Statutory audit fees	P 3.83 Million	P 3.00 Million	P 3.68 Million
Tax advice fees	-	-	-
Total	P 3.83 Million	P 3.00 Million	P 3.68 Million

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

During the Corporation's two (2) most recent fiscal years or any subsequent interim periods, there was no instance where the Corporation's public accountants resigned or indicated that they decline to stand for re-election or were dismissed nor was there any instance where the Corporation had any disagreement with its public accountants on any accounting or financial disclosure issue.

In compliance with Rule 68 (3) (b) (iv) of the Securities Regulation Code, the Corporation has engaged Mr. Roberto G. Manabat, partner of Manabat Sanagustin & Co., to sign the Corporation's audited financial statements for the calendar year ended 31 December 2011.

Item 8. **Compensation Plans**

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

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

Item 10. Modification or Exchange of Securities

There is no action or matter to be taken up with respect to the modification of any class of securities of the Corporation, or the issuance or authorization for issuance of one (1) class of securities of the Corporation in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

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

1. Audited financial statements showing the financial position of the Corporation for the calendar year ended 31 December 2011, the six (6)-month period ended 31 December 2010 (in view of the change in accounting period from fiscal year ending 30 June to calendar year ending 31 December) and for the fiscal year ended 30 June 2010, and its financial performance and cash flows for the same periods;
2. Management's discussion and analysis or plan of operation; and
3. Information on business overview, properties, legal proceedings, market price of securities, dividends paid and corporate governance.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

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

Item 13. Acquisition or Disposition of Property

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

Item 14. Restatement of Accounts

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

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The Minutes of the previous Annual Stockholders' Meeting (ASM) held on 27 May 2011 will be submitted for approval by the stockholders. This includes items on (i) Approval of the Minutes of the Previous ASM held on 15 December 2010; (ii) Report of the Chief Executive Officer; (iii) Presentation of Audited Financial Statements for the six (6)-month period ending 31 December 2010; (iv) Ratification of Acts of the Board of Directors and Management for the period 1 July to 31 December 2010; (v) Election of Directors, including Independent Directors; and (vi) Appointment of External Auditors.

Item 16. Matters Not Required to be Submitted

Except for the Report of the Chief Executive Officer and the Presentation of the Audited Financial Statements for the year ended 31 December 2011, all other actions or matters to be taken up during the Annual Stockholders' Meeting will require the vote of the security holders.

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

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

Item 18. Other Proposed Actions

1. Ratification of all acts and resolutions of the Board of Directors and Management for the previous year which were issued in the normal course of the business operations of the Corporation such as updating of authorized signatories for various bank and other transactions and applications for various credit facilities, among others;
2. Election of the members of the Board of Directors, including the Independent Directors, for the ensuing calendar year; and
3. Appointment of External Auditors.

Item 19. Voting Procedures

Manner of voting

In all items for approval, except in the election of directors, each share of stock entitles its registered owner to one (1) vote.

For the purpose of electing directors, a stockholder may vote such number of his/her shares for as many persons as there are directors to be elected or he/she may cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of his/her shares shall equal, or he/she may distribute them in the same principle among as many candidates as he/she shall see fit.

Voting requirements

- (a) With respect to the election of directors, candidates who received the highest number of votes shall be declared elected.
- (b) With respect to the approval or ratification of the other actions set forth under the heading “Other Proposed Actions” above, the vote of a majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve such matters.

Method of counting votes

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

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

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

Attention: Mr. Partha Chakrabarti
SIGNATURE PAGE

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

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

17 April 2012



YEON-SUK NO
Chief Executive Officer



PARTHA CHAKRABARTI
President

MANAGEMENT REPORT**I. GENERAL NATURE AND SCOPE OF THE BUSINESS*****Overview***

Pepsi-Cola Products Philippines, Inc. (the "Corporation") was registered with the Philippine Securities and Exchange Commission ("SEC") on 8 March 1989 primarily to engage in manufacturing, sales and distribution of carbonated soft-drinks and non-carbonated beverages to retail, wholesale, restaurants and bar trades. The registered office address and principal place of business of the Corporation is Km. 29, National Road, Tunasan, Muntinlupa City. The Corporation has amended its primary purpose clause and is now also authorized to engage in the manufacture, sales and distribution of confectionery products.

The Corporation is a licensed bottler of PepsiCo and Pepsi Lipton beverages in the Philippines. It manufactures a range of carbonated soft drinks and non-carbonated beverages that includes well-known brands Pepsi-Cola, 7Up, Mountain Dew, Mirinda, Mug, Gatorade, Tropicana/Twister, Lipton, Sting and Propel.

Philippine Beverage Industry

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

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

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

Customers/Distribution Methods of the Products

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

The Corporation's sales volumes depend on the reach of its distribution network. It increases the reach of its distribution system by adding routes and increasing penetration by adding outlets on existing routes that currently do not stock its products. It relies on a number of channels to reach retail outlets, including direct sales, distributors, and wholesalers.

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

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

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

Principal Suppliers

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

Another substantial cost is packaging. The major components of this expense are purchases of PET pre-forms, which are converted into PET bottles at the plants, non-reusable glass bottles, aluminum cans, and closures. It also makes regular purchases of RGBs to maintain float at appropriate levels. Purchases of each of these materials are from suppliers based in the Philippines and in other parts of Asia, usually under short term, fixed price contracts.

Legal Proceedings

From time to time, the Corporation becomes a party to litigation in the ordinary course of its business. The majority of the cases in which the Corporation is a party are cases it files to recover debts in relation to unpaid receivables by its trade partners or in relation to cash or route shortages, private criminal prosecutions that it brings (generally for low value offenses such as theft of product or distribution equipment, fraud, and bouncing checks), labor cases for alleged illegal dismissal (which are usually accompanied by demands for reinstatement in the Corporation without loss of seniority rights, and payment of backwages), and consumer cases brought against it involving allegations of defective products.

As a result of a promotion in 1992, civil cases were filed against the Corporation in which thousands of individuals claimed to hold numbered bottle crowns that entitled them to a cash prize. The Philippine Supreme Court has consistently held in at least seven (7) final and executory decisions in the last five (5) years that the Corporation is not liable to pay the amounts claimed. In the most recent of these decisions, the Supreme Court dismissed a similar claim, reiterating that it is bound by its pronouncement in a number of cases involving this promotion. By virtue of the precedential effect of these decided cases, the Corporation expects the remaining cases to be dismissed in due course.

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

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

Market Information

The Corporation's common shares were listed with the Philippine Stock Exchange ("PSE") on 1 February 2008. The high and low sales prices of such shares for the years 2011 and 2010 are set out below.

Period	High	Low
January to March 2010	P2.70	P2.02
April to June 2010	P3.05	P2.46
July to September 2010	P2.65	P2.61
October to December 2010	P2.95	P2.50
January to March 2011	P2.59	P2.06
April to June 2011	P2.56	P2.21
July to September 2011	P2.22	P1.96
October to December 2011	P2.50	P2.10

The closing share price as of 15 March 2012 was P2. 81.

Stockholders

The Corporation has approximately six hundred thirty-nine (639) holders of common shares [with the PCD Nominee Corporation (Filipino) and (Non-Filipino) considered as two (2) holders] as of 31 March 2012 based on the number of accounts registered with the Corporation's stock transfer agent, Stock Transfer Service Inc. ("STSI").

The following are the Corporation's top twenty (20) holders of common shares based on the report furnished by STSI as of 31 March 2012:

NO.	Name	Number of Shares Held	Percentage of Ownership
1	LOTTE CHILSUNG BEVERAGE CO.LTD.	1,270,657,644	34.40%
2	QUAKER GLOBAL INVESTMENTS B.V.	1,089,101,359	29.48%
3	PCD NOMINEE CORP. (NON-FILIPINO)	717,762,983	19.43%
4	PCD NOMINEE CORP. (FILIPINO)	569,242,686	15.41%
5	ORION LAND INC.	40,000,000	1.08%
6	JOSEPH MARTIN H. BORROMEO	450,000	0.01%
7	LARS DALBY	424,000	0.01%
8	LUCIO W. YAN	300,000	0.01%
9	RENE B. BLANCAVER	255,000	0.01%
10	WINEFREDA O. MADARANG	250,000	0.01%
11	VALERIANO A. LUGTI	220,000	0.01%
12	LUIS G. DABAO	200,000	0.01%
13	FELIX S. YU	149,998	0.00%
14	BERNARDO MERCHAN	140,000	0.00%
15	CHEUNG WAI TAK	130,000	0.00%
16	MA CELESTE S. NARCISO	100,000	0.00%
17	JUANITO R. IGNACIO	100,000	0.00%
18	MA. CORAZON V. PINEDA	100,000	0.00%
19	JOSE I. UMALI	100,000	0.00%
20	NANCY B. SISON	80,000	0.00%

Cash Dividends

The Board of Directors ("Board") approved several declarations of cash dividends amounting to ₱369 million in the six (6) months ending 31 December 2010, ₱554 million in fiscal year 2010 and ₱369 million in fiscal year 2009. Details of the declarations are as follows:

Date of Declaration	Dividend Per Share	Payable to Stockholders of Record as of	Date of Payment
30 September 2008	P0.10	15 October 2008	7 November 2008
30 September 2009	P0.15	15 October 2009	29 October 2009
9 September 2010	P0.10	24 September 2010	8 October 2010

Dividend Policy

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

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

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

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

III. FINANCIAL STATEMENTS

Please refer to the Audited Financial Statements of the Corporation for the calendar year ended 31 December 2011 which is attached hereto as Exhibit 1.

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

There has been no change in the independent auditing firm or handling partner or disagreements with the independent Certified Public Accountant ("CPA") on matters relating to the application and interpretation of accounting principles or practices, tax laws and regulations, financial statement disclosures or audit scope and procedures during the three (3) most recent fiscal years.

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

Results of Operations

Calendar Year Ended 31 December 2011 versus Annualized Six (6)-Month Period Ended 31 December 2010

In spite of the industry and macro challenges that came upon in 2011, gross sales revenue reached P19.96 billion, representing an increase by one percent (1%) versus the annualized 2010 figure. This performance was mainly due to the aggressive expansion of the use of returnable packaging format for the Corporation's NCBs across the country and the growth in the flavors line of the CSD business. This is in line with the Corporation's strategy of maintaining a firm position in the CSD market and increasing the revenue share of NCBs in its portfolio.

Unfortunately, commodity pressure increased significantly, especially sugar, a major cost component, where its price sharply increased. In addition, the Corporation is overlapping the effects of election-related spending that fuelled volume growth in 2010 together with a long, hot peak weather season.

Cost of sales consists primarily of raw and packaging materials costs, direct labor and manufacturing overhead costs. Cost of sales in 2011 increased by three percent (3%) as compared to the annualized 2010 cost of sales due to increases in sugar costs and other major raw and packaging materials.

In the first quarter of 2011, sugar price per bag reached its peak, twenty-six percent (26%) higher than the average cost in 2010, as supply fell short from major suppliers in Brazil, India and Australia. To temper the impact of the sugar price increase on cost of goods sold, the Corporation implemented effective cost management and strategic pricing that maintained a healthy revenue mix.

As a result, the Corporation's gross profit for the calendar year 2011 decreased by six percent (6%) as compared to the annualized gross profit due to the increase in sugar and fuel-driven input costs. Gross profit as a percentage of sales decreased from twenty-three percent (23%) in 2010 to twenty-one percent (21%) in 2011.

Operating expenses, which consists mainly of selling and distribution, general and administrative expenses and marketing expenses, for the year remained stable as Management sustained its efforts to control costs. As a percentage of net sales, operating expenses in both 2010 and 2011 remained the same at nineteen percent (19%). Selling and distribution expenses were maintained at twelve percent (12%) of net sales, the same figure as that in 2010. Notably, general and administrative expenses decreased by ten percent (10%).

The Corporation posted a net income of P289 million, which is lower by thirty-eight percent (38%) than the annualized 2010 net income. The Corporation expects net income to improve on the back of the stabilization of sugar prices at lower levels, increased marketing efforts and industry growth turnaround.

Six (6)-month Period Ended 31 December 2010 versus Fiscal Year Ended 30 June 2010

With continued focus on driving affordability and availability across the country, the Corporation posted strong gross sales revenue of P9.6 billion for the six (6)-month period ended 31 December 2010. Annualized sales revenue grew by three percent (3%) in the midst of fierce competition. The Corporation continued to expand its offering of beverage products through new product innovations such as Lipton Sparkling and Tropicana Juice Plus, and packaging innovations such as Pepsi slim cans.

The sales revenue growth was tempered by unprecedented increase in sugar cost, which is one of the key raw materials used by the Corporation. In 2009, sugar price started to rise as rain damaged crops in Brazil, the largest producer, and dry weather curbed output in India, the second-largest supplier. As supply slowed and demand continued to rise, the inventory reserves of many countries, including the Philippines, became depleted resulting to higher sugar prices and significantly affecting sugar-dependent food and beverage industries. In October to December 2010 quarter, sugar prices increased by twelve percent (12%) versus January to March 2010 quarter and fifty-five percent (55%) versus October to December 2009 quarter. The result was gross profit amounting to ₱1.8 billion, while gross profit margin was twenty-two percent (22%) for the six (6)-month period ended 31 December 2010, down from year ago gross profit margin of twenty-nine percent (29%). Generally, profit is geared towards the January to June period of each year representing the peak season. In 2010, it had shifted given the national elections in May 2010 and the hot weather thereby impacting consumer spending for the six (6)-month period ended 31 December 2010.

The Corporation has continued to manage costs tightly, with minimal fluctuations versus year ago. Increase in selling and distribution, as well as marketing expenses, were in line with the increase in revenue. General and administrative expenses increased due to one-time restructuring cost relating to the change in shareholders. Overall, operating expenses as a percentage of net sales was maintained at twenty percent (20%) both for the six (6)-month period ended 31 December 2010 and the fiscal year ended 30 June 2010. Net income amounted to ₱130 million, while net income margin was at two percent (2%) for the six (6)-month period ended 31 December 2010. The Corporation's continued efforts to drive top-line growth, while maintaining tight cost control will be the sustaining force in the years to come.

Fiscal Year Ended 30 June 2010 versus 2009

The Company delivered a strong, milestone year in terms of top-line sales. It continued its focus on driving the growing NCB market and maintaining CSD share through continuing the strategic agenda to drive affordability and availability across the Philippines. Net sales increased by thirteen and 30/100 percent (13.3%) from 2009 and have nearly doubled from five (5) years ago, an impressive feat given the aggressive competition and marketplace challenges.

The sales surge was led by NCBs, posting an impressive twenty-eight percent (28%) in revenue growth. With this development, NCB share in the revenue mix grew from twenty-six percent (26%) to twenty-nine percent (29%), which is in line with the strategy to fully embrace the health and wellness trend. CSDs also presented a strong eight percent (8%) in revenue growth, surpassing the last seven (7) years growth in this market. The strong CSD sales were buoyed by the national elections and the hot weather.

The impressive sales numbers, however, were tempered by rising sugar prices, which increased by twenty-two percent (22%). In 2010, sugar prices rose to a thirty-five (35)-year high as rain damaged crops in Brazil, the largest producer, and dry weather curbed output in India, the second-largest supplier. As supply slowed and demand continued to rise, the inventory reserves of many countries, including the Philippines, became depleted resulting to higher sugar prices and significantly affecting sugar-dependent food and beverage industries.

Despite this acute development, gross profit remained steady at ₱4.21 billion compared to last year's gross profit of ₱4.19 billion, while operating income slipped to ₱996 million compared to last year's figure of ₱1.1 billion. Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") likewise remained steady at ₱2.2 billion versus year ago figure of ₱2.2 billion, while Earnings before Interest and Taxes (EBIT) dropped to ₱1.04 billion versus year ago figure of ₱1.2 billion, weighed down by higher depreciation and amortization resulting from recent expansion programs.

Management was able to mitigate the rise in sugar prices in part by continuing to successfully control and reduce operating expenses from twenty-four percent (24%) and twenty-one percent (21%) of sales in 2008 and 2009, respectively, to twenty percent (20%) in 2010. Notable reductions are in the area of selling and distribution expenses [from thirteen percent (13%) of sales in 2009 to twelve percent (12%) in 2010] where Management's rationalization and re-engineering programs have managed to deliver superior service at much lower cost.

Marketing expenses as a percentage of sales were likewise lower [from four percent (4%) of sales in 2009 to three percent (3%) of sales in 2010]. Focused marketing anchored on strategically targeted programs resulted in sales increases amidst modest marketing spending. General and administrative expenses remained steady at four percent (4%) of sales in 2010 and 2009, showing a firm-wide effort to manage the controllable variables in the income statement. The Corporation's continued efforts to drive top-line growth, while maintaining tight cost control will be the sustaining force in the years to come.

Financial Condition and Liquidity

The Corporation's operations are cash intensive. This capability to generate cash is one of its greatest strengths. With its liquidity, the Corporation has substantial financial flexibility in varying operating policy in response to market demands, in meeting capital expenditures through internally generated funds and in providing the Corporation with a strong financial condition that gives it ready access to financing alternatives (refer to Note 21 to the Audited Financial Statements for the calendar year ending 31 December 2011 for a detailed discussion on the Corporation's revolving credit facilities as of 31 December 2011).

Credit sales over the past three (3) years have remained at the level of sixty-four percent (64%) to sixty-eight percent (68%) of total sales. This credit sales level reflects a shift from a direct distribution mode to a more efficient model of fostering partnership with distributors and multi-route Entrepreneurial Distribution System contractors, as well as an increase in Modern Trade business. Liquidity has remained healthy. Collection period was at twenty-eight (28) to thirty (30) days, while, inventory days were at nine (9) to eleven (11) days for the past three (3) years. Trade payable days have remained at manageable levels.

Increase in current assets from ₱2,817 million as of 31 December 2010 to ₱3,114 million as of 31 December 2011 was due to increases in receivables of ₱237 million, amounts from cash of ₱54 million, and prepaid expenses of ₱41 million. This was offset by decrease in due from related parties and inventories of ₱23 million and ₱12 million, respectively.

Non-current assets increased from ₱6,320 million as of 31 December 2010 to ₱7,085 million as of 31 December 2011 mainly due to additions to property, plant and equipment (net of depreciation) of ₱482 million and bottles and cases (net of amortization) of ₱237 million, in line with the Corporation's continued expansion of plant capacity.

Increase in current liabilities from ₱2,892 million as of 31 December 2010 to ₱3,581 million as of 31 December 2011 is mainly due to increase in accounts payable and accrued expenses of ₱149 million, notes payable of ₱550 million, and decrease in income tax payable of ₱11 million.

Non-current liabilities increased from ₱590 million as of 31 December 2010 to ₱675 million as of 31 December 2011 due to increase in other non-current liabilities of ₱33 million and Deferred Tax Liabilities of ₱52 million.

Total assets increased from ₱9,137 million as of 31 December 2010 to ₱10,119 million as of 31 December 2011 mainly due to the significant increase in non-current assets described above. Total liabilities increased from ₱3,482 million as of 31 December 2010 to ₱4,255 million as of 31 December 2011 mainly due to similar factors stated in increase in current liabilities. Total equity

increased from ₱5,655 million to ₱5,944 million on account of net income of ₱289 million for the calendar year ended 31 December 2011.

Material Commitments for Capital Expenditures

The Corporation has ongoing definite corporate expansion projects approved by the Board. As a result of this expansion program, the Corporation spent for property, plant and equipment as well as bottles and shells amounting to ₱1.906 billion for the year ended 31 December 2011, ₱0.745 billion for the six (6)-month period ended 31 December 2010, and ₱1.127 billion for the year ended 30 June 2010. To this date, the Corporation continues to invest in major capital expenditures in order to complete the remaining expansion projects lined up in line with prior calendar year spending.

Factors that may Impact the Corporation's Operations / Seasonality Aspects

Refer to Item 1 (2) (o) of the SEC Form 17-A attached to the Corporation's Audited Financial Statements for the calendar year ended 31 December 2011 for a discussion of Major Risks.

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

There was no income or loss arising from discontinued operations.

VI. CORPORATE GOVERNANCE

The Corporation's Manual on Corporate Governance ("Manual"), which was adopted on 21 June 2007, and revised on 14 April 2010 and again on 25 March 2011, details the standards by which it conducts sound corporate governance that is coherent and consistent with relevant laws and regulatory rules, and constantly strives to create value for its stockholders.

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

Executive Committee

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

Based on the Manual, the Executive Committee shall be composed of at least seven (7) members, namely, the Chief Executive Officer, the Chief Strategy Officer, the Chief Operating Officer, the Chief Financial Officer, and three (3) regular directors.

The incumbent members of the Executive Committee are as follows: Messrs. Yeon-Suk No (Chief Executive Officer), Partha Chakrabarti (President – equivalent of Chief Operating Officer), Akash Shah (Chief Financial Officer), and two (2) regular directors, namely, Messrs. Qasim Khan and JaeHyuk Lee.

There are two (2) vacancies in the Executive Committee. The Board has decided to defer filling the vacancies in the Executive Committee and to take this up at the Organizational Meeting of the newly-elected Board of Directors after the Annual Stockholders' Meeting.

Audit Committee

The Audit Committee assists the Board in its fiduciary responsibilities as it provides an independent and objective assurance to the Management and shareholders of the Corporation that business operations are carried out according to approved standards and objectives, and the Corporation's resources are preserved and productive.

Based on the Manual, the Audit Committee shall be composed of at least four (4) directors, preferably with accounting and finance background with at least one (1) member with audit experience. Two (2) of the members must be independent directors, including the Chairman of the committee. The Audit Committee reports to the Board and is required to meet at least once every three (3) months.

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

Compensation and Remuneration Committee

The Compensation and Remuneration Committee, based on objective and impartial studies, utilizes a formal and transparent framework in determining the remuneration of the members of the Board and the Corporation's key executives. This committee's decisions on compensation issues are consistent with the requirements of objectivity, fairness and relevance.

Based on the Manual, the Compensation and Remuneration Committee shall be composed of at least three (3) members, including one (1) independent director. The Board may also designate non-voting members as it may on a case-to-case basis require for purposes of advising said committee. The Compensation and Remuneration Committee reports to the Board and is required to meet at least once each year.

The incumbent members of the Compensation and Remuneration Committee are as follows: Messrs. Oscar S. Reyes, Yeon-Suk No, John L. Sigalos, and Rafael M. Alunan III.

The chairmanship of the Compensation and Remuneration Committee shall be decided by the unanimous vote of its Director-members when it convenes in its meeting later this year.

Nomination Committee

The Nomination Committee ensures that the Board is made up of visionary, ethical and competent business leaders who can contribute to the vast range of ideas and reach decisions that will protect and grow the business. This committee also makes sure that the designated Board members address the higher purposes of the Corporation as a responsible enterprise which has a positive value on the communities where it operates.

Based on the Manual, the Nomination Committee shall be composed of at least three (3) members, including one (1) independent director. The Board may also designate non-voting members as it may on a case-to-case basis require for purposes of advising said committee. The Nomination Committee reports to the Board and is required to meet at least once each year.

The incumbent Chairman and members of the Nomination Committee are as follows: Messrs. Rafael M. Alunan III (Chairman), Yeon-Suk No and John L. Sigalos.

For purposes of evaluating compliance with the Manual, the Corporation has adopted the self-rating form prescribed by the SEC. The Corporation has complied with its Manual through the election of two (2) independent directors to the Board; the constitution of the Audit Committee, Compensation and Remuneration Committee, and Nomination Committee pursuant to its By-laws, and the election of the Chairman and members of such committees, which include the independent directors; the

conduct of regular meetings of the Board and the various committees of the Board abovestated; adherence to the written Code of Conduct prepared by the Corporation's Human Resources Department; and adherence to applicable accounting standards and disclosure requirements.

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

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

CERTIFICATION OF INDEPENDENT DIRECTORS

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

1. I am a nominee identified as independent director of **PEPSI COLA PRODUCTS PHILIPPINES INC. (PCPPI)**.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/ Relationship	Period of Service
Philippine Long Distance Tel. Co.	Director	2001 - present
SMART Communications Inc.	Director	2006 - present
Bank of the Philippine Islands	Director	2003 – present
Manila Water Company	Independent Director	2005 - present
Ayala Land, Inc.	Independent Director	2009 - present
Manila Electric Company	Director & Chief Operating Officer	2010 - present
Sun Life Financial Plans Inc.	Independent Director	2006 - present
Sun Life Prosperity Funds	Independent Director	2002 – present
Basic Energy Corporation	Independent Director	2007 – present
Alcom Gold Resources Corporation	Independent Director	2009 - present
Mindoro Resources Ltd.	Director	2002 – present
MRL Gold Philippines Inc.	Non-Executive Chairman	2008 - present
Petrolift Inc.	Independent Director	2007 – present
Link Edge Inc.	Chairman	2002 - Present
Meralco Industrial Engineering Services Inc.	Chairman	2010 - present
Meralco Energy Inc.	Chairman	2010 - present
Meralco Powergen Corporation	President/Director	2010 - present
Calamba Aero Power Corporation	Director	2011 - present
CIS Bayad Center, Inc.	Chairman	2010 - present
Republic Surety & Insurance Co., Inc.	Director	2010 - present

3. I am not a securities broker-dealer, i.e., I do not hold any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Philippine Stock Exchange, associated person or salesman, and an authorized clerk of the broker or dealer.

4. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of PCPPI, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
5. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.
6. I shall inform the corporate secretary of PCPPI of any changes in the abovementioned information within five days from its occurrence.

Done, this 16th day of April 2012, at Pasig City.



Affiant

SUBSCRIBED AND SWORN to before me, a notary public in and for the City of **MAKATI CITY** ___ day of APR 17 2012. The affiant, whom I identified through the following competent evidence of identity: Philippine Driver's License No. N17-65-003836, expiring on 18 April 2013, personally signed the foregoing instrument before me and avowed under penalty of law to the whole truth of the contents of said instrument.

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

NOTARY PUBLIC

Doc. No. 25 :
Page No. 80 :
Book No. 1 :
Series of 2012.


PAULA KATRINAL NORA
Appointment No. M-525
Notary Public City of Makati
Until 31 December 2012
Nava & Associates
7th Floor, The Pearlbank Center,
146 Valero Street, Salcedo Village, Makati City
PTR No. 317 C-012-01-0212; Makati
IBP No 673990, 12-20-11 Makati
Roll No. 55971

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

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **RAFAEL M. ALUNAN III**, Filipino, of legal age, and with residence address at No. 63, 9th Street, New Manila, Quezon City, under oath, state:

1. I am an independent director of **Sun Life Financial Plans, Inc.** (hereinafter, the "Corporation").
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Management Assn of the Phils	Governor-Treasurer	2012
Sun Life of Canada (Philippines)	Director	2004 - present
Sun Life Asset Management Company, Inc.	Director	2009 - present
Asian Institute of Management	Trustee	2010 - present
Pepsi Cola Products Phils., Inc.	Director	2007 - present
University of St. La Salle, Bacolod	Trustee	2009 - present
League of Corporate Foundations	Trustee	2009 - present
Korean School Foundation Philippines, Inc	Trustee	2008 - present
Santeh Aquaculture Science & Technology Foundation, Inc.	Trustee	2010 - present
Rafael Alunan Agri-Development, Inc. (RAADI)	Director	1975 - present

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

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

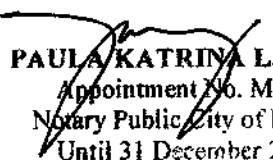
5. I shall inform the Corporate Secretary of any changes in the abovementioned information within five days from its occurrence.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 30th day of March at Makati City.


RAFAEL M. ALUNAN III
Affiant

SUBSCRIBED AND SWORN to before me this 30th day of March, affiant exhibiting to me his Passport No. UU 375595 issued on 28 December 2006 at Manila.

PUC. NO. 215;
PAGE NO. 45;
BOOK NO. I;
SERIES OF 2012.


PAULA KATRINA L. NORA
Appointment No. M-525
Notary Public, City of Makati
Until 31 December 2012
Nava & Associates
7th Floor, The Pearlbank Center,
146 Valero Street, Salcedo Villare, Makati City
PTR No. 3175-012-01-02-03; Makati
IBP No. 873990, 12-20-11 Makati
Roll No. 25271

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

Held at the The Palms Country Club
Alabang, Muntinlupa City
on 27 May 2011, Friday, at 10:00 a.m.
(Stockholders' Meeting No. 2011/2012-001)

<u>Stockholders Present</u>	<u>In Person/By Proxy</u>	<u>No. of Shares</u>
Lotte Chilsung Beverage Co., Ltd.	Hwang Chung (By Proxy)	1,270,657,644
Quaker Global Investments B.V.	Sunil D'Souza (By Proxy)	1,089,101,359
Pepsi-Cola Far East Trade Development Co., Inc.	Sunil D'Souza (By Proxy)	100
Orion Land Inc.	Hwang Chung (By Proxy)	60,000,000
Hwang Chung	In Person	1
Inho Kim	Hwang Chung (By Proxy)	1
Jaehyuk Lee	Hwang Chung (By Proxy)	1
Qasim Khan	Sunil D'Souza (By Proxy)	1
John L. Sigalos	Sunil D'Souza (By Proxy)	1
Yeon-Suk No	In Person	1
Oscar S. Reyes	In Person	1
Others		178,094,767

	Total shares present In Person/By Proxy	2,597,853,877
	Total shares issued, outstanding and entitled to vote	3,693,772,279
	Percentage of shares present In Person/By Proxy	70.33%

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

Held at the The Palms Country Club
Alabang, Muntinlupa City
On 27 May 2011, Friday, at 10:00 a.m.
(Stockholders' Meeting No. 2011/2012-001)

1. CALL TO ORDER

The Chairman of the Board, Mr. Hwang Chung, called the meeting to order and presided over it.

The Corporate Secretary, Atty. Ma. Rosario C.Z. Nava, recorded the minutes of the meeting.

2. CERTIFICATION OF NOTICE AND OF QUORUM

Atty. Nava certified that notices were sent to all the stockholders of the Corporation and that stockholders owning or holding 70.33% of the total outstanding capital stock entitled to vote were present, either in person or by proxy. Thus, there was a quorum for the valid transaction of business.

3. APPROVAL OF THE MINUTES OF THE PREVIOUS ANNUAL STOCKHOLDERS' MEETING HELD ON 15 DECEMBER 2010

There was a motion made to approve the minutes of the previous Annual Stockholders' Meeting of the Corporation held on 15 December 2010.

The motion was duly seconded, and there being no objection, the minutes of the previous Annual Stockholders' Meeting of the Corporation held on 15 December 2010 was unanimously passed and approved.

Stockholders' Resolution No. 2011/2012-001

RESOLVED, that the minutes of the Annual Stockholders' Meeting of
PEPSI-COLA PRODUCTS PHILIPPINES, INC. held on 15
December 2010, be, as it is hereby, approved.

4. REPORT OF THE CHIEF EXECUTIVE OFFICER

The Chairman-Chief Executive Officer, Mr. Chung, then addressed the stockholders explaining that this particular Annual Stockholders' Meeting was required for statutory reasons because the Corporation had made a change in the fiscal year from 30 June to 31 December.

He then referred the stockholders to the highlights of the results of operations of the Corporation for the six (6)-month period ending 31 December 2010 and the Corporation's future plans and initiatives as set forth in the Annual Report earlier distributed to the stockholders.

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

Held at the The Palms Country Club
Alabang, Muntinlupa City
On 27 May 2011, Friday, at 10:00 a.m.
(Stockholders' Meeting No. 2011/2012-001)

**5. PRESENTATION OF AUDITED FINANCIAL STATEMENTS FOR THE SIX (6)-
MONTH PERIOD ENDING 31 DECEMBER 2010**

The Chairman presented for the information and acceptance of the stockholders the Corporation's audited financial statements for the six (6)-month period ending 31 December 2010, copies of which had been previously sent to the stockholders.

A motion was made to note and accept the audited financial statements for the six (6)-month period ending 31 December 2010, which was duly seconded, and there being no objection, the stockholders noted and accepted the audited financial statements of the Corporation for the six (6)-month period ending 31 December 2010.

Stockholders' Resolution No. 2011/2012-002

RESOLVED, that the audited financial statements of **PEPSI-COLA PRODUCTS PHILIPPINES, INC.** for the six (6)-month period ending 31 December 2010, be, as it is hereby, noted and accepted.

**6. RATIFICATION OF ACTS OF THE BOARD OF DIRECTORS AND
MANAGEMENT FOR THE SIX (6)-MONTH PERIOD 1 JULY 2010 TO 31
DECEMBER 2010**

The Chairman then discussed with the stockholders the need to approve and ratify all acts and resolutions of the Board of Directors and the Management of the Corporation for the period 1 July 2010 to 31 December 2010, as well as all contracts and transactions entered into by the Corporation for the same period.

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

Stockholders' Resolution No. 2011/2012-003

RESOLVED, that all resolutions and other acts of the Board of Directors and the Management of **PEPSI-COLA PRODUCTS PHILIPPINES, INC.** for the period 1 July 2010 to 31 December 2010, as well as all contracts and transactions entered into by the Corporation for the same period, be, as they are hereby, approved, confirmed and ratified.

7. ELECTION OF DIRECTORS

The Chairman then proceeded to take up the next item in the Agenda which is the election of the members of the Board of Directors to serve for the year 2011 to 2012.

The Chairman informed the body that the Corporation had earlier disclosed through the Information Statement the nine (9) nominees to the Board of Directors included in the Final

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

Held at the The Palms Country Club
Alabang, Muntinlupa City
On 27 May 2011, Friday, at 10:00 a.m.
(Stockholders' Meeting No. 2011/2012-001)

List of Candidates approved by the Nomination Committee of the Corporation. In accordance with the Articles of Incorporation of the Corporation, the Corporation shall be electing nine (9) directors.

Since the number of nominees is equal to the number of Board seats, there was a motion made to have all votes cast in favor of all the nominees and to have all the nominees be declared elected as directors of the Corporation. This motion was duly seconded. There being no objection, the Chairman declared the following individuals as having been elected as directors for 2011 to 2012 and until their successors shall have been duly elected and qualified:

HWANG CHUNG
PARTHA CHAKRABARTI
INHO KIM
JAEHYUK LEE
JOHN L. SIGALOS
QASIM KHAN
YEON-SUK NO
RAFAEL M. ALUNAN III (Independent Director)
OSCAR S. REYES (Independent Director)

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

8. APPOINTMENT OF EXTERNAL AUDITORS

The Chairman then discussed the need to designate and appoint the external auditors of the Corporation for the ensuing year 2011 to 2012.

A nomination was heard from the floor to appoint KPMG Manabat Sanagustin & Co., CPAs as the Corporation's external auditor for 2011 to 2012.

Thereafter, a motion was made which was duly seconded to close the nomination and appoint KPMG Manabat Sanagustin & Co., CPAs as the Corporation's external auditor for 2011 to 2012.

On such motion which was duly made and seconded, and there being no objection, the stockholders unanimously approved the appointment of KPMG Manabat Sanagustin & Co., CPAs as the external auditors of the Corporation for the ensuing year 2011 to 2012.

Stockholders' Resolution No. 2011/2012 - 004

RESOLVED, that KPMG Manabat Sanagustin & Co., CPAs be, as they are hereby, appointed as external auditors of the Corporation for the ensuing year 2011 to 2012.

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

Held at the The Palms Country Club
Alabang, Muntinlupa City
On 27 May 2011, Friday, at 10:00 a.m.
(Stockholders' Meeting No. 2011/2012-001)

9. ADJOURNMENT

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

After some queries from the floor relating to the business and some future initiatives of the Corporation had been addressed, a comment was heard from the floor that all of the items in the Agenda had been taken up and sufficiently discussed. Hence, a motion was made to adjourn the meeting.

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

CERTIFIED CORRECT:

MA. ROSARIO C.Z. NAVA
Corporate Secretary

ATTESTED:

HWANG CHUNG
Chairman-Chief Executive Officer

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Agustin S. Sarmiento

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Annual Meeting

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Total Amount of Borrowings

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To be accomplished by SEC Personnel concerned

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LCU

LCU

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Cashier

STAMPS

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PEPSI-COLA PRODUCTS PHILIPPINES, INC.

FINANCIAL STATEMENTS
December 31, 2011 and 2010 and June 30, 2010

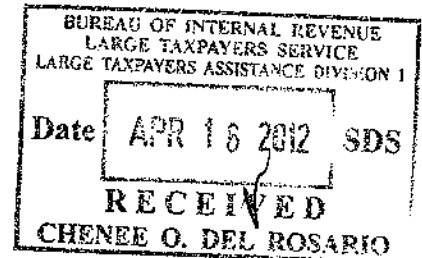


Manabat Sanagustin & Co., CPAs
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

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

Branches · Subic · Cebu · Bacolod · Iloilo

REPORT OF INDEPENDENT AUDITORS



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

Report on the Financial Statements

We have audited the accompanying financial statements of Pepsi-Cola Products Philippines, Inc., which comprise the statements of financial position as at December 31, 2011 and 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended December 31, 2011, for the six-month period from July 1 to December 31, 2010, and for the year ended June 30, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

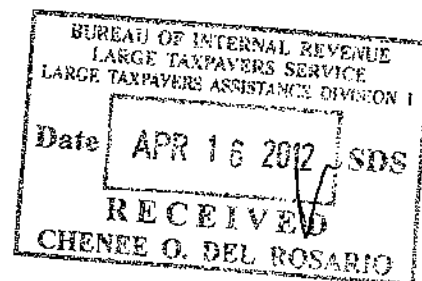
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pepsi-Cola Products Philippines, Inc. as at December 31, 2011 and 2010, and its financial performance and its cash flows for the year ended December 31, 2011, for the six-month period from July 1 to December 31, 2010, and for the year ended June 30, 2010, in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010 and RR No.19-2011 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 26 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

MANABAT SANAGUSTIN & CO., CPAs

ROBERTO G. MANABAT

Partner

CPA License No. 0030640

SEC Accreditation No. 0677-AR-1, Group A, valid until March 30, 2014

Tax Identification No. 106-187-127

BIR Accreditation No. 08-001987-14-2010

Issued June 30, 2010; valid until June 29, 2013

PTR No. 3174016MA

Issued January 2, 2012 at Makati City

March 23, 2012

Makati City, Metro Manila



PEPSI-COLA PRODUCTS PHILIPPINES, INC.

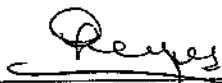
Km. 29 National Road, Tunasan, Muntinlupa City 1773 Philippines
Tel. No.: (632) 850-7901 Fax No.: (632) 850-7928
Website: www.pepsiphilippines.com

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of **Pepsi-Cola Products Philippines Inc.**, is responsible for the preparation and fair presentation of the financial statements as at **December 31, 2011** and **2010** and for the year ended **December 31, 2011**, for the six-month period ended **December 31, 2010** and for the year ended **June 30, 2010**, in accordance with the prescribed financial reporting framework indicated therein including the additional components attached therein. This responsibility includes designing and implementing internal controls 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.

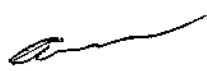
The Board of Directors reviews and approves the financial statements and submit the same to the stockholders or members.

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 in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.


OSCAR S. REYES
Chairman of the Board


YEON-SUK NO
Chief Executive Officer


PARTHA CHAKRABARTI
President


AKASH SHAH
SVP and Chief Financial Officer

Signed this 23rd day of March 2012



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

SUBSCRIBED AND SWORN TO before me in the City of MUNTINLUPA CITY
this 19 day of APR 2012 by:

<u>Name</u>	<u>Competent Evidence of Identity</u>	<u>Valid Until</u>
Oscar S. Reyes	Passport No. XX2143931	Sep. 28, 2013/ Manila
Yeon-Suk No	Passport No. M83102845	Nov 13, 2018/ Korea
Partha Chakrabarti	Passport No. Z1751780	Feb. 25, 2018/ Manila
Akash Shah	Passport No. BA647570	Oct. 22, 2014/ Bangkok

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.


PATRICIO L. BONCAYAO, JR.

Notary Public

Until December 31, 2012

PTR # 0976535-01-02-2012

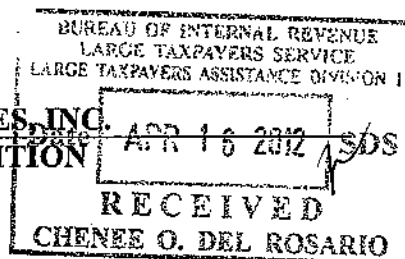
City of Muntinlupa

TIN # 137-734-581

ROLL # 33796

Doc. No. 24
Page No. 152
Book No. 144
Series of 2012.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)



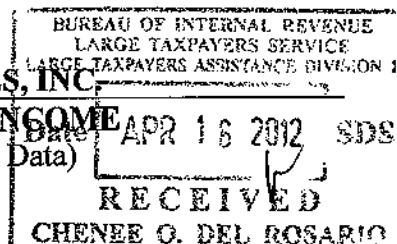
		December 31	
	<i>Note</i>	2011	2010
ASSETS			
Current Assets			
Cash and cash equivalents	4, 21	P359,668	P305,686
Receivables - net	5, 21	1,260,824	1,023,879
Inventories	6	997,224	1,009,367
Due from related parties	13, 21	382,859	405,465
Prepaid expenses and other current assets		113,629	72,383
Total Current Assets		3,114,204	2,816,780
Noncurrent Assets			
Investments in associates	7	527,316	530,785
Bottles and cases - net	8	2,552,890	2,315,553
Property, plant and equipment - net	9	3,857,126	3,374,631
Other noncurrent assets		147,569	99,176
Total Noncurrent Assets		7,084,901	6,320,145
		P10,199,105	P9,136,925
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	10, 13, 21, 22, 25	P2,830,692	P2,681,903
Notes payable	9, 11, 21	750,000	200,000
Income tax payable		-	10,568
Total Current Liabilities		3,508,692	2,892,471
Noncurrent Liabilities			
Deferred tax liabilities - net	12	419,234	367,113
Other noncurrent liabilities	22, 25	255,341	222,550
Total Noncurrent Liabilities		674,575	589,663
Total Liabilities		4,255,267	3,482,134
Equity			
Capital stock	23	554,066	554,066
Additional paid-in capital	23	1,197,369	1,197,369
Retained earnings	24	4,192,403	3,903,356
Total Equity		5,943,838	5,654,791
		P10,199,105	P9,136,925

See Notes to the Financial Statements.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, Except Per Share Data)



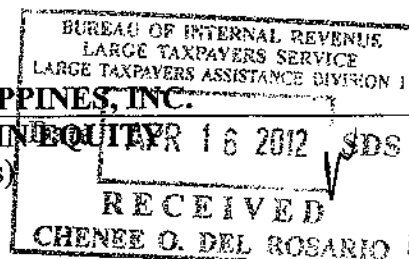
		For the Year Ended December 31 2011	For the Six-Month Period from July 1 to December 31 2010*	For the Year Ended June 30 2010
	Note			
GROSS SALES	20	P19,960,600	P9,595,014	P18,789,186
Less sales returns and discounts	20	2,832,082	1,301,030	2,660,341
NET SALES		17,128,518	8,293,984	16,128,845
COST OF GOODS SOLD	14	13,449,473	6,450,573	11,917,903
GROSS PROFIT		3,679,045	1,843,411	4,210,942
OPERATING EXPENSES				
Selling and distribution	15	2,105,864	1,058,662	2,004,950
General and administrative	16	678,900	391,845	708,092
Marketing	13	486,632	228,517	501,774
		3,271,396	1,679,024	3,214,816
INCOME FROM OPERATIONS		407,649	164,387	996,126
FINANCE AND OTHER INCOME (EXPENSES)				
Interest income	4, 13	7,332	6,173	12,947
Interest expense	11	(26,001)	(1,544)	(2,785)
Equity in net earnings (losses) of associates	7	(3,469)	797	2,265
Other income - net		28,895	15,103	45,915
		6,757	20,529	58,342
INCOME BEFORE INCOME TAX		414,406	184,916	1,054,468
INCOME TAX EXPENSE	12	125,359	55,230	315,792
NET INCOME/TOTAL COMPREHENSIVE INCOME		P289,047	P129,686	P738,676
Basic/Diluted Earnings Per Share	19	P0.08	P0.04	P0.20

* On December 22, 2010, the Securities and Exchange Commission approved the change in the Company's accounting period from fiscal year ending June 30 to calendar year ending December 31.

See Notes to the Financial Statements.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)



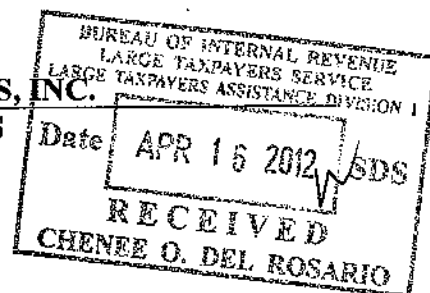
		For the Year Ended December 31 2011	For the Six-Month Period from July 1 to December 31 2010*	For the Year Ended June 30 2010
	Note			
CAPITAL STOCK	23	P554,066	P554,066	P554,066
ADDITIONAL PAID-IN CAPITAL	23	1,197,369	1,197,369	1,197,369
RETAINED EARNINGS				
Balance at beginning of period		3,903,356	4,143,047	3,958,437
Net income for the period		289,047	129,686	738,676
Dividends declared	24	-	(369,377)	(554,066)
Balance at end of period		4,192,403	3,903,356	4,143,047
		P5,943,838	P5,654,791	P5,894,482

* On December 22, 2010, the Securities and Exchange Commission approved the change in the Company's accounting period from fiscal year ending June 30 to calendar year ending December 31.

See Notes to the Financial Statements.

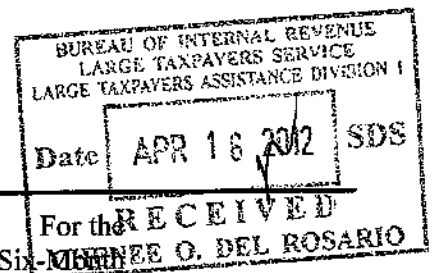
PEPSI-COLA PRODUCTS PHILIPPINES, INC.

STATEMENTS OF CASH FLOWS
(Amounts in Thousands)



		For the Year Ended December 31 2011	For the Six-Month Period from July 1 to December 31 2010*	For the Year Ended June 30 2010
	Note			
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P414,406	P184,916	P1,054,468
Adjustments for:				
Depreciation and amortization	17	1,170,213	611,623	1,147,314
Allowance for probable losses in values of bottles and cases, machinery and equipment, impairment losses, inventory obsolescence and others provisions - net	5, 6, 8	61,223	34,209	28,602
Retirement cost	22	50,850	28,614	53,460
Interest expense	11	26,001	1,544	2,785
Loss (gain) on disposal of property and equipment		4,158	2,260	(1,650)
Equity in net losses (earnings) of associates	7	3,469	(797)	(2,265)
Interest income	4, 13	(7,332)	(6,173)	(12,947)
Operating income before working capital changes		1,722,988	856,196	2,269,767
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Receivables	5	(277,393)	30,407	(71,524)
Inventories	6	(79)	(184,382)	(127,192)
Due from related parties		22,606	(240,380)	(48,631)
Prepaid expenses and other current assets		(80,928)	(23,823)	23,368
Increase in accounts payable and accrued expenses	10	172,829	243,335	156,356
Cash generated from operations		1,560,023	681,353	2,202,144
Interest received		7,394	6,602	12,671
Income taxes paid		(44,124)	(127,210)	(240,174)
Contribution to plan assets	22	(50,000)	-	(56,000)
Net cash provided by operating activities		1,473,293	560,745	1,918,641

Forward



		For the Year Ended December 31 2011	Period from July 1 to December 31 2010*	For the Year Ended June 30 2010
	Note			
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property and equipment		P5,930	P7,885	P10,454
Additions to:				
Property, plant and equipment	9	(984,097)	(447,336)	(679,743)
Bottles and cases	8	(921,630)	(297,924)	(447,117)
Decrease (increase) in other noncurrent assets		(48,393)	9,624	35,141
Net cash used in investing activities		(1,948,190)	(727,751)	(1,081,265)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from (repayments of) notes payable		550,000	200,000	(50,000)
Interest paid		(21,121)	(1,544)	(2,785)
Cash dividends paid	24	-	(369,377)	(554,066)
Net cash provided by (used in) financing activities		528,879	(170,921)	(606,851)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		53,982	(337,927)	230,525
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		305,686	643,613	413,088
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4	P359,668	P305,686	P643,613

* On December 22, 2010, the Securities and Exchange Commission approved the change in the Company's accounting period from fiscal year ending June 30 to calendar year ending December 31.
See Notes to the Financial Statements.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in Thousands, Except Per Share Data and
When Otherwise Indicated)

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), non-carbonated beverages (NCB) and confectionery products to retail, wholesale, restaurants and bar trades. The registered office address and principal place of business of the Company is at Km. 29, National Road, Tunasan, Muntinlupa City.

The Company is listed in the Philippine Stock Exchange (PSE) and has been included in the PSE composite index since February 1, 2008. Lotte Chilsung Beverage Co. Ltd., with a 34.4% stake in the Company, is the largest shareholder of the Company. Quaker Global Investments B.V. is the other major shareholder with a 29.48% stake. Lotte Chilsung Beverage Co. Ltd. was organized and existing under the laws of South Korea. Quaker Global Investments B.V. was organized and existing under the laws of the Netherlands.

On December 22, 2010, the SEC approved the change in the Company's accounting period from fiscal year ending June 30 to calendar year ending December 31.

2. Basis of Preparation

Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRSs include statements named PFRS and Philippine Accounting Standards (PASs), including Philippine Interpretations, issued by the Financial Reporting Standards Council (FRSC).

The accompanying financial statements of the Company were approved and authorized for issue by the Company's Board of Directors (BOD) on March 23, 2012. The BOD has the power to amend the financial statements after issuance.

The accompanying comparative financial statements as at and for the six-month period from July 1 to December 31, 2010 were prepared in connection with the change in the Company's accounting period from year ending June 30 to calendar year ending December 31. The amounts presented for the prior periods in the statements of comprehensive income, statements of changes in equity, statements of cash flows and notes are for the six-month period from July 1 to December 31, 2010 and for the year ended June 30, 2010 and, accordingly, are not entirely comparable to the financial statements as at and for the year ended December 31, 2011.

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 the Company's functional currency and all values are rounded to the nearest thousands, except per share data and when otherwise indicated.

Use of Estimates and Judgments

The preparation of the financial statements in accordance with PFRSs requires management to make estimates and judgments that affect 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.

Judgments, 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.

Judgments

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

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.

Determining Whether an Arrangement Contains a Lease

The Company uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement and makes assessment of whether the arrangement is dependent on the use of a specific asset or assets, the arrangement conveys a right to use the asset and the arrangement transfers substantially all the risks and rewards incidental to ownership to the Company.

Operating Lease - The Company as a Lessee

The Company has entered into various lease agreements covering land and facility. The Company has determined that all significant risks and rewards of ownership of these properties remain with the lessors.

Rent expense pertaining to these leased properties amounted to P195 million for the year ended December 31, 2011, P93 million for the six-month period from July 1, 2010 to December 31, 2010 and P179 million and for the year ended June 30, 2010 (see Note 25).

Operating Lease - The Company as a Lessor

The Company has entered into a lease agreement as lessor. The Company has determined that it retains all significant risks and rewards of ownership of the properties which are leased out under operating lease agreements.

Rent income pertaining to these leased properties amounted to P2 million for the year ended December 31, 2011 and P1 million for the six-month period from July 1 to December 31, 2010 and for the year ended June 30, 2010 (see Note 25).

Finance Lease - The Company as a Lessee

The Company entered into finance lease agreements covering pallets and power generation facilities for a period of five (5) to ten (10) years. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it has substantially acquired all the significant risks and rewards incidental to ownership of these pallets and power generation facilities and the provisions of the lease agreements effectively transfer ownership of the assets to the lessee at the end of the lease term. As at December 31, 2011 and 2010, the present value of minimum lease payments amounted to P569 million and P571 million, respectively (see Note 25).

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty as of reporting date that have the most significant risk of causing a material adjustment to the carrying amounts of assets, liabilities and equity within the next financial year are as follows:

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. Impairment losses amounted to P40 million for the year ended December 31, 2011, P21 million for the six-month period from July 1 to December 31 2010 and P16 million for the year ended June 30, 2010. As at December 31, 2011 and 2010, allowance for impairment losses on receivables amounted to P168 million and 128 million, respectively. Receivables, net of allowance for impairment losses, amounted to P1.261 billion and P1.024 billion as at December 31, 2011 and 2010, respectively (see Note 5). No allowance for impairment losses was recognized for the amounts due from related parties as at December 31, 2011 and 2010 as these were deemed to be fully collectible (see Note 13).

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 realizable 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 net realizable value of inventories amounted to P0.997 billion and P1.009 billion as at December 31, 2011 and 2010, respectively (see Note 6).

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, and vice versa. As at December 31, 2011 and 2010, accumulated amortization of excess of cost over deposit values of returnable bottles and cases amounted to P4.719 billion and P4.041 billion, respectively. The carrying amount of bottles and cases amounted to P2.553 billion and P2.316 billion as at December 31, 2011 and 2010, respectively (see Note 8).

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. Provision (reversal of provision) for losses on unusable containers amounted to P5.6 million, P2.1 million and (P2.5) million for the year ended December 31, 2011, for the six-month period from July 1, to December 31, 2010 and for the year ended June 30, 2010, respectively. As at December 31, 2011 and 2010, allowance for unusable containers amounted to P15.6 million and P11.5 million, respectively (see Note 8).

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 financial performance 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, and vice versa.

The EUL are as follows:

	Number of Years
Buildings	40
Leasehold improvements	15 or term of the lease, whichever is shorter
Machinery and other equipment	3 - 25
Furniture and fixtures	10

As at December 31, 2011 and 2010, the carrying amount of property, plant and equipment amounted to P3.857 billion and P3.375 billion, respectively (see Note 9).

Estimating Allowance for Impairment Losses on Non-financial Assets

The Company assesses at each reporting date whether there is an indication that an item of bottles and cases, property, plant and equipment, investments in associates and other noncurrent assets may be impaired. Determining the amount of the assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that these assets are impaired. Any resulting impairment loss could have material impact on the financial position and financial performance of the Company.

The preparation of the estimated future cash flows involves estimations and assumptions. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of the recoverable amounts and may lead to future additional impairment charges. As at December 31, 2011 and 2010, none of these impairment indicators exist on the Company's bottles and cases, property, plant and equipment, investments in associates and other noncurrent assets. As at December 31, 2011 and 2010, the carrying amount of bottles and cases amounted to P2.553 billion and P2.316 billion, respectively (see Note 8). As at December 31, 2011 and 2010, the carrying amount of property, plant and equipment amounted to P3.857 billion and P3.375 billion, respectively (see Note 9). Investments in associates amounted to P527 million and P531 million as at December 31, 2011 and 2010, respectively (see Note 7).

Estimating Realizability of Deferred Tax Assets

The Company reviews the carrying amounts of deferred tax assets at each reporting 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 also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact of deferred tax accordingly. 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 at December 31, 2011 and 2010. As at December 31, 2011 and 2010, the Company has net deferred tax liabilities amounting to P419 million and P367 million, respectively (see Note 12).

Estimating Retirement Liability

The determination of the retirement liability and retirement 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 obligation in such future periods. As at December 31, 2011 and 2010, the Company has unrecognized net actuarial losses amounting to P175 million in 2011 and net actuarial gains amounting to P5 million in 2010 (see Note 22).

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 financial performance could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 25).

3. Significant Accounting Policies

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

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial years except for the following relevant revised standard and improvements to standards, which have been adopted as at January 1, 2011 and have been applied in preparing these financial statements:

- Revised PAS 24, *Related Party Disclosures* (2009), amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The adoption of this revised standard did not have any significant impact on the Company's financial statements.
- *Improvements to PFRSs 2010*, contain 11 amendments to six standards and to one interpretation. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the financial statements of the Company.
 - PFRS 7, *Financial Instruments: Disclosures*. The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the International Accounting Standards Board (IASB) amended and removed existing disclosure requirements.
 - PAS 34, *Interim Financial Reporting*. The amendments add examples to the list of events or transactions that require disclosure under PAS 34 and remove references to materiality in PAS 34 that describes other minimum disclosures.

Financial Instruments

Date of Recognition. The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulations or convention in the marketplace.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given or received. 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 or 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. Management determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. As at December 31, 2011 and 2010, the Company has no financial assets and financial liabilities at FVPL, HTM investments and AFS financial assets.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or FVPL financial assets. Loans and receivables are carried at amortized cost, less impairment losses. 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 cash and cash equivalents, receivables and due from related parties are included in this category.

Cash includes cash on hand 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.

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 PFRSs, such as income tax payable, deferred tax liabilities and accrued retirement cost).

Derecognition of Financial Instruments. 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.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the carrying amount of the original liability and the recognition of a new liability at fair value, and any resulting difference is recognized in profit or loss.

Determination of Fair Values. A number of the Group's accounting policies and disclosures require the determination of fair value. Fair values have been determined for measurement and/or disclosure purposes, when necessary, based on the market values, being the estimated amount for which an asset could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The different levels of fair value of financial instruments carried at fair value, by valuation method have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Day 1 Profit. When the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss. In cases where no observable data are used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit amount.

Offsetting Financial Instruments. Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the statements of financial position.

Capital Stock and Additional Paid-in Capital

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

When shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). The cost of inventories, which is determined using the standard cost method adjusted to actual cost, includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing these inventories to their present 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.

The NRV of finished goods is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. The NRV of raw and packaging materials, spare parts and supplies is the estimated current replacement cost.

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. The application of the equity method of accounting is based on the Company's beneficial interest in the net profits and net assets of the associates. 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 investments in associates include an amount 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 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. It also includes certain pallets acquired under finance lease. These assets are deferred and amortized using the straight-line method over their EUL (5 years for returnable bottles and 7 years for cases and pallets) 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 (including costs of replacing a part of an item of property, plant and equipment) 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 carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized in profit or loss as incurred.

Construction in progress represents assets under construction and is stated at cost. This includes cost of construction and other direct costs. Assets under construction are transferred to the related property, plant and equipment account when the construction and installation and related activities necessary to prepare the property, plant and equipment for the intended use are completed, and the property, plant and equipment are ready for services. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use but tested for impairment losses.

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 assets' residual values, EUL and depreciation and amortization methods are reviewed at each reporting date and adjusted if appropriate 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 (calculated as the difference between the net disposal proceeds and the carrying amount of the item) arising from the retirement or disposal is recognized in profit or loss.

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 a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

If there is an objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of the discounting is not material. The carrying amount of the asset is reduced through the use of an allowance account. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. The financial assets, together with the associated allowance accounts, is written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company. Impairment loss is recognized in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Non-financial Assets

The carrying amounts of the Company's non-financial assets such as investments in associates, bottles and cases, property, plant and equipment and other noncurrent assets are reviewed at each reporting date to determine whether there is any indication that an asset may be impaired, or whether there is any indication that an impairment loss previously recognized for an asset in prior periods may no longer exist or may have decreased. If any such indication exists and when the carrying amount of an asset exceeds its estimated recoverable amount, the asset of cash-generating units (CGU) to which the asset belongs is written down to its recoverable amount. Recoverable amounts are estimated for individual assets or investments or, if it is not possible, for the CGU to which the asset belongs.

The recoverable amount of a non-financial asset is the greater of the asset's fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is the present value of the future cash flows expected to be delivered from an asset or CGU. 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 recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged against operations in the year in which it arises. A previously recognized impairment loss is reversed only if there has been a change in estimate used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any accumulated depreciation and amortization for property and equipment and bottles and cases) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations.

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.

Sale of Goods

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 persuasive evidence exist that 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. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sale is recognized. Transfer of risks and rewards of ownership coincide with the delivery of the products to the customers, and under normal credit terms.

Rent Income

Rent income from operating leases is recognized in profit or loss on a straight-line basis over the term of the lease.

Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the services are rendered or the expenses are incurred.

Cost of Goods Sold

Cost of goods sold includes direct material costs, labor and manufacturing expenses. This is recognized when the service is rendered or the expense is incurred.

Selling, Distribution and Marketing Expenses

Selling, distribution and marketing expenses consist of costs associated with the development and execution of marketing promotion activities and all expenses connected with selling, servicing and distributing Company products. Selling and marketing expenses are generally recognized when the service is rendered or the expense is incurred.

General and Administrative Expenses

Expenses incurred in the general administration of the day-to-day operation of the Company are generally recognized when the service is rendered or the expense is incurred.

Finance Income and Finance Costs

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

Finance costs comprise interest expense on borrowings. All finance costs are recognized in profit or loss as they accrue.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Leases

Determination of Whether an Arrangement Contains a Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term.

Finance Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of fair value of the leased property and the present value of the minimum lease payments at the inception of the lease. Lease payments are apportioned between the finance cost and reduction of the outstanding lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance cost is charged directly to operations.

Capitalized leased assets are depreciated over the shorter of the EUL of the assets or the respective lease terms, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Borrowing Costs

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. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method. Other borrowing costs are generally expensed in the period in which these are incurred.

Provisions

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 reporting 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 pre-tax 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 under "Finance and Other Income (Expenses)" in the statements of comprehensive income.

Contingencies

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.

Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case it is recognized in equity or in other comprehensive income.

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred Tax

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and the carryforward tax benefits of unused net operating loss carryover (NOLCO) and unused tax credits from excess minimum corporate over income tax (MCIT) over the regular corporate income tax (RCIT). Deferred tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising on the initial recognition of goodwill.

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 tax benefits of unused NOLCO and unused tax credits from excess MCIT can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rate that have been enacted or substantively enacted at the reporting date.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

Value-added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Company's statements of financial position.

Retirement Plan

The Company has funded, noncontributory, defined benefit retirement plan covering substantially all of its employees. Retirement cost is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceeded 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

The 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 past service cost, if any, is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits immediately vest following the introduction of, or changes to, a retirement plan, past service cost is recognized immediately.

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 in Philippine peso using the exchange rates prevailing at the reporting 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 reporting date are dealt with as a nonadjusting event after the reporting date.

Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Events After the End of the Reporting Period

Post year-end events that provide additional information about the Company's financial position at the reporting 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.

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

A number of new or revised standards, amendments standard, improvements to standards and interpretations are effective for annual periods beginning after January 1, 2011, and have not been applied in preparing these financial statements. None of these is expected to have any significant effect on the financial statements of the Company, except for PAS 19, *Employee Benefits (amended 2011)*, which will become mandatory for the Company's 2013 financial statements and will affect the recognition of actuarial gains and losses and PFRS 9, *Financial Instruments*, which becomes mandatory for the Company's 2015 financial statements and could change the classification and assessment of financial assets. The Company does not plan to adopt these standards early and the extent of the impact has not been determined.

The Company will adopt the following new standards and amendments to standards that are relevant to the Company in the respective effective dates:

To be Adopted on January 1, 2012

- *Disclosures - Transfers of Financial Assets (Amendments to PFRS 7)*, require additional disclosures about transfers of financial assets. The amendments require disclosure of information that enables users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets. The effective date of the amendments is for periods beginning on or after July 1, 2011. Early application is permitted.

To be Adopted on January 1, 2013

- PFRS 12, *Disclosure of Interests in Other Entities*. PFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate: the nature of, and risks associated with, an entity's interests in other entities; and the effects of those interests on the entity's financial position, financial performance and cash flows.
- PFRS 13, *Fair Value Measurement*. PFRS 13 replaces the fair value measurement guidance contained in individual PFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRSs. It does not introduce new requirements to measure assets or liabilities at fair value nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

- PAS 19, *Employee Benefits* (amended 2011). The amended PAS 19 includes the following requirements: (a) actuarial gains and losses are recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which is currently allowed under PAS 19; and, (b) expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.
- PAS 28, *Investments in Associates and Joint Ventures* (2011). PAS 28 (2011) supersedes PAS 28 (2008). PAS 28 (2011) makes the following amendments: (a) PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and, (b) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not remeasure the retained interest.

To be Adopted on January 1, 2015

- PFRS 9, *Financial Instruments*

Standard Issued in November 2009 [PFRS 9 (2009)]

PFRS 9 (2009) is the first standard issued as part of a wider project to replace PAS 39. PFRS 9 (2009) retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in PAS 39 on impairment of financial assets and hedge accounting continues to apply.

Standard Issued in October 2010 [PFRS 9 (2010)]

PFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009.

It also includes those paragraphs of PAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of Philippine Interpretation from International Financial Reporting Interpretations Committee (IFRIC) 9, *Reassessment of Embedded Derivatives*.

4. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2011	2010
Cash on hand and in banks	P299,668	P205,686
Short-term investments	60,000	100,000
	P359,668	P305,686

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 is disclosed in Note 21 to the financial statements.

5. Receivables

Receivables consist of:

	<i>Note</i>	2011	2010
Trade	21	P1,301,161	P1,086,104
Others	21	128,056	65,764
		1,429,217	1,151,868
Less allowance for impairment losses		168,393	127,989
	21	P1,260,824	P1,023,879

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

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

	<i>Note</i>	2011			2010		
		Trade	Others	Total	Trade	Others	Total
Balance at beginning of period		P108,577	P19,412	P127,989	P91,462	P17,027	P108,489
Impairment losses recognized during the period	15	9,852	30,534	40,386	17,110	3,595	20,705
Reversal of write-offs (write-offs) during the period		(1,726)	1,744	18	5	(1,210)	(1,205)
Balance at end of period		P116,703	P51,690	P168,393	P108,577	P19,412	P127,989

Impairment losses (reversal of impairment losses) recognized during the period are included as part of "Selling and distribution expenses" account in the statements of comprehensive income.

The Company's exposure to credit risk related to trade and other receivables is disclosed in Note 21 to the financial statements.

6. Inventories

Inventories consist of:

	2011	2010
Finished goods:		
At cost	P462,259	P470,587
At net realizable value	452,884	466,696
Work in process:		
At cost	9,071	3,925
At net realizable value	9,071	3,925
Raw and packaging materials:		
At cost	421,447	430,196
At net realizable value	408,326	422,587
Spare parts and supplies:		
At cost	134,952	122,811
At net realizable value	126,943	116,159
Total inventories at lower of cost and net realizable value	P997,224	P1,009,367

Write-down of inventories to net realizable value amounted to P12 million and P6 million for the years ended December 31, 2011 and June 30, 2010, respectively. Reversal of write-down of inventories to net realizable value amounted to P3 million for the six-month period from July 1 to December 31, 2010. The reversal of write-down and write-down of inventories to net realizable value are included as part of "Cost of Goods Sold" account in the statements of comprehensive income.

7. Investments in Associates

Investments in associates consist of:

	Percentage (%) of Ownership		Amount	
	2011	2010	2011 (One Year)	2010 (Six Months)
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 beginning of period			299,163	298,366
Equity in net earnings (losses) for the period			(3,469)	797
Balance at end of period			295,694	299,163
			P527,316	P530,785

The financial statements of the associates are prepared for the same reporting period as the Company's financial statements. The financial statements used for the purpose of applying equity method are the most recent management accounts of the associates as at December 31, 2011 and 2010.

None of the Company's equity-accounted associates are publicly listed entities and consequently do not have published price quotations.

As at December 31, 2011 and 2010, the undistributed earnings of the associates included in the Company's retained earnings amounting to P296 million and P299 million, respectively, are not available for distribution to stockholders unless declared by the associates.

Summarized financial information pertaining to the Company's associates:

	As at December 31, 2011 and For the Year Ended December 31, 2011				
	Assets	Liabilities	Equity	Revenues	Net Income
NRC	P1,101,544	P581,969	P519,575	P10,567	(P3,602)
NHC (consolidated)	1,101,735	580,829	520,906	10,567	(3,133)

	As at December 31, 2010 and For the Six-Month Period from July 1 to December 31, 2010				
	Assets	Liabilities	Equity	Revenues	Net Income
NRC	P1,085,396	P563,488	P521,908	P5,283	P708
NHC (consolidated)	1,085,950	563,221	522,729	5,283	229

The associates do not have contingent liabilities incurred jointly with other investors. Also, the Company is not severally liable for all or part of the liabilities of the associates.

8. Bottles and Cases

Bottles and cases consist of:

	2011	2010
Deposit values of returnable bottles and cases on hand - net of allowance for unusable containers of P15,601 and P11,545 as at December 31, 2011 and 2010, respectively	P323,036	P282,743
Excess of cost over deposit values of returnable bottles and cases - net of accumulated amortization*	2,214,663	1,999,695
	2,537,699	2,282,438
Bottles and cases in transit	15,191	33,115
	P2,552,890	P2,315,553

* This includes pallets under finance lease with net book value of P94 million and P92 million as at December 31, 2011 and 2010, respectively.

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

	Note	2011	2010
Gross carrying amount[*]:			
Balance at beginning of period		P6,040,346	P5,750,079
Additions		893,665	290,267
Balance at the end of period		6,934,011	6,040,346
Accumulated amortization[*]:			
Balance at beginning of period		4,040,651	3,735,097
Amortization for the period	17	678,699	305,416
Other movements		(2)	138
Balance at the end of period		4,719,348	4,040,651
Carrying amount[*]:			
Balance at end of period		P2,214,663	P1,999,695

* This includes pallets under finance lease of P141 million and P121 million as at December 31, 2011 and 2010, respectively, with related accumulated amortization amounting to P48 million and P29 million as at December 31, 2011 and 2010, respectively, and net book value of P94 million and P92 million as at December 31, 2011 and 2010, respectively.

The amortization recognized for the period is included as part of "Cost of Goods Sold" account in the statements of comprehensive income.

9. Property, Plant and Equipment

The movements in this account are as follows:

	Note	Machinery and Other Equipment	Buildings and Leasehold Improvements	Construction in Progress	Furniture and Fixtures	Total
Gross carrying amount:						
July 1, 2010		P7,351,028	P837,948	P263,887	P30,602	P8,483,465
Additions		-	-	447,336	-	447,336
Disposals/write-offs		(55,410)	(575)	-	(64)	(56,049)
Transfers/reclassifications		181,616	5,711	(188,491)	1,164	-
December 31, 2010/ January 1, 2011		7,477,234	843,084	522,732	31,702	8,874,752
Additions		725,972	100,955	153,890	3,280	984,097
Disposals/write-offs		(102,341)	-	-	(110)	(102,451)
Transfers/reclassifications		163,794	6,930	(170,579)	(145)	-
December 31, 2011		8,264,659	950,969	506,043	34,727	9,756,398
Accumulated depreciation and amortization:						
July 1, 2010		4,729,470	487,441	-	22,907	5,239,818
Depreciation and amortization	17	282,531	23,006	-	670	306,207
Disposals/write-offs		(45,339)	(500)	-	(65)	(45,904)
December 31, 2010/ January 1, 2011		4,966,662	509,947	-	23,512	5,500,121
Depreciation and amortization	17	459,902	30,016	-	1,596	491,514
Disposals/write-offs		(92,253)	-	-	(110)	(92,363)
Transfers/reclassifications		(33)	33	-	-	-
December 31, 2011		5,334,278	539,996	-	24,998	5,899,272
Carrying amount:						
December 31, 2010		P2,510,572	P333,137	P522,732	P8,190	P3,374,631
December 31, 2011		P2,930,381	P410,973	P506,043	P9,729	P3,857,126

In 2010, a substantial portion of the Company's property, plant and equipment and certain parcels of land owned by NRC is mortgaged and placed in trust under two mortgage trust indentures to secure the Company's outstanding notes payable in 2010 (see Notes 11 and 13).

The Company's bank loans were obtained for working capital requirements, thus no borrowing costs were capitalized in 2011 and 2010.

Change in EUL of certain Property and Equipment

In 2011, the Company reviewed and changed the EUL of certain property and equipment in line with actual utilization.

The changes in EUL in each asset class are as follows:

	Number of Years	
	Old EUL	New EUL
Buildings	20	40
Leasehold improvements	10	15
Machinery and other equipment	4 - 10	5 - 25

The effect of the above changes in depreciation expense recognized under "Cost of Goods Sold" and "Operating Expenses" accounts in the statements comprehensive income in the current and future years follows:

	2011	2012	2013	2014	2015 and beyond
Increase (decrease) in depreciation and amortization expense	(P175,306)	(P137,357)	(P87,371)	(P66,790)	P466,824

The Company has ongoing definite corporate expansion projects or programs approved by the BOD. As a result of this expansion program, the Company spent for property, plant and equipment, as well as bottles and cases, amounting to P1.906 billion for the year ended December 31, 2011, P0.745 billion for the six-month period from July 1 to December 31, 2010 and P1.127 billion for the year ended June 30, 2010.

10. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	2011	2010
Trade payables	13	P1,954,216	P1,617,412
Accrued advertising and marketing		143,886	203,819
Non-trade payables		128,356	95,120
Accrued retirement cost - current	22	50,000	87,875
Other accrued expenses	25	554,234	677,677
		P2,830,692	P2,681,903

The Company's other accrued expenses consist mainly of accruals for salaries and wages, other employee benefits, utilities and other operating expenses, and current portion of obligations under finance lease.

The Company's exposure to liquidity risk related to accounts payable and accrued expenses is disclosed in Note 21 to the financial statements.

11. Notes Payable

This account represents outstanding short-term loans from local banks amounting to P750 million as at December 31, 2011, which are payable in lump sum on maturity dates up to June 18, 2012. Interest rates range from 2.9% to 4.1% in 2011 and 2010.

In 2011, the Company obtained unsecured short-term loans from various local banks amounting to P550 million. The short-term loans as at December 31, 2010 amounting to P200 million are secured by two mortgage trust indentures on property, plant and equipment of the Company, and real estate of a related party, on a pro-rata and pari-passu. The carrying amount of the outstanding collateral under the two mortgage trust indentures amounted to P337 million as at December 31, 2010 (see Notes 9 and 13).

Interest expense on notes payable recognized in profit or loss amounted to P20 million for the year ended December 31, 2011, P1.5 million for the six-month period from July 1 to December 31, 2010 and nil for the fiscal year ended June 30, 2010.

Information about the Company's exposures to interest rate risk and liquidity risk is disclosed in Note 21 to the financial statements.

12. Income Taxes

The components of the income tax expense are as follows:

	For the Year Ended December 31 2011	For the Six-Month Period From July 1 to December 31 2010	For the Year Ended June 30 2010
Current tax expense and final taxes on interest income	P73,238	P80,004	P299,628
Deferred tax expense (benefit) from origination and reversal of temporary differences and others	52,121	(24,774)	16,164
	P125,359	P55,230	P315,792

Deferred tax liabilities - net are attributable to the following:

	2011	2010
Allowance for probable losses in values of bottles and cases, impairment losses, inventory obsolescence and others	P106,525	P117,460
Accrual for retirement cost	72,323	72,068
MCIT	40,132	-
Past service cost	22,664	28,967
	241,644	218,495
Bottles and cases	(473,422)	(418,864)
Marketing equipment	(187,456)	(166,744)
	(660,878)	(585,608)
	(P419,234)	(P367,113)

The Company's excess MCIT over RCIT amounting to P40.1 million, which was incurred in 2011, will expire in 2014.

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

	For the Year Ended December 31 2011	For the Six-Month Period From July 1 to December 31 2010	For the Year Ended June 30 2010
Income before income tax	P415,406	P184,916	P1,054,468
Tax rate at 30%	P124,322	P55,475	P316,340
Additions to (reductions in) income tax resulting from the tax effects of:			
Equity in net losses (earnings) of associates	1,041	(239)	(680)
Nondeductible expenses	347	527	2,840
Interest income subjected to final tax	(351)	(533)	(2,708)
	P125,359	P55,230	P315,792

The Bureau of Internal Revenue (BIR) has issued Revenue Regulations (RR) No. 19-2011 re: *New Income Tax Forms* which shall take effect covering income earned for taxable year 2011. These RR are issued to prescribe the new BIR Forms that will be used for income tax filing covering and starting with calendar year 2011, and to modify Revenue Memorandum Circular No. 57-2011.

13. 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"), the ultimate parent of Quaker Global Investments B.V, a shareholder, 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 PepsiCo and Pepsi 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 P2.862 billion for the year ended December 31, 2011, P1.524 billion for the six-month period from July 1 to December 31, 2010 and P2.944 billion for the year ended June 30, 2010. Total purchases from Pepsi Lipton amounted to P77 million for the year ended December 31, 2011, P36 million for the six-month period from July 1 to December 31, 2010 and P99 million for the year ended June 30, 2010.

The Company has cooperative advertising and marketing programs with PepsiCo and Pepsi Lipton that sets forth the agreed advertising and marketing activities and participation arrangement during the years covered by the bottling agreements. In certain instances, the Company pays for the said expenses and claims reimbursement from PepsiCo. The Company incurred marketing expenses amounting to P487 million for the year ended December 31, 2011, P229 million for the six-month period from July 1 to December 31, 2010 and P502 million for the year ended June 30, 2010. The Company's outstanding receivable from PepsiCo included under "Due from related parties" account in the statements of financial position, which are unsecured, noninterest-bearing and are payable on demand, amounted to P76 million and P48 million as at December 31, 2011 and 2010, 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. In 2011 the Company purchased finished goods from Lotte Chilsung Beverage Co. Ltd., a major stockholder. Total purchases for the year ended December 31, 2011 amounted to P2.5 million.
- d. In 2010, certain parcels of land properties of NRC, an associate, were mortgaged to secure a portion of the Company's notes payable as at December 31, 2010. The Company leases these parcels of land where some of its bottling plants are located. Lease expenses recognized amounted to P11 million for the year ended December 31, 2011, P5 million for the six-month period from July 1 to December 31, 2010 and P10 million for the year ended June 30, 2010. The Company has advances to NRC amounting to P38 million as at December 31, 2011 and 2010, which bear interest at a fixed rate of 10% per annum and which are unsecured and payable on demand. The Company also has outstanding net receivables from NRC amounting to P265 million and P315 million as at December 31, 2011 and 2010, respectively, which are unsecured, noninterest-bearing and payable on demand. The advances and receivables are included under "Due from related parties" account in the statements of financial position.
- e. The Company has outstanding working capital advances to NHC, an associate, amounting to P4 million as at December 31, 2011 and 2010, and which are unsecured, noninterest-bearing and payable on demand. The advances are included under "Due from related parties" account in the statements of financial position.

In addition to their salaries, the Company also provides non-cash 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:

	For the Year Ended December 31 2011	For the Six-Month Period From July 1 to December 31 2010	For the Year Ended June 30 2010
Short-term employee benefits	P87,699	P40,301	P87,114
Post-employment benefits	2,009	1,176	3,159
	P89,708	P41,477	P90,273

14. Cost of Goods Sold

Cost of goods sold consists of:

		For the Year Ended December 31 2011	For the Six-Month Period From July 1 to December 31 2010	For the Year Ended June 30 2010
	<i>Note</i>			
Materials and supplies used	13	P10,294,562	P4,895,786	P9,073,587
Delivery and freight		987,499	446,056	862,493
Depreciation and amortization	8, 9, 17	859,746	455,268	841,738
Rental and utilities	13, 25	377,847	164,722	295,250
Personnel expenses	18	308,066	157,491	289,491
Others	6	621,753	331,250	555,344
		P13,449,473	P6,450,573	P11,917,903

15. Selling and Distribution Expenses

Selling and distribution expenses consist of:

		For the Year Ended December 31 2011	For the Six-Month Period From July 1 to December 31 2010	For the Year Ended June 30 2010
	<i>Note</i>			
Distribution		P545,051	P265,496	P515,105
Personnel expenses	18	406,805	227,513	415,835
Delivery and freight		327,772	150,115	286,637
Depreciation	9, 17	274,819	141,053	271,359
Rental and utilities	13, 25	149,033	67,800	124,876
Others	5	402,384	206,685	391,138
		P2,105,864	P1,058,662	P2,004,950

16. General and Administrative Expenses

General and administrative expenses consist of:

	<i>Note</i>	For the Year Ended December 31 2011	For the Six-Month Period From July 1 to December 31 2010	For the Year Ended June 30 2010
Personnel expenses	18	P350,168	P194,738	P333,132
Rental and utilities	13, 25	96,011	55,245	100,790
Outside services		84,875	72,130	118,026
Others	17	147,846	69,732	156,144
		P678,900	P391,845	P708,092

17. Depreciation and Amortization

Depreciation and amortization are distributed as follows:

	<i>Note</i>	For the Year Ended December 31 2011	For the Six-Month Period From July 1 to December 31 2010	For the Year Ended June 30 2010
Cost of goods sold	14	P859,746	P455,268	P841,738
Selling and distribution	15	274,819	141,053	271,359
General and administrative	16	35,648	15,302	34,217
		P1,170,213	P611,623	P1,147,314

18. Personnel Expenses

	<i>Note</i>	For the Year Ended December 31 2011	For the Six-Month Period From July 1 to December 31 2010	For the Year Ended June 30 2010
Salaries and wages		P1,014,189	P551,128	P984,998
Retirement cost	22	50,850	28,614	53,460
		P1,065,039	P579,742	P1,038,458

The above amounts are distributed as follows:

		For the Year Ended December 31 2011	For the Six-Month Period From July 1 to December 31 2010	For the Year Ended June 30 2010
	<i>Note</i>			
Selling and distribution	15	P406,805	P227,513	P415,835
General and administrative	16	350,168	194,738	333,132
Cost of goods sold	14	308,066	157,491	289,491
		P1,065,039	P579,742	P1,038,458

19. Basic/Diluted Earnings Per Share (EPS)

Basic EPS is computed as follows:

	For the Year Ended December 31 2011	For the Six-Month Period From July 1 to December 31 2010	For the Year Ended June 30 2010
Net income (a)	P289,047	P129,686	P738,676
Issued shares at beginning of the period	3,693,772,279	3,693,772,279	3,693,772,279
Weighted average number of shares outstanding (b)	3,693,772,279	3,693,772,279	3,693,772,279
Basic/Diluted EPS (a/b)	P0.08	P0.04	P0.20

As at December 31, 2011, December 31, 2010 and June 30, 2010, the Company has no dilutive equity instruments.

20. 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 Pepsi-Cola, 7Up, Mountain Dew, Mirinda, and Mug. The NCB brand category includes Gatorade, Tropicana/Twister, Lipton, Sting energy drink and Propel fitness water. The Company operates under two (2) reportable operating segments, the CSD and NCB categories. Analysis of financial information by operating segment is as follows:

	CSD			NCB			Combined		
	For the Year Ended December 31	For Six- Month Period from July 1 to December 31	For the Year Ended June 30	For the Year Ended December 31	For Six- Month Period from July 1 to December 31	For the Year Ended June 30	For the Year Ended December 31	For Six- Month Period from July 1 to December 31	For the Year Ended June 30
(in 000,000's)	2011	2010	2010	2011	2010	2010	2011	2010	2010
Net Sales									
External sales	P14,071	P6,948	P13,560	P5,890	P2,647	P5,229	P19,961	P9,595	P18,789
Sales discounts and returns	(2,138)	(1,011)	(2,091)	(694)	(290)	(569)	(2,832)	(1,301)	(2,660)
Net sales	P11,933	P5,937	P11,469	P5,196	P2,357	P4,660	P17,129	P8,294	P16,129
Result									
Segment result*	P2,563	P1,319	P2,994	P1,116	P524	P1,217	P3,679	P1,843	P4,211
Unallocated expenses							(3,271)	(1,679)	(3,215)
Interest and financing expenses							(26)	(1)	(2)
Equity in net earnings of associates							(3)	1	2
Interest income							7	6	13
Other income - net							29	15	46
Income tax expense							(126)	(55)	(316)
Net income							P289	P130	P739
Other Information**									
Segment assets							P9,524	P8,507	P8,327
Investments in associates							527	531	530
Other noncurrent assets							148	99	109
Combined total assets							P10,199	P9,137	P8,966
Segment liabilities							P3,086	P2,904	P2,620
Income tax payable							-	11	59
Notes payable							750	200	-
Deferred tax liabilities - net							419	367	392
Combined total liabilities							P4,255	P3,482	P3,071
Capital expenditures							P1,906	P745	P1,127
Depreciation and amortization of bottles and cases and property, plant and equipment							1,170	612	1,147
Noncash items other than depreciation and amortization							61	34	29

* Segment result is the difference between net sales and segment expenses. Segment expenses are allocated based on the percentage of each reportable segment's net sales over total net sales.

**Segment assets and liabilities relate to balances as at December 31, 2011, December 31, 2010 and June 30, 2010.

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

The Company uses its assets and incurs liabilities to produce both CSD and NCB, hence, the assets and liabilities are not directly attributable to a segment and cannot be allocated into each segment on a reasonable basis.

Major Customer

The Company does not have any single external customer from which sales revenue generated amounted to 10% or more of the net sales.

21. Financial Instruments

Financial Risk Management

Overview

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.

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

Risk Management Framework

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. 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 and internal control, specifically in the areas of managing credit, liquidity, market and other risks of the Company. The Board is assisted in the oversight role by the Internal Audit. Internal Audit undertakes both regular and *ad hoc* reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

There were no changes in the Company's objectives, policies and processes for managing the risk and the methods used to measure the risk from previous year.

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.

Exposure to Credit Risk

The carrying amounts of the financial assets represent the Company's maximum credit exposure. The maximum exposure to credit risk as at December 31 is as follows:

	2011	2010
Cash and cash equivalents	P359,668	P305,686
Receivables - net	1,260,824	1,023,879
Due from related parties	382,859	405,465
Total credit exposure	P2,003,351	P1,735,030

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 are 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.

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, denied and absconded credit accounts.

It is the Company's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk.

Collateral securities are required for credit limit applications that exceed certain thresholds. The Company has policies for acceptable collateral securities that may be presented upon submission of credit applications. Collateral securities include bank guarantees, time deposits, surety bonds, real estate and/or chattel mortgages. The aggregate fair market value of these collateral securities amounted to P156 million and P174 million as at December 31, 2011 and 2010, respectively.

To pursue timely realization of collateral in an orderly manner, the Company's policy discourages the acceptance of chattel and real estate collateral. For chattel and real estate collateral, the Company created rules governing the acceptance of such guarantees. On instances of customer default, the Company's credit committee with the support of the Corporate Legal Department is responsible for the foreclosure of collaterals in the form of real and movable personal properties. Series of demand letters are sent to the defaulting customer to command for payment and to propose for debt repayment agreements. If the customer fails to cooperate, the case will be endorsed to the Legal Department to facilitate the foreclosure of the collateral. The Company generally does not use non-cash collateral for its own operations.

As at December 31, the aging analysis per class of financial assets that were past due but not impaired is as follows:

December 31, 2011

	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1 to 30 Days	31 to 60 Days	More than 60 Days		
Cash and cash equivalents	P359,668	P -	P -	P -	P -	P359,668
Receivables:						
Trade	756,286	295,440	75,877	56,855	116,703	1,301,161
Others	50,228	15,822	5,691	4,625	51,690	128,056
Due from related parties	376,175	1,776	846	4,062	-	382,859
	1,542,357	313,038	82,414	65,542	168,393	2,171,744
Less allowance for impairment losses	-	-	-	-	168,393	168,393
	P1,542,357	P313,038	P82,414	P65,542	P -	P2,003,351

December 31, 2010

	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1 to 30 Days	31 to 60 Days	More than 60 Days		
Cash and cash equivalents	P305,686	P -	P -	P -	P -	P305,686
Receivables:						
Trade	676,400	268,800	32,327	-	108,577	1,086,104
Others	12,151	15,653	3,831	14,717	19,412	65,764
Due from related parties	405,465	-	-	-	-	405,465
	1,399,702	284,453	36,158	14,717	127,989	1,863,019
Less allowance for impairment losses	-	-	-	-	127,989	127,989
	P1,399,702	P284,453	P36,158	P14,717	P -	P1,735,030

The Company believes that the amounts of financial assets that are neither past due nor impaired and unimpaired past due are collectible, based on historic payment behavior and extensive analysis of customers counterparties credit risk.

The Company's exposure to credit risk arises from default of the counterparty. There are no significant concentrations of credit risk within the Company. Cash in banks and cash equivalents, trade and other receivables and due from related parties are of high grade quality.

The credit qualities of financial assets are determined as follows:

- Cash in banks and cash equivalents are based on the credit standing or rating of the counterparty.
- Total receivables and due from related parties are based on a combination of credit standing or rating of the counterparty, historical experience and specific and collective credit risk assessment. High grade quality financial assets are those assessed as having minimal credit risk, otherwise they are of standard quality.

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 at December 31, 2011 and 2010 under the line of credit is P3.129 billion and P2.909 billion, respectively, of which the Company had drawn P1.225 billion and P625 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
- P670 million and P615 million domestic bills purchased line, which were available as at December 31, 2011 and 2010, respectively.

Exposure to Liquidity Risk

The table summarizes the maturity profile of the Company's financial assets and financial liabilities based on contractual undiscounted amounts:

	As at December 31, 2011			
	Carrying Amount	Contractual Cash Flow	One Year or Less	More than One Year to Five Years
Financial assets:				
Cash and cash equivalents	P359,668	P359,668	P359,668	P -
Receivables - net	1,260,824	1,260,824	1,260,824	-
Due from related parties	382,859	382,859	382,859	-
	P2,003,351	P2,003,351	P2,003,351	P -
Financial liabilities:				
Notes payable	P750,000	P764,187	P764,187	P -
Accounts payable and accrued expenses *	2,678,679	2,678,679	2,678,679	-
Other noncurrent liabilities**	64,265	74,533	-	74,533
	P3,492,944	P3,517,399	P3,442,866	P74,533

* Excluding statutory payables, accrual for operating leases and current portion of accrued retirement cost.

** Excluding non-current portion of accrued retirement cost.

As at December 31, 2010

	Carrying Amount	Contractual Cash Flow	One Year or Less	More than One Year to Five Years
Financial assets:				
Cash and cash equivalents	P305,686	P305,686	P305,686	P -
Receivables - net	1,023,879	1,023,879	1,023,879	-
Due from related parties	405,465	405,465	405,465	-
	P1,735,030	P1,735,030	P1,735,030	P -
Financial liabilities:				
Notes payable	P200,000	P201,750	P201,750	P -
Accounts payable and accrued expenses *	2,496,905	2,496,905	2,496,905	-
Other noncurrent liabilities**	70,194	82,548	-	82,548
	P2,767,099	P2,781,203	P2,698,655	P82,548

* Excluding statutory payables, accrual for operating leases and current portion of accrued retirement cost.

** Excluding non-current portion of accrued retirement cost.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Financial Assets Used for Managing Liquidity Risk

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk. To manage its liquidity risk, the Company forecasts cash flows from operations for the next six-months which will result in additional available cash resources and enable the Company to meet its expected cash outflow requirements.

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.

Exposure to 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 is exposed to changes in Philippine sugar prices.

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 Company has outstanding purchase commitment amounting to P3.064 billion as at December 31, 2011. The EXCOM considered the exposure to commodity price risk to be insignificant.

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 United States (U.S.) dollar and Euro. In respect of monetary assets and liabilities held in currencies other than the Philippine peso, the Company ensures that its exposure is kept to an acceptable level, by 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. Further, the Company does not hold any investment in foreign securities as at December 31, 2011 and 2010.

Exposure to 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 in managing debt obligations, transacts with creditors to ensure the most advantageous terms and to reduce exposure to risk of changes in market interest rate.

The Company's interest-bearing financial instruments are as follows:

	2011	2010
Financial assets (cash equivalents)	P60,000	P100,000
Financial liabilities	(750,000)	(200,000)
	(P690,000)	(P100,000)

Sensitivity analysis for the variable rate instruments is as follows:

- A 2% increase in interest rates would have decreased equity and profits for the year ended December 31, 2011 and for the six-month period from July 1 to December 31, 2010 by P2 million and P1 million, respectively.
- A 2% decrease in interest rates for the year ended December 31, 2011 and for the six-month period from July 1 to December 31, 2010 would have had equal but opposite effect, on the basis that all other variables remain constant.

The interest rate risk's sensitivity analysis is based on interest rate variance that the Company considered to be reasonably possible at the end of the reporting date.

Fair Values

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

The fair value of finance lease liability is estimated as the present value of all future cash flows discounted using the fixed interest rate. The discount rate used in the present value of the minimum lease payment is the interest rate implicit in the lease. The reduction on the finance lease liability is recognized using the effective interest method.

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.

The Company defines capital as total equity shown in the statements of financial position.

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.

The Company's bank debt to equity ratio as at reporting dates is as follows:

	2011	2010
Bank debt*	P750,000	P200,000
Total equity	P5,943,838	P5,654,791
Bank debt to equity ratio	0.13:1	0.04:1

* Bank debt comprises notes payable

22. Retirement Plan

The Company has a funded, noncontributory defined benefit retirement plan covering substantially all of its regular and full time employees. The Company has a Retirement Committee that sets the policies for the plan and has appointed two Philippine banks as trustees to manage the retirement fund pursuant to the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is December 31, 2011. The actuarial valuation is made on an annual basis.

The reconciliation of the assets and liabilities recognized in the statements of financial position is shown below:

	2011	2010
Present value of defined benefit obligation	P586,861	P391,053
Fair value of plan assets	170,614	155,933
Unfunded obligations	416,247	235,120
Unrecognized net actuarial gains (losses)	(175,171)	5,107
Accrued retirement cost	P241,076	P240,227

The current portion of accrued retirement cost (included under "Accounts payable and accrued expenses" account in the statements of financial position) amounted to P50 million and P88 million as at December 31, 2011 and 2010, respectively, while the noncurrent portion (included under "Other noncurrent liabilities" account in the statements of financial position) amounted to P191 million and P152 million as at December 31, 2011 and 2010, respectively.

The components of retirement cost recognized in profit or loss are as follows:

	For the Year Ended December 31 2011	For the Six-Month Period From July 1 to December 31 2010	For the Year Ended June 30 2010
Current service cost	P24,747	P14,813	P29,022
Interest cost	31,958	18,635	34,052
Expected return on plan assets	(5,855)	(4,834)	(9,614)
Net retirement cost	P50,850	P28,614	P53,460
Actual return on plan assets	P8,471	P9,429	P2,892

The Company's retirement cost is allocated between "Cost of Goods Sold" account in the statements of comprehensive income, which amounted to P5 million, P3 million and P5 million for the year ended December 31, 2011, for the six-month period from July 1 to December 31, 2010 and for the year ended June 30, 2010, respectively, and "Operating Expenses" account in the statements of comprehensive income which amounted to P46 million, P26 million and P48 million for the year ended December 31, 2011, for the six-month period from July 1 to December 31, 2010 and for the year ended June 30, 2010, respectively.

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

	2011	2010
Balance at beginning of period	P391,053	P425,945
Interest cost	31,958	18,635
Current service cost	24,747	14,813
Benefits paid	(50,850)	(68,340)
Actuarial loss on obligation	189,953	-
Balance at end of period	P586,861	P391,053

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

	2011	2010
Balance at beginning of period	P155,933	P214,844
Expected return	5,855	4,834
Contribution	50,000	-
Benefits paid	(50,850)	(68,340)
Actuarial gain on plan assets	9,676	4,595
Balance at end of period	P170,614	P155,933

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

	2011	2010
Discount rate	8.75%	8.75%
Expected rate of return on plan assets	4.50%	4.50%
Rate of future salary increase	5.00%	5.00%

The Company's plan assets consist of 99% investment in fixed income securities and 1% investments in shares of stocks as at December 31, 2011 and 2010.

The overall expected return on plan assets is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on the historical returns, without adjustments.

The historical information of the amounts is as follows:

	December 31		June 30		
	2011	2010	2010	2009	2008
Present value of the defined benefit obligation	P586,862	P391,053	P425,945	P382,590	P333,886
Fair value of plan assets	170,614	155,933	214,844	175,708	195,117
Deficit in the plan	416,248	(235,120)	(211,101)	(206,882)	(138,769)
Experience adjustments on plan liabilities loss (gain)	73,704	-	(20,179)	20,706	(5,603)
Experience adjustments on plan assets loss	-	-	(11,721)	(11,963)	(11,662)

The Company's expected contribution to the plan for the year 2012 is P50 million. Any future contribution to the plan is determined taking into account the cash flow and financial condition as of the date of intended date of contribution as well as other factors as the Company may consider relevant.

23. Capital Stock

This account consists of:

	For the Year Ended December 31, 2011		For the Six-Month Period From July 1 to December 31, 2010		For the Year Ended June 30, 2010	
	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/end of year	3,693,772,279	P554,066	3,693,772,279	P554,066	3,693,772,279	P554,066

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.

The Company has approximately 643 and 637 holders of common equity securities as at December 31, 2011 and 2010, respectively, based on the number of accounts registered with the Stock Transfer Agent. The PCD Nominee Corporation (Filipino) and (Non-Filipino) were considered as two holders.

24. Retained Earnings

The BOD approved several declarations of cash dividends amounting to P369 million for the six-month period from July 1 to December 31, 2010 and P554 million for the year ended June 30, 2010. Details of the declarations are as follows:

Date of Declaration	Dividend Per Share	Payable to Stockholders of Record as at	Date of Payment
September 30, 2009	0.15	October 15, 2009	October 29, 2009
September 9, 2010	0.10	September 24, 2010	October 8, 2010

The Company has a dividend policy to declare dividends to stockholders of record, which are paid from unrestricted retained earnings. Any future dividends it pays will be at the discretion of the BOD after taking into account the Company's earnings, cash flow, financial position, capital and operating progress (see Note 9), and other factors as the BOD may consider relevant. Subject to the foregoing, the policy is to pay up to 50% of the annual net income as dividends.

25. Commitments and Contingencies

a. Leases

▪ *Operating Lease Commitments as Lessee*

The Company leases certain parcels of land where its bottling plants, warehouses and facility are located for a period of one to twenty-five years, renewable for another one to twenty-five years. None of these leases includes contingent rentals. Rent expense pertaining to these leased properties amounted to P195 million for the year ended December 31, 2011, P93 million for the six-month period from July 1 to December 31, 2010, P179 million for the year ended June 30, 2010 (see Notes 13, 14, 15 and 16).

Future minimum lease payments under such noncancelable operating leases are as follows:

	For the Year Ended December 31 2011	For the Six-Month Period From July 1 to December 31 2010	For the Year Ended June 30 2010
Less than one year	P92,706	P92,497	P64,441
Between one and five years	351,467	318,107	201,375
More than five years	472,609	292,326	188,186
	P916,782	P702,930	P454,002

▪ *Finance Lease Commitments as Lessee*

The Company has finance lease agreements covering certain pallets and power generation facilities in its plants for periods ranging from 5 to 10 years. Future minimum lease payments and their present value are as follows:

	2011			2010		
	Future Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments	Future Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
Less than one year	P41,993	P9,627	P32,366	P14,835	P313	P14,522
Between one and five years	387,682	130,027	257,655	395,695	137,026	258,669
More than five years	359,914	81,258	278,656	383,078	84,973	298,105
	P789,589	P220,912	P568,677	P793,608	P222,312	P571,296

The current portion of the obligation under finance lease, which is included under "Accounts payable and accrued expenses" account in the statements of financial position, amounted to P18 million and P15 million as at December 31, 2011 and 2010, respectively, while the noncurrent portion, which is included under "Other noncurrent liabilities" account in the statements of financial position, amounted to P64 million and P70 million as at December 31, 2011 and 2010, respectively.

The lease agreement on the power generation facilities has not yet commenced and the Company is expecting to use the said facilities in 2012, thus, no assets and liabilities have been recognized as at December 31, 2011.

Interest rates are fixed at the contract date. The average effective interest rate contracted approximates 6.0% to 6.5% per annum. There were no unguaranteed residual values of assets leased under finance lease agreements as at December 31, 2011 and 2010. Interest expense related to the obligation under finance lease amounted to P6 million for the year ended December 31, 2011, P3 million for the six-month period from July 1 to December 31, 2010, and P7 million for the year ended June 30, 2010.

▪ *Operating Lease Commitments as Lessor*

The Company subleases one of the Company's warehouse for a period of fifteen years renewable for another ten years. Rent income pertaining to these leased properties amounted to P2 million for the year ended December 31, 2011 and P1 million and for the six-month period from July 1 to December 31, 2010 and for the year ended June 30, 2010. The said rent income is recognized under "Finance and Other Income (Expenses)" account in profit or loss.

Future minimum lease revenues under such noncancellable operating leases are as follows:

	For the Year Ended December 31 2011	For the Six-Month Period From July 1 to December 31 2010	For the Year Ended June 30 2010
Less than one year	P1,680	P2,297	P1,148
Between one and five years	6,930	574	2,297
More than five years	19,921	-	-
	P28,531	P2,871	P3,445

- b. The Company is a party to a number of lawsuits and claims relating to labor and other issues arising out of the normal course of its business. Management and its 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.

26. Supplementary Information Required by the BIR

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs. Following are the tax information required for the taxable year ended December 31, 2011:

I. Based on RR No. 19-2011

A. Sales/Receipts/Fees

	Regular/ Normal Rate
Sale of goods	P17,128,518

B. Cost of Sales/Services

	Regular/ Normal Rate
Cost of goods	P13,611,967

C. Non-Operating and Taxable Other Income

	Regular/ Normal Rate
Scrap sales	P31,904
Interest income	3,825
Rent income	1,922
Miscellaneous income	72,612
	P110,263

D. Itemized Deductions

	Regular/ Normal Rate
Personnel expenses	P906,490
Marketing	555,674
Outside services	543,348
Delivery and freight	340,130
Depreciation	310,466
Rental and utilities	262,818
Distribution	159,553
Others	440,319
	P3,518,798

II. Based on RR No. 15-2010

A. VAT

	Amount
I. Output VAT	P2,012,634
Basis of the Output VAT:	
Vatable sales	P16,929,167
Zero rated sales	207,023
Net deductible discount	(157,220)
	P16,978,970

	Amount
2. Input VAT	
Beginning of the year	P -
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	1,250,820
b. Goods other than for resale or manufacture	-
c. Capital goods subject to amortization	37,596
d. Capital goods not subject to amortization	-
e. Services lodged under cost of goods sold	325,047
f. Services lodged under other accounts	-
Claims for tax credit/refund and other adjustments	-
Balance at the end of the year	P1,613,463
3. Customs Duties and Tariff Fees:	
Landed cost of imports	P1,827,261
Customs duties paid or accrued	67,475
Tariff fees paid or accrued	-
	P1,894,736

B. Documentary Stamp Tax

	Amount
On loan instruments	P2,851
On others	2,887
	P5,738

C. Withholding Taxes

	Amount
Creditable withholding taxes	P183,819
Tax on compensation and benefits	162,321
Final withholding taxes	2,168
	P348,308

D. All Other Taxes (Local and National)

	Amount
<i>Other taxes paid during the year recognized under "Others" account under Cost of Goods Sold and Operating Expenses</i>	
License and permit fees	P71,144
Real estate taxes	22,280
Others	1,464
	P94,888

E. Deficiency Tax Assessments and Tax Cases

As of December 31, 2011, the Company has no pending tax court cases or has not received tax assessment notices from the BIR.

Information on amounts of excise taxes tax is not applicable since there are no transactions that the Company would be subject to these taxes.



Manabat Sanagustin & Co., CPAs
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E-Mail manila@kpmg.com.ph

Branches - Subic - Cebu - Bacolod - Iloilo

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

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

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Pepsi Cola Products Philippines Inc., (the "Company") as at December 31, 2011 and 2010 and for the year ended December 31, 2011, for the six-month period from July 1 to December 31, 2010 and for the year ended June 30, 2010, included in this Form 17-A, and have issued our report thereon dated March 23, 2012.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management. Such additional components include: Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration; Map of the Group; Schedule of Philippine Financial Reporting Standards; and Supplementary Schedules of Annex 68-E. This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

MANABAT SANAGUSTIN & CO., CPAs

ROBERTO G. MANABAT

Partner

CPA License No. 0030640

SEC Accreditation No. 0677-AR-1, Group A, valid until March 30, 2014

Tax Identification No. 106-187-127

BIR Accreditation No. 08-001987-14-2010

Issued June 30, 2010; valid until June 29, 2013

PTR No. 3174016MA

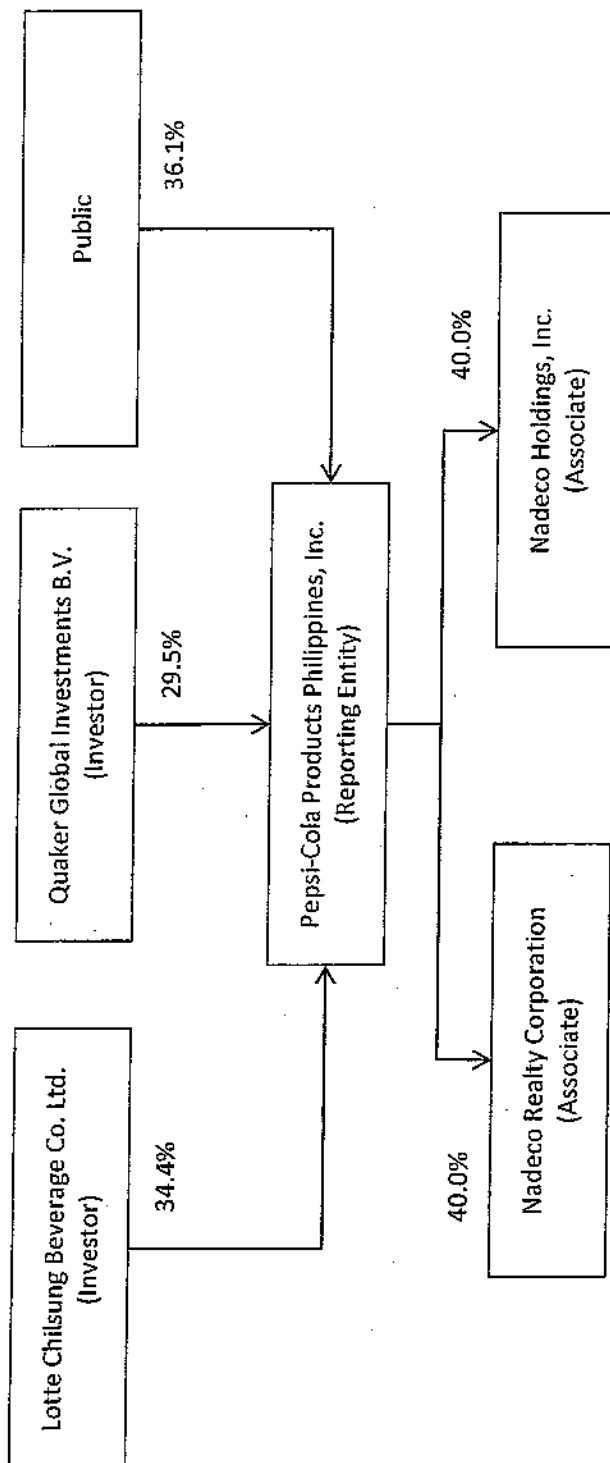
Issued January 2, 2012 at Makati City

March 23, 2012
Makati City, Metro Manila

Pepsi-Cola Products Philippines, Inc.
Km. 29, National Road Tunasan, Muntinlupa City,
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION
For the Year Ended December 31, 2011
(Amounts in Thousands)

Unappropriated Retained Earnings, <i>as adjusted to available for dividend distribution, beginning</i>	P3,898,073
Add: Net income actually earned/realized during the period	
Net income (loss) during the period closed to Retained Earnings	289,047
Less: Non-actual/unrealized income net of tax	
Equity in net (income) loss of associate/joint venture	3,469
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	
Unrealized actuarial gain	
Fair value adjustments (M2M gains)	
Fair value adjustments of Investment Property resulting to gain	
Adjustment due to deviation from PFRS/GAAP – gain	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	
Sub-total	3,469
Add: Non-actual losses	
Deferred tax expense	52,121
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP – loss	-
Loss on fair value adjustment of investment property (after tax)	-
Sub-total	52,121
Net income actually earned during the period	337,699
Add (Less):	
Dividend declarations during the period	-
Appropriations of Retained Earnings during the period	-
Reversals of appropriations	-
Effects of prior period adjustments	-
Treasury shares	-
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND	P4,235,772

Pepsi-Cola Products Philippines, Inc.
Map of Group of Companies Within which the Company Belong
As At December 31, 2011



Pepsi-Cola Products Philippines, Inc.
Schedule of Philippine Financial Reporting Standards
As at December 31, 2011

Standards	"Adopted", "Not adopted" or "Not applicable"
<i>Philippine Financial Reporting Standards (PFRSs)</i>	
<i>PFRS 1</i> First-time Adoption of Philippine Financial Reporting Standards	Not applicable
<i>PFRS 2</i> Share-based Payment	Not applicable
<i>PFRS 3</i> Business Combinations	Not applicable
<i>PFRS 4</i> Insurance Contracts	Not applicable
<i>PFRS 5</i> Non-current Assets Held for Sale and Discontinued Operations	Not applicable
<i>PFRS 6</i> Exploration for and Evaluation of Mineral Resources	Not applicable
<i>PFRS 7</i> Financial Instruments: Disclosures	Adopted
<i>PFRS 8</i> Operating Segments	Adopted
<i>Philippine Accounting Standards (PASs)</i>	
<i>PAS 1</i> Presentation of Financial Statements	Adopted
<i>PAS 2</i> Inventories	Adopted
<i>PAS 7</i> Statement of Cash Flows	Adopted
<i>PAS 8</i> Accounting Policies, Changes in Accounting Estimates and Errors	Adopted
<i>PAS 10</i> Events after the Reporting Period	Adopted
<i>PAS 11</i> Construction Contracts	Not applicable
<i>PAS 12</i> Income Taxes	Adopted
<i>PAS 16</i> Property, Plant and Equipment	Adopted
<i>PAS 17</i> Leases	Adopted
<i>PAS 18</i> Revenue	Adopted
<i>PAS 19</i> Employee Benefits	Adopted
<i>PAS 20</i> Accounting for Government Grants and Disclosure of Government Assistance	Not applicable
<i>PAS 21</i> The Effects of Changes in Foreign Exchange Rates	Adopted
<i>PAS 23</i> Borrowing Costs	Adopted
<i>PAS 24</i> Related Party Disclosures	Adopted
<i>PAS 26</i> Accounting and Reporting by Retirement Benefit Plans	Not applicable
<i>PAS 27</i> Consolidated and Separate Financial Statements	Not applicable
<i>PAS 28</i> Investments in Associates	Adopted
<i>PAS 29</i> Financial Reporting in Hyperinflationary Economies	Not applicable
<i>PAS 31</i> Interests in Joint Venture	Not applicable
<i>PAS 32</i> Financial Instruments: Presentation	Adopted
<i>PAS 33</i> Earnings per Share	Adopted
<i>PAS 34</i> Interim Financial Reporting	Adopted
<i>PAS 36</i> Impairment of Assets	Adopted
<i>PAS 37</i> Provisions, Contingent Liabilities and Contingent Assets	Adopted
<i>PAS 38</i> Intangible Assets	Not applicable
<i>PAS 39</i> Financial Instruments: Recognition and Measurement	Adopted
<i>PAS 40</i> Investment Property	Not applicable
<i>PAS 41</i> Agriculture	Not applicable

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
Schedule A. Financials Assets

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

NOT APPLICABLE

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates).

Name and Designation of debtor (i)	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
PepsiCo Int'l	48,458,560	723,014,011	(695,457,472)				76,015,099
Nadeco Realty Corp.	353,179,542	18,900,580	(69,245,291)				302,834,831
Nadeco Holdings Corp.	3,826,155	182,575	-				4,008,730
Employees	3,131,260	56,650,777	(55,826,999)				3,955,038
Totals	408,595,517	798,747,943	(820,529,762)	-	-	-	386,813,698

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected (i)	Amounts written off (ii)	Current	Not Current	Balance at end of period
--------------------------------------	-----------------------------------	-----------	--------------------------	-----------------------------	---------	-------------	-----------------------------

NOT APPLICABLE

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
Schedule D. Intangible Assets

Description (i)	Beginning balance	Additions at cost (ii)	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions) (iii)	Ending balance
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NOT APPLICABLE

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

Title of Issue and type of obligation (i)	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)
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NOT APPLICABLE

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
 Schedule F. Indebtedness to Related Parties (Long Term Loans from Related Parties)

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)
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NOT APPLICABLE

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
Schedule G. Guarantees of Securities of Other Issuers

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

NOT APPLICABLE

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
Schedule H. Capital Stock

Title of Issue (2)	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates (3)	Directors, officers and employees	Others
Common Shares	5,000,000,000	3,693,772,279	-	2,359,759,103	80,009	1,333,933,167
Totals	5,000,000,000	3,693,772,279	-	2,359,759,103	80,009	1,333,933,167
	✓	✓		✓	✓	✓

COVER SHEET

S.E.C. Identification No.

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PEPSI-COLA PRODUCTS PHILIPPINES, INC.

(Company's Full Name)

Km. 29 National Road, Tunasan, Muntinlupa City

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

Agustin S. Sarmiento

Contact Person

865-6364

Company Telephone Number

1 2

Month

3 1

Day

Calendar Year

SEC Form 17-A

FORM TYPE

Last Friday of May

Month Date
Annual Meeting

Secondary License Type, If Applicable

C F D

Dept. Requiring this Doc.

Amended Article 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

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the calendar year ended **31 December 2011**
2. SEC Identification Number **0000160968**
3. BIR Tax Identification No. **000-168-541**
4. Exact name of issuer as specified in its charter: **PEPSI-COLA PRODUCTS PHILIPPINES, INC.**
5. Province, Country or other jurisdiction of incorporation or organization: **Philippines**
6. Industry Classification Code: (SEC Use Only)
7. Address of principal office: **Km. 29 National Road, Tunasan, Muntinlupa City** Postal Code: **1773**
8. Issuer's telephone number, including area code: **(632) 850-7901 to 20**
9. Former name, former address, and former fiscal year, if changed since last report: **not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

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

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

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

12. Check whether the issue:

- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);
Yes ☒ No ☐
- (b) The Registrant has been subject to such filing requirements for the past ninety (90) days.
Yes ☒ No ☐

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

Aggregate market value of the voting stock held by non-affiliates of the registrant – ₱3,201 million as of February 29, 2012.

DOCUMENTS INCORPORATED BY REFERENCE

14. The following documents are incorporated in this report:

- (a) December 31, 2011 Audited Financial Statements attached as Exhibit I hereof;
- (b) Statement of Management Responsibility attached as Exhibit II hereof, and
- (c) Amendments to the Articles of Incorporation and By-Laws attached as Exhibit III hereof.

PART I – BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

(1) Business Development

a. Form and Date of Organization

The Company was registered with the Philippine Securities and Exchange Commission on March 8, 1989, primarily to engage in manufacturing, sales and distribution of carbonated soft-drinks and non-carbonated beverages, and confectionery products 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.

b. Bankruptcy, Receivership or Similar Proceedings

The Company is not involved in any bankruptcy, receivership or similar proceedings.

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

The Company has not made any material reclassifications nor entered into a merger, consolidation or purchase or sale of significant amount of assets not in the ordinary course of business in the past three years.

(2) Business of Issue

a. Principal products

The Company is a licensed bottler of PepsiCo, Inc. ("PepsiCo") and Pepsi Lipton International Limited ("Pepsi Lipton") in the Philippines. It manufactures a range of carbonated soft drinks (CSD) and non-carbonated beverages (NCB) that includes well-known brands Pepsi-Cola, 7Up, Mountain Dew, Mirinda, Mug, Gatorade, Tropicana/Twister, Lipton, Sting and Propel.

	Calendar Year ended	For the six months ended	Fiscal Year ended
Net Sales	Dec 31, 2011	Dec 31, 2010	June 30, 2010
Carbonated soft drinks	₱ 11,933	₱ 5,937	₱ 11,469
Non-carbonated beverages	5,196	2,357	4,660
Total	₱ 17,129	₱ 8,294	₱ 16,129

Segment result*			
Carbonated soft drinks	₱ 2,563	₱ 1,319	₱ 2,994
Non-carbonated beverages	1,116	524	1,217
Total	₱ 3,679	₱ 1,843	₱ 4,211

* Segment result is the difference between net sales and segment expenses. Segment expenses are allocated based on the percentage of each reportable segment's net sales over the total net sales.

b. Foreign sales

Foreign sales represent 0.08% of total net sales for the calendar year ended December 31, 2011, and 0.23% and 0.28% for the six months ended December 31, 2010 and fiscal year ended June 30, 2010, respectively.

c. Distribution methods of the products

The Company's sales volumes depend on the reach of its distribution network. It increases the reach of distribution system by adding routes and increasing penetration by adding outlets on existing routes that currently do not stock its products. It relies on a number of channels to reach retail outlets, including direct sales, distributors and wholesalers.

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

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

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

d. Publicly-announced new product

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

e. Competition

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

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

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

f. Sources and availability of raw materials

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

Another substantial cost is packaging. The major components of this expense are purchases of PET pre-forms, which are converted into PET bottles at the plants, non-reusable glass bottles, aluminum cans and closures. It also makes regular purchases of RGBs to maintain float at appropriate levels. Purchases of each of these materials are from suppliers based in the Philippines and in other parts of Asia, usually under short term, fixed price contracts.

g. Customers

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

h. Transactions with and/or Dependence on Related Parties

Please refer to Item 13 of this report.

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

The Company does not own any intellectual property that is material to the business. Under the Exclusive Bottling Agreements, the Company is authorized to use brands and the associated trademarks owned by PepsiCo and, in the case of the Lipton brand and trademarks, Unilever N.V. Trademark licenses are registered with the Philippine Intellectual Property Office. Certificates of Registration filed after January 1998 are effective for a period of 10 years from the registration date unless sooner cancelled, while those filed before January 1998 are effective for 20 years from the registration date. The table below summarizes most of the current Certificates of Registration.

	Filing Date	Expiration
Pepsi Max	February 7, 1994	June 23, 2020
1996 Pepsi Logo in Color	August 26, 1997	April 16, 2021
PCPPI – Pepsi Cola Products Philippines, Inc. and Logo	August 26, 2008	September 17, 2019
Pepsi	October 18, 2004	February 19, 2017
Mirinda	January 23, 1986	May 10, 2019
Mountain Dew	June 5, 2000	January 18, 2014
Mountain Dew Logo	June 5, 2000	October 30, 2014
Diet 7Up Logo in Color	September 22, 2003	August 28, 2015
7Up	February 26, 2007	November 5, 2017
Gatorade	November 27, 1992	June 29, 2015
Gatorade and lightning bolt design	February 9, 2004	August 28, 2015
Propel	August 23, 2002	January 17, 2015
Tropicana Twister	December 6, 1990	August 18, 2013
Tropicana	December 14, 1982	January 14, 2020
Sting	March 10, 2006	June 18, 2017
Lipton	March 28, 2003	June 8, 2016
Lipton Splash design	December 18, 2003	May 28, 2017
Lipton Ice Tea Logo in Color	October 8, 2007	October 8, 2017
Premier*	December 18, 1992	March 24, 2014

* trademark owned by the Company

The Company produces its products under licenses from PepsiCo and Pepsi Lipton and depends upon them to provide concentrates and access to new products. Thus, if the Exclusive Bottling Agreements are suspended, terminated or not renewed for any reason, it would have a material adverse effect on the business and financial results.

Refer to Item 13 of this report for details on transactions with PepsiCo and Pepsi Lipton.

j. Government approvals of principal products

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

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

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

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

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

The Company is compliant with environmental laws and regulations, such as the wastewater treatment plants as required by the Department of Environment and Natural Resources and Laguna Lake Development Authority.

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

l. Research and development

The research and development costs amounted to ₱639,100 for the calendar year ended December 31, 2011, and ₱477,353 and ₱317,460 for the six months ended December 31, 2010 and fiscal year ended June 30, 2010, respectively.

m. Costs and effects of compliance with environmental laws

Compliance with all applicable environmental laws and regulations, such as the Environmental Impact Statement System, the Pollution Control Law, the Laguna Lake Development Authority Act of 1966, the Clean Air Act, and the Solid Waste Management Act has not had, and in the Company's opinion, is not expected to have a material effect on the capital expenditures, earnings or competitive position. Annually, it invests about ₱30 million in wastewater treatment and air pollution abatement, respectively, in its facilities.

n. Employees

As of December 31, 2011, the Company employed approximately 2,682 people. In addition, it generally deploys around 2,000 casual employees working in the non-core operations of the business. Department of Labor and Employment (DOLE) accredited third party manpower and services supply the temporary manpower needs of the company. The number of casual employees varies seasonally, with generally higher numbers during peak months of March through June. As of December 31, 2011, the Company had 1,948 casual employees.

All of the regular and permanent production employees at the bottling plants and sales offices are represented by a union. The Company is a party to 13 collective bargaining agreements, with separate agreements for the sales and the non-sales forces in some business units. The collective

bargaining agreements contain economic and non-economic provisions (such as salary increase and performance incentive, sale commission, laundry allowance, per diem, bereavement assistance, union leave, calamity loan, and assistance to employees' cooperative), which generally has a contract period of three years and remain binding on the successors-in-interest of the parties, while the representation aspect is valid for five years.

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

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

The Company has a funded, noncontributory defined benefit retirement plan covering substantially all of its regular and full time employees. The Company has a Retirement Committee that sets the policies for the plan and has appointed two Philippine banks as trustees to manage the retirement fund pursuant to the plan. Annual cost is determined using the projected unit credit method.

o. Major Risks

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

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

The CSD and NCB markets are both highly competitive. The actions of competitors as well as the Company's own continuous efforts on pricing, marketing, promotions, and new product development affect sales. Some of the smaller competitors have lower cost bases than the Corporation and price their products lower than ours. Thus, in addition to the cost of producing and distributing our beverages, sales prices are greatly affected by the availability and price of competing brands in the market.

All of the Company's sales are denominated in Philippine pesos. However, some of the significant costs, such as purchases of packaging materials, are denominated in United States dollars. Some of the other costs, which are incurred in Philippine pesos, can also be affected by fluctuations in the exchange rate between the Philippine peso and United States dollars and Euro. In respect of monetary assets and liabilities held in currencies other than the Philippine peso, the Company ensures that its exposure is kept to an acceptable level, by buying foreign currencies at spot rates where necessary to address short-term imbalances. The Company considered the exposure to foreign currency risk to be insignificant.

The business requires a significant supply of raw materials and energy. The cost and supply of these materials could be adversely affected by changes in the world market prices on sugar, crude oil, aluminum, tin, PET resins, among others. Although direct purchases of fuel are relatively small as a

proportion of total costs, the Company is exposed to fluctuations in the price of oil through the dependence on freight and delivery services. Changes in materials prices generally affect the competitors as well.

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

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

The Company is also subject to credit risk, liquidity risk and various market risks, including risks from changes in commodity prices, interest rates and currency exchange rates (refer to Notes 4 and 21 of the December 31, 2011 Audited Financial Statements for discussion on Financial Risk Management).

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

ITEM 2. PROPERTIES

As a foreign-owned company, the Company is not permitted to own land in the Philippines and has no intention to acquire real estate property. Hence, it leases the land on which the bottling plants, warehouses and sales offices are located.

The Company leases certain parcels of land where its bottling plants and warehouses are located from third parties and Nadeco Realty Corporation for a period of one to 25 years and are renewable for another one to 25 years (refer to Note 25 of the December 31, 2011 Audited Financial Statements for further information on the leases).

Other than the buildings and leasehold improvements, machinery and other equipment, and furniture and fixtures disclosed in Note 9 to the December 31, 2011 Audited Financial Statements, and the investments in shares of stocks disclosed in Note 7 to the December 31, 2011 Audited Financial Statements, the Company does not hold significant properties.

Refer to Notes 6 (Inventories), 8 (Bottles and Cases), 9 (Property, Plant and Equipment), and 11 (Notes Payable) to the December 31, 2011 Audited Financial Statements for details on mortgage, lien or encumbrances over the properties of the Company.

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company becomes a party to litigation in the ordinary course of its business. The majority of the cases in which the Company is a party are cases it files to recover debts in relation to unpaid receivables by trade partners or in relation to cash or route shortages, private criminal prosecutions that it brings (generally for low value offenses such as theft of product or distribution equipment, fraud, and bouncing checks), labor cases for alleged illegal dismissal (which are usually

accompanied by demands for reinstatement in the Company without loss of seniority rights, and payment of back wages), and consumer cases brought against the Company involving allegations of defective products.

As a result of a promotion in 1992, civil cases were filed against the Company in which thousands of individuals claimed to hold numbered bottle crowns that entitled them to a cash prize. The Philippine Supreme Court has consistently held in at least 7 final and executory decisions in the last 5 years that the Company is not liable to pay the amounts claimed. In the most recent of these decisions, the Supreme Court dismissed a similar claim, reiterating that it is bound by its pronouncement in a number of cases involving this promotion. By virtue of the precedential effect of the decided cases, the Company expects the remaining cases to be dismissed in due course.

The Company does not believe that the litigation in which the Company is currently involved or which is presently pending or threatened is material, either individually or in the aggregate. The Company has not been involved in any bankruptcy, receivership or other similar proceedings.

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

The matters voted upon at the Annual Stockholders' Meeting held on May 27, 2011 included the election of Directors. The following were re-elected as members of the Board of Directors for the ensuing year (2011-2012):

Hwang Chung
Partha Chakrabarti
Inho Kim
Jaehyuk Lee
John L. Sigalos
Qasim Khan
Yeon-Suk No
Rafael M. Alunan III (Independent Director)
Oscar S. Reyes (Independent Director)

All of the above were incumbent Directors at the time of their re-election. The Company has complied with the guidelines on the nomination and election of independent directors set forth in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

The common shares were listed with the Philippine Stock Exchange ("PSE") on February 1, 2008. The high and low sales prices of such shares for 2011, 2010 and 2009 are set out below.

Period	High	Low
July to Sept 2009	P2.46	P1.32
Oct to December 2009	P2.50	P2.00
Jan to March 2010	P2.70	P2.02
April to June 2010	P3.05	P2.46
July to September 2010	P2.65	P2.61
October to December 2010	P2.95	P2.50
Jan to March 2011	P2.59	P2.06
April to June 2011	P2.56	P2.21
July to Sept 2011	P2.22	P1.96
October to December 2011	P2.50	P2.10

The closing share price as of March 15, 2012 is P2.81

Stockholders

The Company has approximately 639 holders of common shares as of February 29, 2012 [with the PCD Nominee Corporation (Filipino) and (Non-Filipino) considered as two holders], based on the number of accounts registered with the Stock Transfer Agent.

The following are the top 20 holders of common shares based on the report furnished by the Stock Transfer Agent as of February 29, 2012.

NO.	Name	Number of Shares Held	Percentage of Ownership
1	LOTTE CHILSUNG BEVERAGE CO.LTD.	1,270,657,644	34.40%
2	QUAKER GLOBAL INVESTMENTSB.V.	1,089,101,359	29.48%
3	PCD NOMINEE CORP. (NON-FILIPINO)	717,762,983	19.43%
4	PCD NOMINEE CORP (FILIPINO)	569,242,686	15.41%
5	ORION LAND INC.	40,000,000	1.08%
6	BORROMEO, JOSEPH MARTIN H.	450,000	0.01%
7	LARS DALBY	424,000	0.01%
8	YAN, LUCIO W.	300,000	0.01%
9	BLANCAVER, RENE B.	255,000	0.01%
10	MADARANG, WINEFREDA O.	250,000	0.01%
11	LUGTI, VALERIANO A.	220,000	0.01%
12	DABAO, LUIS G.	200,000	0.01%
13	YU, FELIX S.	149,998	0.00%
14	MERCHAN BERNARDO	140,000	0.00%
15	CHEUNG WAI TAK	130,000	0.00%
16	NARCISO, MA CELESTE S.	100,000	0.00%
17	IGNACIO, JUANITO R.	100,000	0.00%
18	PINEDA, MA. CORAZON V.	100,000	0.00%
19	UMALI, JOSE I.	100,000	0.00%
20	SISON, NANCY B.	80,000	0.00%

Cash Dividends

The Board of Directors (BOD) approved several declarations of cash dividends amounting to ₱369 million in the six-months ended December 31, 2010, ₱554 million in fiscal year 2010 and ₱369 million in fiscal year 2009. Details of the declarations are as follows:

Date of Declaration	Dividend Per Share	Payable to Stockholders of Record as of	Date of Payment
September 30, 2009	0.15	October 15, 2009	October 29, 2009
September 9, 2010	0.10	September 24, 2010	October 8, 2010

Dividend Policy

The Company has a dividend policy to declare dividends to stockholders of record, which are paid from the unrestricted retained earnings. Any future dividends it pays will be at the discretion of the BOD after taking into account the earnings, cash flow, financial position, capital and operating progress, and other factors as the BOD may consider relevant. Subject to the foregoing, the present policy is to pay cash dividends up to 50% of annual net income.

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

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

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

PART III – FINANCIAL INFORMATION

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

RESULTS OF OPERATIONS

Calendar Year Ended December 31, 2011 versus Annualized Six-month Period Ended December 31, 2010

In spite of the industry and macro challenges that came upon in 2011, gross sales revenue reached ₱19.96 billion, increased by 1% versus annualized 2010. This performance was mainly due to the aggressive expansion of the use of returnable packaging format for PCPPI's non-carbonated beverages across the country and the growth in the flavors line of the carbonated soft drinks business. This is in line with PCPPI's strategy of maintaining a firm position in the carbonated soft drinks market and increasing the revenue share of non-carbonated beverage in its portfolio.

Unfortunately, commodity pressure increased significantly, especially sugar, a major cost component, where its price sharply increased. In addition, the company is overlapping the effects of election-related spending that fuelled volume growth in 2010 together with a long, hot peak weather season.

Cost of sales consists primarily of raw and packaging materials costs, direct labor and manufacturing overhead costs. Cost of sales in 2011 increased by 3% as compared with the annualized 2010 cost of sales due to increases in sugar costs and other major raw and packaging materials.

In the first quarter of 2011, sugar price per bag reached its peak, 26% higher than average 2010, as supply fell short from major suppliers in Brazil, India and Australia. To temper the impact on cost of goods

sold of sugar price increase, the Company has implemented an effective cost management and strategic pricing that maintained a healthy revenue mix.

As a result, the Company's gross profit for the calendar year 2011 decreased by 6% as compared with the annualized gross profit due to the increase in sugar and fuel-driven input costs. Gross profit as a percentage of sales decreased from 23% in 2010 to 21% in 2011.

Operating expenses, which consists mainly of selling and distribution, general and administrative expenses and marketing expenses, for the year remained stable as management sustained its efforts to control costs. As a percentage of net sales, operating expenses in both 2010 and 2011 remained the same at 19%. Selling and distribution expenses were maintained at 12% of net sales, the same figure as that of 2010. Notably, general and administration expenses decreased by 10%.

The Company posted a net income of P289 million, which is lower by 38% than in annualized 2010 net income. The Company expects net income to improve on the back of the stabilization of sugar prices at lower levels, increased marketing efforts and industry growth turnaround.

Six-month Period Ended December 31, 2010 versus Fiscal Year Ended June 30, 2010

With continued focus on driving affordability and availability across the country, the Company posted strong gross sales revenue of P9.6 billion for the six-months ended December 31, 2010. Annualized sales revenue grew by 3% in midst of fierce competition. The Company continued to expand its offering of beverages products through new product innovations such as Lipton Sparkling and Tropicana Juice Plus and packaging innovations such as Pepsi slim cans.

The sales revenue growth was tempered by unprecedented increase in sugar cost, which is one of key raw materials used by the Company. In 2009, sugar price started to rise as rain damaged crops in Brazil, the largest producer, and dry weather curbed output in India, the second-largest supplier. As supply slowed and demand continued to rise, the inventory reserves of many countries, including the Philippines, became depleted resulting to higher sugar prices and significantly affecting sugar-dependent food and beverage industries. In October-December 2010 quarter, sugar prices increased by 12% versus January-March 2010 quarter and 55% versus October-December 2009. The result was gross profit amounting to P1.8 billion, while gross profit margin was 22% for the six-month ended December 31, 2010, down from year ago gross profit margin of 29%. Generally, profit is geared towards the Jan-June period of each year, representing the peak season. In 2010, it had shifted given the national elections in May 2010 and the hot weather. Thereby, impacting consumer spending for the six-months ended December 31, 2010.

The Company has continued to manage costs tightly, with minimal fluctuations versus year ago. Increase in selling and distribution as well as marketing expenses were in line with the increase in revenue. General and administrative expenses increased due to one-time restructuring cost relating to the change in shareholders. Overall, operating expenses as a percentage of net sales was maintained at 20% both for the six months ended December 31, 2010 and the fiscal year ended June 30, 2010. Net income amounted to P130 million, while net income margin was at 2% for the six-months ended December 31, 2010. The Company's continued efforts to drive top-line growth, while maintaining tight cost control will be the sustaining force in the years to come.

Fiscal Year Ended June 30, 2010 versus 2009

The Company delivered a strong, milestone year in terms of top-line sales. It continued its focus on driving the growing NCB market and maintaining CSD share through continuing the strategic agenda to drive affordability and availability across the Philippines. Net sales increased by 13.3% from 2009 and have nearly doubled from five years ago, an impressive feat given the aggressive competition and marketplace challenges.

The sales surge was led by NCBs, posting an impressive 28% in revenue growth. With this development, NCB share in the revenue mix grew from 26% to 29%, which is in line with the strategy to fully embrace the health and wellness trend. CSDs also presented a strong 8% in revenue growth, surpassing the last 7 years growth in this market. The strong CSD sales were buoyed by the national elections and the hot weather.

The impressive sales numbers however were tempered by rising sugar prices, which increased by 22%. In 2010, sugar prices rose to a 35-year high as rain damaged crops in Brazil, the largest producer, and dry weather curbed output in India, the second-largest supplier. As supply slowed and demand continued to rise, the inventory reserves of many countries, including the Philippines, became depleted resulting to higher sugar prices and significantly affecting sugar-dependent food and beverage industries.

Despite this acute development, gross profit remained steady at P4.21 billion compared to last year's gross profit of P4.19 billion, while operating income slipped to P996 million compared to last year's figure of P1.1 billion. EBITDA likewise remained steady at P2.2 billion versus year ago figure of P2.2 billion, while EBIT dropped to P1.04 billion versus year ago figure of P1.2 billion, weighed down by higher depreciation and amortization resulting from recent expansion programs.

Management was able to mitigate the rise in sugar prices in part by continuing to successfully control and reduce operating expenses from 24% and 21% of sales in 2008 and 2009, respectively, to 20% in 2010. Notable reductions are in the area of selling and distribution expenses (from 13% of sales in 2009 to 12% in 2010) where management's rationalization and re-engineering programs have managed to deliver superior service at much lower cost.

Marketing expenses as a percentage of sales were likewise lower (from 4% of sales in 2009 to 3% of sales in 2010). Focused marketing anchored on strategically targeted programs resulted in sales increases amidst modest marketing spending. General administrative expenses remained steady at 4% of sales in 2010 and 2009, showing a firm-wide effort to manage the controllable variables in the income statement. The Company's continued efforts to drive top-line growth, while maintaining tight cost control will be the sustaining force in the years to come.

FINANCIAL CONDITION AND LIQUIDITY

The Company's operations are cash intensive. This capability to generate cash is one of its greatest strengths. With its liquidity, the Company has substantial financial flexibility in varying operating policy in response to market demands, in meeting capital expenditures through internally generated funds and in providing the Company with a strong financial condition that gives it ready access to financing alternatives (refer to Note 21 to the December 31, 2011 Audited Financial Statements for a detailed discussion on the Company's revolving credit facilities as of December 31, 2011).

Credit sales over the past three years have remained at the level of 64% to 68% of total sales. This credit sales level reflects a shift from a direct distribution mode to a more efficient model of fostering partnership with distributors and multi-route Entrepreneurial Distribution System contractors as well as increase in Modern Trade business. Liquidity has remained healthy. Collection period were at 28 to 30 days, while, inventory days were at 9 to 11 days for the past three years. Trade payable days have remained at manageable levels.

Increase in current assets from ₱2,817 million as of December 31, 2010 to ₱3,114 million as of December 31, 2011 were due to increases in receivables of ₱237 million, amounts from cash of ₱54 million and prepaid expenses of ₱41million. This was offset by decrease in due from related parties and inventories of ₱23 million and ₱12 million, respectively.

Non-current assets increased from ₱6,320 million as of December 31, 2010 to ₱7,085 million as of December 31, 2011 mainly due to additions to property, plant and equipment (net of depreciation) of

₱482 million and bottles and cases (net of amortization) of ₱237 million, in line with the Company's continued expansion of plant capacity.

Increase in current liabilities from ₱2,892 million as of December 31, 2010 to ₱3,581 million as of December 31, 2011 is mainly due to increase in Accounts Payable & Accrued Expenses of ₱149 million, Notes Payable of ₱550 million, and decrease in Income Tax Payable of ₱11 million.

Non-current Liabilities increased from ₱590 million as of December 31, 2010 to ₱675 million as of December 31, 2011 due to increase in Other Non-current Liabilities of ₱33 million and Deferred Tax Liabilities of ₱52 million.

Total assets increased from ₱9,137 million as of December 31, 2010 to ₱10,199 million as of December 31, 2011 mainly due to the significant increase in noncurrent assets described above. Total liabilities increased from ₱3,482 million as of December 31, 2010 to ₱4,255 million as of December 31, 2011 mainly due to similar factors stated in increase in current liabilities. Total equity increased from ₱5,655 million to ₱5,944 million on account of net income of ₱289 million for the calendar year ended December 31, 2011.

MATERIAL COMMITMENTS FOR CAPITAL EXPENDITURES

The Company has ongoing definite corporate expansion projects approved by the BOD. As a result of this expansion program, the Company spent for property, plant and equipment as well as bottles and shells amounting to ₱1.906 for the year ended December 31, 2011, ₱0.745 billion for the six-months ended December 31, 2010 and ₱1.127 billion for the year ended June 30, 2010. To this date, the Company continues to invest in major capital expenditures in order to complete the remaining expansion projects lined up in line with prior calendar year spending.

FACTORS THAT MAY IMPACT COMPANY'S OPERATIONS / SEASONALITY ASPECTS

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

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

There was no income or losses arising from discontinued operations.

ITEM 7. FINANCIAL STATEMENTS

Please see Exhibit I hereof for the December 31, 2011 Audited Financial Statements.

ITEM 8. INFORMATION ON INDEPENDENT ACCOUNTANT

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

The appointment of the independent CPA is submitted to the Audit Committee, the Board of Directors and shareholders for approval. The representatives of the independent CPA are expected to be present at the Annual Stockholders' Meeting and will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions. Upon request, the independent CPA can also be asked to attend meetings of the Audit Committee and the Board, to make presentations and reply to inquiries on matters relating to the Company's financial statements.

The Company has appointed Manabat Sanagustin & Co. as its independent CPA for the audit of its financial statements for the calendar year ended December 31, 2011.

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

	Calendar Year ended December 31, 2011	Six Months period ended December 31, 2010	Fiscal Year ended June 30, 2010
Statutory audit fees	P 3.83 Million	P 3.00 Million	P 3.68 Million
Tax advice fees	-	-	-
Total	P 3.83 Million	P 3.00 Million	P 3.68 Million

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

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There has been no change in the independent auditing firm or handling partner or disagreements with the independent CPA on matters relating to the application and interpretations of accounting principles or practices, tax laws and regulations, financial statement disclosures or audit scope and procedures during the three (3) most recent fiscal years.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS

Term of office

Directors elected during the annual meeting of the stockholders will hold office for one (1) year until their successors are duly elected and qualified, except in case of death, resignation, disqualification or removal from office. Directors who were elected to fill any vacancy hold office only for the unexpired term of their predecessors.

Directors

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

Name	Age	Citizenship	Year Position was Assumed
Yeon-Suk No	47	Korean	2010
Partha Chakrabarti	47	Indian	2010
Jaehyuk Lee	58	Korean	2011
Choong Ik Lee*	47	Korean	2012
Byoung Tak Hur**	49	Korean	2012
Qasim Khan	55	Pakistani	2008
John L. Sigalos	45	American	2009
Rafael M. Alunan III***	63	Filipino	2007
Oscar S. Reyes***	65	Filipino	2007

*Replaced Mr. Inho Kim who resigned effective February 21, 2012

**Replaced Mr. Hwang Chung who resigned effective February 21, 2012

*** Independent Director

Executive Officers

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

Name	Age	Citizenship	Position	Year Position was Assumed
Yeon-Suk No	47	Korean	Chief Executive Officer	2012
Partha Chakrabarti	47	Indian	President	2010
Akash Shah	38	Canadian	Senior Vice-President and Chief Financial Officer	2010
Daniel D. Gregorio, Jr.	59	Filipino	Senior Vice-President, Manufacturing and Logistics	1998
Celerino T. Grecia III	55	Filipino	Senior Vice-President, Human Resources/EIR/Legal	2011
Juan Gabriel P. Sison	55	Filipino	Executive Vice-President, Sales	2011
Samuel M. Dalisay, Jr.	52	Filipino	Vice-President, Supply Chain	2011
Ma. Rosario C.Z. Nava	43	Filipino	Corporate Secretary and Compliance Officer	2007

Background Information and Business Experience

Directors:

YEON-SUK NO

Mr. No is the incumbent Chief Executive Officer of the Company. Prior to his appointment as CEO, he was the Executive Vice-President and Chief Strategy Officer of the Company. Previously, he also held a number of positions in Lotte Chilsung Beverage Co., Ltd. including being the Head of the Overseas Business Department, Sales Branch, and Sales Strategy & Support Team. He was also Manager of Product Planning, Advertisement, Information and Strategy in said company. Mr. No holds a Bachelor of Business Administration degree from the Hanyang University.

PARTHA CHAKRABARTI

Mr. Chakrabarti has been employed by PepsiCo since 1994 and he remains a PepsiCo employee while holding his current position in the Company under a formal secondment agreement. He is currently the Company's President. Prior to this, he was the Company's Executive Vice-President/Chief Operating Officer for Finance, Treasury, HR/EIRC/Legal, Manufacturing and Logistics and before that, he was its Senior Vice-President/Chief Financial Officer. Mr. Chakrabarti began his career with PepsiCo India, where he held a number of positions before moving to Vietnam as Chief Financial Officer of PepsiCo's business there. Before joining PepsiCo, he worked for ICI India. He holds a Bachelor of Science degree in Commerce from the University of Calcutta and is an Associate of The Institute of Chartered Accountants in India.

JAEHYUK LEE

Mr. Lee is the current President/CEO of Lotte Chilsung Beverage Co., Ltd., Lotte Liquor Co., Ltd. and Lotte Asahi Liquor Co., Ltd. Prior positions held included being President of Lotte HQ, CEO of Lotteria Co., Ltd., and Senior Managing Director of Lotte Chilsung Beverage Co., Ltd.

CHOONG IK LEE

Mr. Lee has been with the Lotte Group for 23 years now. He is currently the Director of the International and New Business Division of the Lotte Group. Prior to this appointment, he was the Division's General Manager, was Deputy General Manager of Lotte Group's Corporate Strategy and Planning Division, and before that, Assistant Manager of the Marketing Division of Lotte Confectionery Co., Ltd. He holds a Bachelor of Science in Food Science and Technology from Seoul National University.

BYOUNG TAK HUR

Mr. Hur is currently the Director of Lotte Chilsung Beverage Co., Ltd.'s Overseas Business Department. His past work experience in Lotte Chilsung Beverage Co., Ltd. included being Team Leader of the Overseas Business team and having worked at the Export, Information and Strategy, Development, Quality Control and Product Control departments thereof. He was also previously connected with the Lotte Foundation.

QASIM KHAN

Mr. Khan has been connected with PepsiCo for the last 24 years and has occupied various executive and managerial roles in different regional offices of PepsiCo. He is currently General Manager of PepsiCo's North Asia and South Asia Business Unit. Prior to joining PepsiCo, he worked for Procter & Gamble. He holds an MBA and Marketing degrees (with honors) from Michigan State University.

JOHN L. SIGALOS

Mr. Sigalos is currently PepsiCo's Chief Financial Officer for the Asia-Pacific region. He has occupied a variety of positions in PepsiCo for the past 14 years, including being Chief Financial Officer of PepsiCo Thailand and Vice-President for Non-Carbonated Beverages in PepsiCo's China business unit. He holds an MBA from the Wharton School, University of Pennsylvania with dual major in Finance and Strategic Management and a Bachelor of Arts degree in East Asian studies (*Cum laude*) from Yale University.

RAFAEL M. ALUNAN III

Mr. Alunan has had extensive experience in the private and public sectors. He sits on the Boards of Sun Life of Canada (Philippines), Inc., Sun Life Financial Plans, Inc., Sun Life Asset Management Company and Grepalife Asset Management Corp., and on various board committees. Mr. Alunan is also on the Board of University of St. La Salle and sits on various board committees. He is a regular columnist of Business World. He obtained his double degree in Business Administration and History-Political Science from the De La Salle University, attended the Master's in Business Administration-Senior Executive Program of the Ateneo de Manila University, and obtained a Master's degree in Public Administration from Harvard University, John F. Kennedy School of Government.

OSCAR S. REYES

Mr. Reyes is the incumbent Chairman of the Board of Directors of the Company. He was Country Chairman of the Shell Companies in the Philippines and concurrently President of Pilipinas Shell Petroleum Corporation, and Managing Director of Shell Philippines Exploration B.V. for many years. He holds a Bachelor of Arts in Economics (*Cum laude*) from Ateneo de Manila University and participated in the Program for Management Development at the Harvard Business School. He is currently the Senior Executive Vice-President, Chief Operating Officer, and Director of the Manila Electric Company. He also serves as a director and a member of board committees in the boards of companies engaged in banking, insurance, telecommunications, water distribution, real estate, shipping and mining and as a Trustee of various foundations.

Executive Officers:**AKASH SHAH**

Mr. Shah is currently the Company's Senior Vice-President and Chief Financial Officer under a secondment agreement from PepsiCo of which he remains an employee. He has been with PepsiCo since 2003 and has held various Finance management positions in the Asia-Pacific region, including China (M&A, Business Development Director), Thailand (Franchise CFO), and across South East Asia (Planning Director). Prior to joining PepsiCo, he worked for A.T. Kearney, Inc. in North America. He holds an MBA from INSEAD and a Bachelor of Commerce degree from Queen's University in Canada.

DANIEL D. GREGORIO, JR.

Mr. Gregorio is currently the Company's Senior Vice-President for Manufacturing and Logistics. He has been with the Company for 14 years and during this period, he held various positions in the Company. He began his career as a systems analyst for Coca-Cola Bottling Philippines, Inc. and rose to the position of Chief Accountant. In 1987, he moved to Indonesia as Country General Manager for Coca-Cola Amatil, the owner of the local Coca-Cola bottler. He holds a Bachelor of Science degree in Industrial Engineering.

CELERINO T. GRECIA III

Mr. Grecia is currently the Company's Senior Vice-President for Human Resources, Employee Industrial Relations, and Legal. He has been with the Company for 28 years and during this period, he held various positions in the Company's Personnel/Human Resources and Sales departments. He holds a Bachelor of Science degree in Criminology (*Magna Cum Laude*) and a Bachelor of Laws (*Cum Laude*) both obtained from the University of Iloilo.

JUAN GABRIEL P. SISON

Mr. Sison is currently the Company's Executive Vice-President for Sales. Prior to joining the Company, he was Vice-President for Sales directly reporting to the President/CEO of the Century Pacific Group. He has vast experience in sales having occupied various positions in the sales departments of Del Monte Philippines, Inc., S.C. Johnson & Son, Inc., Phil-Asia Food Industries, Corp., and Procter & Gamble Philippines. He holds a Bachelor of Science degree in Psychology from the University of the Philippines.

SAMUEL M. DALISAY, JR.

Mr. Dalisay is currently the Company's Vice President for Supply Chain Group, which includes Corporate Purchasing, National Logistics Services and Marketing Equipment Management. Prior to joining the Company, he worked as an expatriate in Vietnam and served as Purchasing Director of THP Group until early 2011. Before that, he had worked for Jollibee Foods Corporation for almost 14 years until 2010 starting as Purchasing Manager for Foods until his last position as Corporate Purchasing Director for International Operations, and Sime Darby Pilipinas, Inc. as Materials Management Division Manager for 11 years until 1996. He is a Certified Purchasing Manager from the Institute of Supply Management-USA and a Professional Agricultural Engineer. He holds a Master in Business Management degree from the Asian Institute of Management.

MA. ROSARIO C.Z. NAVA

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

Resignation of Directors

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

Significant Employees and Family Relationships

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

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

Involvement in Certain Legal Proceedings

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

ITEM 11. EXECUTIVE COMPENSATION**Compensation of Directors and Executive Officers**

The aggregate compensation paid in the calendar year period-ended December 31, 2011, from July 1 to December 31, 2010 and the fiscal years 2010, and 2009 to the following Executive Officers is set out in the table below:

1. Hwang Chung – Chairman of the Board & Chief Executive Officer (*resigned on February 21, 2012*)
2. Yeon-Suk No – Chief Executive Officer (*effective from February 21, 2012*) and Executive Vice-President & Chief Strategy Officer (*until February 20, 2011*)
3. Partha Chakrabarti – President (*effective from October 20, 2010*)
4. Akash Shah – Senior Vice-President & Chief Financial Officer
5. Daniel D. Gregorio, Jr. – Senior Vice-President for Manufacturing & Logistics

6. Celerino T. Grecia III – Senior-Vice President, Human Resources/EIR/Legal (*effective from April 1, 2011*)
7. Juan Gabriel P. Sison – Executive Vice-President, Sales (*effective from July 15, 2011*)
8. Samuel M. Dalisay, Jr. – Vice-President, Supply Chain (*effective from July 15, 2011*)
9. Roberto H. Goce – Senior Vice-President, Corporate Services Group
10. Micky Yong – Chairman, President & Chief Executive Officer (*retired on October 20, 2010*)
11. Felix S. Yu – Executive Vice-President & Chief Operating Officer for National Sales Operations (*retired on October 20, 2010*)

Name	Year	Salary	Bonus	Others
Aggregate for above-named officers	FY 2009	40,716,000	11,618,000	-
	FY 2010	43,739,000	20,444,000	-
	July 1 to Dec. 31, 2010	23,977,244	2,698,333	-
	CY 2011	50,454,988	1,042,500	-
All other directors and officers as a group unnamed	FY 2009	-	-	3,352,941*
	FY 2010	-	-	2,535,000*
	July 1 to Dec. 31, 2010	-	-	765,000*
	CY 2011	-	-	1,376,470*

* This relates to per diem allowances and annual directors fee paid to the directors.

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

Non-executive Directors are entitled to a per diem allowance of US\$1,000 for each attendance in the Company's Board meetings and committee meetings, except for Audit Committee meetings where the per diem allowance is US\$2,000. In addition, each Director is entitled to receive an annual directors' fee in the amount of Five Hundred Thousand Pesos (P500,000.00). Previously, seven (7) Directors representing the Guoco Group and Quaker Global Investments B.V. have waived the per diem allowance as well as the annual directors' fee.

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

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT
Security Ownership of Record and Beneficial Owners of at Least 5% of Our Securities as of February 29, 2012.

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and relationship with record owner	Citizenship	Number of Shares Held	Percentage
Common shares	Lotte Chilsung Beverage Co., Ltd. ¹ 50-2 Jamwon-dong, Seocho-gu, Seoul, Korea Relationship - Stockholder	Same as indicated in column 2	Korean	1,270,657,644	34.40%
Common shares	Quaker Global Investments B.V. ² Zonnebaan 35, 3542 Eb Utrecht The Netherlands Relationship - Stockholder	Same as indicated in column 2	Dutch	1,089,101,359	29.48%
Common shares	PCD Nominee Corporation (Non-Filipino) ³ 37th Floor, The Enterprise Center Ayala Avenue, Makati City Relationship – please refer to footnote	Please refer to footnote	Non-Filipino	717,762,983	19.43%
Common shares	PCD Nominee Corporation (Filipino) ⁴ 37th Floor, The Enterprise Center Ayala Avenue, Makati City Relationship – please refer to footnote	Please refer to footnote	Filipino	569,242,686	15.41%

¹ Lotte Chilsung Beverage Co., Ltd. ("Lotte") is a corporation duly organized and existing under and by virtue of the laws of Korea with principal office at 50-2 Jamwon-dong, Seocho-gu, Seoul, Korea. Lotte, through its Board of Directors, has designated Mr. Yeon-Suk No to vote its shares of stock in the Corporation.

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

³ PCD Nominee Corporation is the registered owner of shares beneficially owned by participants in the Philippine Central Depository, Inc. (PCD), a private company organized to implement an automated book entry system of handling securities transactions in the Philippines. While PCD Nominee Corporation is the registered owner of the shares in the Corporation's books, the beneficial ownership of such shares pertains to PCD participants (brokers) and/or their non-Filipino clients, whether individuals or corporations, in whose names these shares are recorded in their respective books. Under PCD procedures, when an issuer of a PCD-eligible issue will hold a stockholders' meeting, PCD will execute a pro-forma proxy in favor of the participants for the total number of shares in their respective principal securities account, as well as for the total number of shares in their client securities account. For shares held in the principal securities account, the participant is appointed as proxy with full voting rights and powers as registered owner of such shares. For shares held in the client securities account, the participant is appointed as proxy with the obligation to constitute a sub-proxy in favor of its clients with full voting and other rights for the number of shares beneficially owned by them.

⁴ Same as footnote 1 above except that the beneficial ownership of shares registered in the name of PCD Nominee Corporation pertains to PCD participants (brokers) and/or their Filipino clients, whether individuals or corporations, in whose names these shares are recorded in their respective books.

Security Ownership of Management as of February 29, 2012.

Title of Class	Name and Address of Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
Common Shares	Oscar S. Reyes Chairman of the Board (Non-Executive) and Independent Director c/o Unit 2504 Corporate Center, 139 Valero Street, Salcedo Village, Makati City	1*	Filipino	Nil
Common shares	Yeon-Suk No Chief Executive Officer c/o Km. 29, National Road, Tunasan, Muntinlupa City	1*	Korean	Nil
Common shares	Partha Chakrabarti President c/o Km. 29, National Road, Tunasan, Muntinlupa City	1*	Indian	Nil
Common Shares	Jaehyuk Lee Non-Executive Director c/o 5 Fl. Castle Plaza, Lotte Castle Gold, 7-18, Shinchun-Dong, Songpa-Gu, Seoul, Korea 138-727	1*	Korean	Nil
Common shares	Choong Ik Lee Non-Executive Director c/o 25th Floor, Lotte Bldg. 1, Sogong-Dong, Jung-Gu, Seoul (100-721), Korea	1*	Korean	Nil
Common shares	Byoung Tak Hur Non-Executive Director c/o 5 Fl. Castle Plaza, Lotte Castle Gold, 7-18, Shinchun-Dong, Songpa-Gu, Seoul, Korea 138-727	1*	Korean	Nil
Common shares	Qasim Khan Non-Executive Director c/o 25th Floor Emporium Tower, 622 Sukhumvit Road, Klongton, Klongtoey, Bangkok, Thailand	1*	Pakistani	Nil
Common shares	John L. Sigalos Non-Executive Director c/o 20th Floor Caroline Center 28 Yun Ping Road, Causeway Bay, Hong Kong	1*	American	Nil
Common shares	Rafael M. Alunan III Independent Director c/o 5th Floor, Benpres Building, Exchange Road corner Meralco Avenue, Ortigas Center, Pasig City	1*	Filipino	Nil
Common Shares	Akash Shah Senior Vice-President and Chief Financial Officer c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Canadian	0%
Common shares	Daniel D. Gregorio, Jr. Senior Vice-President, Manufacturing and Logistics c/o Km. 29 National Road, Tunasan, Muntinlupa City	70,000 Direct ownership	Filipino	0.0019%
Common Shares	Celerino T. Grecia III Senior Vice-President, Human Resources/EIR/Legal c/o Km. 29 National Road, Tunasan, Muntinlupa City	50,000	Filipino	0.0014%
Common Shares	Juan Gabriel P. Sison Executive Vice-President, Sales c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Filipino	0%
Common Shares	Samuel M. Dalisay, Jr. Vice-President, Supply Chain c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Filipino	0%
Common shares	Ma. Rosario C.Z. Nava Corporate Secretary and Compliance Officer c/o 7th Floor The Pearlbank Centre 146 Valero Street, Salcedo Village, Makati City	10,000 Direct ownership	Filipino	0.0003%

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

The aggregate shareholdings of directors and key officers as of February 29, 2012 are 130,009 shares which is approximately 0.0035% of the Company's outstanding capital stock.

Changes in Control

The Company is not aware of any voting trust agreement or any other similar agreement which may result in a change in control of the Company.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Refer to Note 14 to the December 31, 2010 Audited Financial Statements for details on related party transactions.

PART IV – CORPORATE GOVERNANCE

The Company's Manual on Corporate Governance ("Manual"), which was adopted on June 21, 2007, and revised on April 14, 2010 and again on March 25, 2011, details the standards by which it conducts sound corporate governance that is coherent and consistent with relevant laws and regulatory rules, and constantly strives to create value for its stockholders.

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

Executive Committee

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

The Executive Committee shall be composed of at least seven (7) members, namely, the Chief Executive Officer, the Chief Strategy Officer, the Chief Operating Officer, the Chief Financial Officer, and three (3) regular directors.

The incumbent members of the Executive Committee as of February 29, 2012 are as follows: Messrs. Yeon-Suk No (Chief Executive Officer), Partha Chakrabarti (President – equivalent of Chief Operating Officer), Akash Shah (Chief Financial Officer), Qasim Khan, and Jaehyuk Lee.

There are two (2) vacancies in the Executive Committee. The Board of Directors of the Company has decided to defer filling the vacancies in the Executive Committee and to take this up at the Organizational Meeting of the newly-elected Board of Directors after the Annual Stockholders' Meeting.

Audit Committee

The Audit Committee assists the Board in its fiduciary responsibilities as it provides an independent and objective assurance to the Management and shareholders of the Company that business operations are carried out according to approved standards and objectives, and the Company's resources are preserved and productive.

The Audit Committee shall be composed of at least four (4) directors, preferably with accounting and finance background with at least one member with audit experience. Two (2) of the members must be independent directors, including the Chairman of the committee. The Audit Committee reports to the Board and is required to meet at least once every three (3) months.

The incumbent Chairman and members of the Audit Committee as of February 29, 2012 are as follows: Messrs. Oscar S. Reyes (Chairman), Jaehyuk Lee, John L. Sigalos, and Rafael M. Alunan III.

Compensation and Remuneration Committee

The Compensation and Remuneration Committee, based on objective and impartial studies, utilizes a formal and transparent framework in determining the remuneration of the members of the Board and the Company's key executives. This committee's decisions on compensation issues are consistent with the requirements of objectivity, fairness and relevance.

The Compensation and Remuneration Committee shall be composed of at least three (3) members, including one (1) independent director. The Board may also designate non-voting members as it may on a case-to-case basis require for purposes of advising said committee. The Compensation and Remuneration Committee reports to the Board and is required to meet at least once each year.

The incumbent members of the Compensation and Remuneration Committee as of February 29, 2012 are as follows: Messrs. Oscar S. Reyes, John L. Sigalos and Rafael M. Alunan III.

Nomination Committee

The Nomination Committee ensures that the Company's Board of Directors is made up of visionary, ethical and competent business leaders who can contribute to the vast range of ideas and reach decisions that will protect and grow the business. This committee also makes sure that the designated Board members address the higher purposes of the Company as a responsible enterprise which has a positive value on the communities where it operates.

The Nomination Committee shall be composed of at least three (3) members, including one (1) independent director. The Board may also designate non-voting members as it may on a case-to-case basis require for purposes of advising said committee. The Nomination Committee reports to the Board and is required to meet at least once each year.

The incumbent members of the Nomination Committee as of February 29, 2012 are as follows: Messrs. John L. Sigalos and Rafael M. Alunan III.

There is a vacancy in the Nomination Committee. The Board of Directors of the Company shall fill the vacancy in the Nomination Committee prior to the Annual Stockholders' Meeting.

The chairmanship of the Executive, Nomination, and Compensation and Remuneration Committees shall be decided later by the unanimous vote of its Director-members once it convenes in meetings held for this purpose pursuant to the By-laws of the Company.

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

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

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

PART V – SIGNATORIES

The following are the authorized signatories of the Company:

1. Yeon-Suk No in his capacity as the Chief Executive Officer. Said position is the Company's equivalent position for principal executive officer.
2. Partha Chakrabarti in his capacity as the President. Said position is the Company's equivalent position for principal operating officer.
3. Akash Shah in his capacity as the Senior Vice President and Chief Financial Officer. Said position is the Company's equivalent position for principal financial officer.
4. Agustin S. Sarmiento in his capacity as AVP-Controller of the Company. Said position is the Company's equivalent position for comptroller and principal accounting officer.
5. Ma. Rosario C. Z. Nava in her capacity as the Corporate Secretary of the Company.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Muntinlupa City on APR 11 2012.

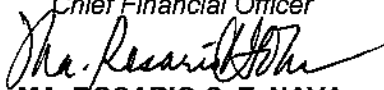
By:



YEON-SUK NO
Chief Executive Officer



AKASH SHAH
Senior Vice-President and
Chief Financial Officer



MA. ROSARIO C. Z. NAVA
Corporate Secretary



PARTHA CHAKRABARTI
President



AGUSTIN S. SARMIENTO
AVP-Controller

REPUBLIC OF THE PHILIPPINES)
Muntinlupa City) s.s.

SUBSCRIBED AND SWORN TO before me in the City of Muntinlupa City
this ____th day of APR 11 2012 by:

<u>Name</u>	<u>Competent Evidence of Identity</u>	<u>Valid Until</u>
Yeon-Suk No	Passport No.M83102845	Nov 13, 2018/ Korea
Partha Chakrabarti	Passport No. Z1751780	Feb. 25, 2018/ Manila
Akash Shah	Passport No. BA647570	Oct. 22, 2014/ Bangkok
Agustin S, Sarmiento	SSS No. 33-2456012-6	
Ma. Rosario C. Z. Nava	SSS No. 33-0460082-8	

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. FEDERICO CLAUDIO G. SANDOVAL
Notary Public
Commission No. NC 12-009; Muntinlupa City
Until December 31, 2013
Attorney's Roll No. 45274
IBP LRN: 07119; 01-08-2008; Rizal
PTR No. 0984477; 01-03-2012; Muntinlupa City
Km 29 National Road, Tunasan, Muntinlupa City

Doc. No. 135
Page No. 36
Book No. 1h
Series of 2012.