COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 2 0 0 1 1 7 5 9 5

Company Name

EMPERADOR INC.
AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town)Province)

7TH FLOOR, 1880 EASTWOOD
AVENUE, EASTWOOD CITY
CYBERPARK, 188 E. RODRIGUEZ
JR. AVENUE, BAGUMBAYAN,
QUEZON CITY, METRO MANILA

Form Type	*Department requiring the report*	*Secondary License Type, If Applicable*
17-A (For December 31, 2015)	SEC	Registration of securities

COMPANY INFORMATION

Company's Email Address	*Company's Telephone Number/s*	*Mobile Number*
intingdin@ymail.com	7092038 to 41	

No. of Stockholders	*Annual Meeting Month/Day*	*Fiscal Year Month/Day*
24	3rd Monday of May	12/31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person	*Email Address*	*Telephone Number/s*	*Mobile Number*
DINA INTING	intingdin@ymail.com	7092038 to 41	

Contact Person's Address

7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City, Metro Manila

Note 1: In case of death, resgination or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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 fiscal year ended: **December 31, 2015**

2. SEC Identification Number: **A200117595**

3. BIR Tax Identification No. **214-815-715-000**

4. Exact name of issuer as specified in its charter: **EMPERADOR INC.**

5. **Metro Manila, Philippines**
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

7. **7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City**
   Address of principal office
   1110
   Postal Code

8. **(632) 709-2038 to 41**
   Issuer's telephone number, including area code

9. **10/F Liberty Center, 104 H.V. dela Costa Street, Salcedo Village, Makati City 1227**
   Former name, former address, and former fiscal year, if changed since last report.

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
Common	**16,120,000,000**

11. Are any or all of these securities listed on a Stock Exchange.
    Yes [✓] No [ ] **Philippine Stock Exchange**

12. Check whether the issuer:
    (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) has been subject to such filing requirements for the past ninety (90) days.

    Yes [/✓] No [ ]

13. The aggregate market value of the voting stock held by non-affiliates is P24,152,175,040, based on the closing price of P8.10 per share on March 14, 2016 at the Philippine Stock Exchange.

TABLE OF CONTENTS

PART I - BUSINESS AND GENERAL INFORMATION

1. BUSINESS

OVERVIEW

EMPERADOR INC. (the "Company" or "EMP" or "Emperador") is currently a holding company which operates an integrated business of manufacturing, bottling and distributing distilled spirits and other alcoholic beverages from the Philippines and Europe. Through **Emperador Distillers, Inc.** ("EDI"), EMP has established its identity in the Philippine alcoholic beverages business with steady growth and production of high quality liquor. EDI, the Philippines' largest liquor company and the world's largest brandy producer, has a product portfolio that consists of its own brands as well as licensed products. Through **Whyte and Mackay Group Limited** ("WMG" or "Whyte and Mackay") of United Kingdom, EMP has entered the global Scotch whisky business. WMG has a rich heritage of a Scottish spirits company, which is the fifth largest Scotch whisky manufacturer in the world, and its products are distributed in over 50 countries. With its most recent purchase of the brandy and sherry business from Beam Spain, S.L., through its indirect wholly-owned subsidiary **Bodegas Fundador S.L.U**. ("Bodegas Fundador") [such purchase completed on 29 February 2016], EMP has fortified its brandy business and sherry wine business in Spain and United Kingdom. Bodegas Fundador has the largest and oldest brandy facility in Spain. At present, the Group has a wider range of products in its portfolio - from value to super premium – and an international reach to more than 50 countries.

It was in 2013 that the Company transformed into a holding company and increased its capitalization base to P20 billion. In a series of transactions in August and September 2013, **Alliance Global Group, Inc.** ("AGI") acquired majority control with 87.55% [now 81.50%] ownership interest in the Company and the Company concurrently acquired 100% ownership in EDI from AGI. The Company thus became a subsidiary of AGI and the immediate parent of EDI. (See Note 1 to the Consolidated Financial Statements)

The Company's acquisition of EDI is accounted for similar to a reverse acquisition of a non-operating shell company, wherein the legal subsidiary, which is EDI, is deemed as the acquirer and the legal parent, which is the Company, is deemed as the acquired. Thus, the consolidated financial statements prior to the acquisition date have been prepared as a continuation of the consolidated financial statements of EDI and its subsidiaries (collectively referred to as "EDI Group"), except for the capital structure which represent that of the Company. (See Note 2.3(a)iii to the Consolidated Financial Statements)

On August 28, September 16 and September 27, 2013, the Board of Directors ("BOD"), stockholders and Philippine Stock Exchange Commission ("SEC'') respectively approved the change in corporate name to **Emperador Inc.** The Company's shares are presently traded on the First Board of the Philippine Stock Exchange (PSE) under the symbol "EMP". The Company was originally incorporated under the name of Touch Solutions, Inc. (TSI) in the Philippines on November 26, 2001 and first listed its shares on December 19, 2011 under the symbol "TSI".

On October 31, 2014, the Company through its indirect wholly-owned subsidiary, **Emperador UK Limited** ("EUK"), completed a deal signed on May 9, 2014, for the acquisition of the entire issued share capital of **WMG** from United Spirits (Great Britain) Limited, an indirect wholly-owned subsidiary of United Spirits Limited ("USL"), at an enterprise value of £430 million. Emperador took the reins from the world's liquor giants - USL of India (the world's largest spirits company by volume) which was forced to put Whyte and Mackay up on sale because of UK anti-trust concerns, when London-based Diageo Plc (the world's leading premium drinks manufacturer) gained controlling interest in USL.

On December 4, 2014, with the completion of the Whyte and Mackay acquisition as a condition precedent to its entry, Singapore sovereign wealth fund **GIC Private Ltd**. ("GIC"), through its private equity arm, **Arran Investment Pte. Ltd.** ("Arran") initially invested P17.6 billion in the Company split into 70%-equity and 30%-equity-linked securities debt ("ELS"), which is convertible to equity between 2 to 7 years, plus an option to acquire more EMP shares. Through this initial investment, Arran acquired 7% ownership interest in EMP and AGI's 88% was diluted to 81%.

On November 27, 2015, the Company through its indirect wholly-owned subsidiary, **Grupo Emperador Spain S.A.**, ("GES"), reached a definitive agreement with Beam Suntory Inc. to purchase the latter's Spanish brandy and sherry business in Jerez de la Frontera, the brandy capital of Spain. [*Note*: GES assigned its rights and obligations under the agreement to its direct wholly-owned subsidiary, Bodegas Fundador S.L.U. on January 28, 2016]. The purchase includes the iconic brands of Fundador, the Philippines' best-selling premium imported brandy; Terry Centenario, Spain's number one selling brandy; Tres Cepas, the number one brandy in Equatorial Guinea; and Harveys, the number one selling sherry wine in the United Kingdom. The all-cash offer has been agreed at a value of €275 million. It also includes production facilities, ageing cellars, vineyards and blending and bottling facilities.

The completion of the purchase on February 29, 2016 marks the birth of the world's biggest brandy company, and a new era begins not only for Emperador and Fundador but for the whole brandy and sherry industry in Spain.

SUBSIDIARIES

EDI

EDI is the leading brandy manufacturer and distributor in the Philippines. It was incorporated on June 6, 2003 and it acquired the brandy manufacturing assets and related brands, namely, 'Emperador' and 'Generoso', of Consolidated Distillers of the Far East, Inc. ("Condis") in January 2007. AGI subsequently acquired full ownership of EDI from The Andresons Group, Inc. (''TAGI'') and the Tan Family in February 2007. In April 2009, EDI launched flavored vodka and gin beverages under 'The BaR' brand. 'The BaR' became the first flavored vodka and gin products manufactured by a Philippine company. In the third quarter of 2012, EDI introduced 'The BaR' cocktails line primarily targeted at younger alcoholic beverage consumers and female customers.

EDI began selling the 'Emperador Deluxe' brand in March 2013 which is being manufactured in Spain for export to Philippines under a supply agreement with Gonzalez Byass S.A. A couple of months earlier, the acquisition of Bodega San Bruno from one of the largest and oldest liquor and wine conglomerates in Spain allowed Emperador to own one of the world's best brandy stocks that are rare, high quality and aged for more than 40 years in Spain.

In April 2015, it launched the ready-to-drink 'Smirnoff Mule' vodka and, a few months later, in October, reintroduced 'Andy Player' whisky. 'Smirnoff Mule' is being manufactured and distributed under license from Diageo North America, Inc. 'Andy Player' is a popular drink in the '80s and is reintroduced using grains from Scotland. During the year, EDI also began selling the Whyte and Mackay products locally.

EDI also distributes Ernest & Julio Gallo wines and Pik-Nik shoestring-shaped potato snacks.

It operates two manufacturing plants in Laguna and an alcohol distillery plant in Batangas. The main plant is being leased from Tradewind Estates, Inc. ("TEI"), a wholly owned subsidiary under AGI group [*Note*: EDI acquired full ownership of TEI on March 11, 2016].

It has 22 billion shares authorized capital stock, 12.5 billion shares of which were issued and outstanding as of to-date.

Emperador International Ltd.

Emperador International Ltd. (“EIL”) is a business company incorporated in the British Virgin Islands on December 13, 2006. It is an investment and holding company which is involved in the international sales, marketing and merchandising of EDI’s products. This group is responsible for the investments and properties in Spain and United Kingdom.

As of end-2013, EIL was a wholly owned subsidiary of EDI. In 2014, to finance the acquisition of Whyte and Mackay, EMP and EDI made additional equity investments of $265,016,000 and $77,627,000, respectively, in EIL. And in 2015, EMP made additional equity investments of $400 million. At present, EIL is 84% and 16% directly owned by EMP and EDI, respectively. Thus, it is 100% beneficially owned by EMP.

Emperador Spain

Emperador Asia Pte Ltd. (“EAsia”), a wholly-owned subsidiary of EIL, was incorporated in Singapore. It wholly owns ***Grupo Emperador Spain, SA*** (“GES”), a large liability company in Spain, incorporated on September 28, 2011.

GES main activities are the production of wines, fortified wines, brandies and all types of alcoholic drinks, as well as the purchase and operation of any type of land and, in particular, vineyards. In 2013, it acquired ***Bodega San Bruno, SL,*** a wholly-owned subsidiary; and in 2014, it invested in ***Bodegas Las Copas, SL*** *(“BLC”)*, a 50%-50% joint venture with **Gonzales Byass, SA**. BLC is a company that converts and produces alcohol and spirits.

The Spain group acquired vineyard estates in Toledo, called Daramezas and Bergonza, and in Madrid, called Monte Batres, in 2013-2014. BLC’s main industrial facilities are located at Jerez de la Frontera in Cadiz and Tomelloso in Ciudad Real.

On November 27, 2015, GES purchased the Spanish brandy and sherry business from Beam Suntory Inc. [completed on February 29, 2016]. The purchase includes the Spain’s largest and oldest brandy cellars established in 1730 with sizeable brandy inventory aged more than 50 years; four iconic brands including ‘Fundador Brandy de Jerez’; production and bottling facilities, , vinieyards, distillery and winery facilities.[*Note*: GES assigned its rights and obligations under the agreement to its direct wholly-owned subsidiary, **Bodegas Fundador S.L.U.** on January 28, 2016].

Emperador Europe

Emperador Europe SARL, a wholly-owned subsidiary of EIL, is a private limited liability company incorporated in Luxembourg in September 2014. The object of the company is the holding of participations in any form whatsoever and all other forms of investments.

Emperador Holdings (GB) Limited (“EHGB” or “EGB”), the ultimate UK parent undertaking and controlling entity, is a wholly-owned subsidiary of EIL. EGB is a private company incorporated under the laws of England and Wales on June 19, 2014. It operates as an investment and holding company and wholly owns EUK. As of December 31, 2015, its authorized called-up share capital totaled 142 million shares at £1 per share, all of which were allotted and fully paid up by EIL.

Emperador UK Limited (“EUK”), a wholly-owned subsidiary of EHGB, is a private limited company incorporated in Scotland on May 6, 2014. It is the immediate parent of WMG. As of December 31, 2015, it has authorized called up share capital of 142 million shares at £1 per share, all of which were allotted and fully paid up by EGB.

Whyte and Mackay Group Limited (“WMG”) is the immediate parent and smallest consolidating group. It was incorporated on August 7, 2001 in Scotland. The main trading entity is its wholly owned subsidiary, ***Whyte and Mackay Limited*** ("WML"), which was incorporated on January 20, 1927 in Scotland. WML's principal activity is the production, marketing and distribution of distilled potable alcoholic drinks which include Scotch whisky, vodka, liqueurs and other alcoholic drinks.

Active wholly-owned subsidiaries include ***Whyte and Mackay Warehousing Ltd***. ("WMW"), incorporated in Scotland, and ***Whyte and Mackay Americas Ltd, LLC*** ("WMA"), incorporated in the United States of America. WMW's principal activity is the warehousing and blending of bulk whisky for related and third party customers while WMA, a direct subsidiary of WML, was formed to handle Whyte and Mackay's business portfolio in US market. There are forty-one dormant companies within WMG Group that have been retained for branding purposes.

Whyte and Mackay is the fifth largest Scotch whisky manufacturer in the world with a history of more than 170 years and ownership of some of the most iconic Scotch brands in the industry, including British luxury brand 'The Dalmore Single Highland Malt', 'Jura Premium Single Malt', and 'Whyte & Mackay Blended Scotch Whiskies'. The products are distributed in more than 50 countries mainly in Europe and North America, with strong presence in the global travel retail space. Some of these products are now being distributed in the Philippines by EDI.

Anglo Watsons Glass, Inc.

Anglo Watsons Glass, Inc. (AWGI), a wholly-owned subsidiary of EDI, was incorporated in the Philippines on July 22, 1999. EDI acquired AWGI from its previous owner, AGI, in 2012. AWGI's business is the manufacture of flint glass containers. Flint glass is a plain, transparent glass that can be processed into a variety of shapes and sizes.

AWGI operates a manufacturing plant at the Canlubang Industrial Estate in Canlubang, Laguna, Philippines which runs on a 24-hour shift and has a capacity of 200 metric tons per day. The manufacturing plant is being rented from AGI. It is generally running at full capacity. Due to the high demand of EDI and capacity constraints, AWGI currently services EDI's bottling requirements only.

The Bar Beverage, Inc.

The Bar Beverage, Inc., a wholly-owned subsidiary of EDI, was incorporated in the Philippines on August 11, 2008 for the purpose of engaging primarily in the manufacturing, processing, importing and/or exporting, buying, selling, acquiring, holding or otherwise dealing in, any and all kinds of alcoholic beverage products, flavorings, essences, beverages, soft drinks, foodstuffs, goods, wares, merchandise and/or commodities of the same or similar kind as well as products, natural or artificial, of the Philippines or elsewhere.

DESCRIPTION OF BUSINESS

Prior to the introduction of Emperador Brandy in 1990, the Philippine spirits industry was dominated by longstanding and well-established gin and rum manufacturers. Through dynamic marketing and by establishing a reputation for product quality, EDI created demand for brandy in the Philippine spirits market following the launch of Emperador Brandy. The Company believes that the 'Emperador' brand, which is marketed as a superior brand, has been the market leader among brandies in the Philippines in terms of sales volume since 1990. In particular, in 2010, EDI introduced the first light brandy, Emperador Light, to capture the taste preferences of Filipino consumers. In addition, EDI's flavored vodka, gin and tequila products under 'The BaR' brand were the first flavored vodka, gin and tequila beverages to be produced by a Philippine company. EDI produces brandy products that had more than 92% share of the Philippine brandy market in terms of sales volume (source: AC Nielsen Retail Audit Report full year 2015).

EDI has extensive nationwide distribution network that provides it with a distinct competitive advantage. Its distribution network is operated through 21 sales offices strategically located throughout the Philippines while its products are distributed across more than 112,500 outlets, including more than 100,000 sari-sari stores. In addition, EDI employs its own sales and distribution force consisting of approximately 1,000 personnel and more than 270 vehicles. EDI employs a majority of its sales force in-house that has resulted in a relatively higher level of motivation and incentivization among its employees and contributed to the strong growth in the sales of its products. This arrangement also enables EDI to work closely with its customers and develop strong relationships with them. It continually seeks ways to expand the reach of its distribution network, especially in the fast growing regions of Mindanao and the Visayas.

With the introduction of 'Emperador Deluxe' in 2013, EDI is the first to bring an imported liquor brand produced entirely in Spain that focuses on the Philippine market. And with the purchase of Bodegas Fundador in Spain, EDI will be carrying 'Fundador Brandy', a Philippine best-selling imported premium brandy, beginning March 2016.

EDI continues premiumization of its product portfolio with the introduction of the pricey Whyte and Mackay Scotch whisky products in the local market. In October 2015, 'Andy Player Black Blended Whisky' was launched, with the aim of cultivating a whisky-drinking culture in the local market. Currently, the Philippine whisky sector is so small and Emperador believes, whisky can bring new business and lead a new category.

Here is the broad range of products:

The Scottish whisky industry is a homegrown industry that dates back to 1494 and has long been considered a cornerstone of the UK economy. Whisky accounts for 25% of total UK food and drink exports, with the majority of bottles shipped abroad. In 2015, the value of Scotch whisky exports remained at approximately £4 billion. In Scotland, whisky is the third biggest industry, behind energy and financial services, and accounts for around 80% of the Scotland's food and drink sector. (Source: Scotch Whisky Association)

The Whyte and Mackay business was founded on the docks of Glasgow, Scotland in 1844. By the late 19th century, Glasgow was famous for its shipbuilding, pioneering its craft all over the world. It was at this time that James Whyte and Charles Mackay began to marry the best whiskies of Scotland with the intention of creating the smoothest and most distinctive blend of Scotch Whisky. In 1960, the Dalmore distillery, which has been producing exceptional single malt whisky since 1839, was acquired; and by 1965 'Whyte & Mackay' became the fifth most popular brand in Scotland. This achievement was followed by a successful redoubling of efforts in the export markets. Whyte and Mackay is considered the fifth largest maker of Scotch whisky in the world and owns some of the most iconic Scotch brands in the industry, including British luxury brand 'The Dalmore Single Highland Malt', 'Jura Premium Single Malt', and 'Whyte & Mackay Blended Scotch Whisky'. The products are sold in more than 50 countries mainly in Europe and North America, with strong presence in the global travel retail space.

Whyte and Mackay is headquartered in Glasgow and has significant malt and grain production capability from its four malt distilleries and one large grain distillery. It also has a leased bottling facility with a capacity of 6.5 million cases per annum.

PRODUCTS

'Emperador Brandy', the first brandy label, was launched in 1990. In 2010, 'Emperador Light' was introduced in response to a growing market for alcoholic beverages with lower alcohol content and targeted at younger alcoholic beverage consumers. In March 2013, EDI introduced 'Emperador Deluxe Spanish Edition', a premium brandy imported from Spain that is created specifically to appeal to the Philippine palate.

The Company believes the introduction of a new sin tax regime on liquor, which became effective on January 1, 2013 with the effectivity of R.A. No. 10351, leveled the playing field for imported liquors and provided a prime opportunity to introduce 'Emperador Deluxe' to the Philippine market.

'Andy Player Whisky', a popular drink in the '80s, is revived in October 2015. The new whisky blend has a unique character, rich aroma and complex taste which include orange marmalade and maple syrup.

The high-end Scotch whisky products, particularly 'The Dalmore' line, started selling locally in 2015.

'The BaR', a flavored vodka and gin beverage was launched in 2009. 'The BaR' is marketed as a ready-to-serve flavored alcoholic beverage with low alcohol content. The gin comes in lemon-and-lime flavor while the vodka comes in orange, apple and strawberry flavors. In 2012, 'The BaR Cocktails Margarita' line was launched. The Company targets the sales of 'The Bar' products to a younger demographic, specifically, the 18 to 35 year old age bracket.

'Smirnoff Mule', a ready-to-drink blend of Smirnoff Vodka, ginger beer, and lime, was launched on April 28, 2015. It is a classic iconic drink that delivers a smooth, full flavored refreshment with a unique ginger taste. It is known as 'Mule' because of its mix of premium vodka, ginger beer and lime, creating a ginger kick effect. The "Stubbornly Refreshing" drink is being manufactured and distributed in the Philippines, under license from Diageo North America, Inc.

Details of EDI's local brands are set out in the table below:

Brand	Description	Packaging	Indicative Retail Price Range	Target Market
Emperador Deluxe Spanish Edition	Premium luxury brandy of golden amber blend, with notes of Palomino grapes, toffee, almonds and honey. Warm, silky and full-bodied with 30% alcohol volume. Blended and bottled in Spain	700ml	₱160.00-₱180.00	Male consumers ages 40 and up, white collar in middle management level and socially upward mobile
Emperador Brandy	Deep rich gold color, light fruit bouquet, mellow, with medium body and a sweet aftertaste with 36.0% alcohol volume	350ml 750ml	₱40.00 ₱90.00	Mass consumers 30 years old and above, traditional brandy Drinkers

Brand	Description	Packaging	Indicative Retail Price Range	Target Market
Emperador Light	Light, fruity taste with 27.5% alcohol volume	500ml 750ml 1.0 liter	₱65.00 ₱90.00 ₱120.00	Younger consumers 18 to 30 years old
Andy Player Black Blended Whisky	Premium whisky matured with fine malts for that rich aroma and smooth complex taste with 35% alcohol volume	500 ml	₱160.00-₱180.00	Middle class, millennials
Smirnoff Mule Vodka (under license)	Ready-to-drink blend of premium Smirnoff vodka, ginger beer and lime flavored mixer with 6% alcohol volume. Under license from Diageo North America, Inc.	330 ml	₱35.00-₱40.00	Younger consumers, 18 to 24 years old
The Bar flavors- Apple Vodka Orange Vodka Strawberry Vodka Lemon and Lime Gin Silver Cocktails – Margarita Citrus - Tequila	Light, fruity and very easy to drink. Fruit flavored alcoholic beverage at 25.3% alcohol volume. Tequila with 35.0% alcohol vol. Margarita with 20.0% volume	700ml	₱80.00 ₱120.00	Younger consumers 18 to 35 years old, primarily women

The indicative suggested retail price ranges set out above are EDI's suggested retail prices. Vendors may sell the products at higher or lower prices, depending on outlet margin requirements and their operating costs. The Government does not regulate the price of alcoholic beverages in the Philippines. However, manufacturers of alcoholic beverages in the Philippines are required to pay an excise tax on alcohol production based on the percentage of alcohol contained in the beverage and net retail price.

EDI introduced 'The Dalmore', 'Jura' and 'Whyte and Mackay' variants at 700ml bottles in the local market in 2015. EDI's indicative prices for 'The Dalmore' range from P3,200 for 'The 12' to P50,000 for 'The 25'; for 'Jura', price ranges from P1,550 for 'Origin' to P4,000 for 'Prophecy'; while 'W&M Special' is priced at about P505.00 per bottle. (See product description below.)

EDI also distributes 'Pik-Nik' brand shoestring potato snacks and Ernest and Julio Gallo wines. The 'Pik-Nik' brand is owned by AGI Group.

Scotch whisky is Scotland's leading indigenous product and is now established as the leading international spirit drink, making it one of Britain's most important exports. It is a distilled spirit made (distilled and matured) in Scotland *only* from cereals, water and yeast. Most whiskies mature far longer than the legal minimum of three years, and the maturation period varies for different whiskies. The age statement on a bottle reflects the amount of time the youngest whisky in that bottle has spent maturing in a cask.

WMG offers Single Malt and Blended Scotch whiskies, liquers and vodkas, under the following key brands:

'The Dalmore Single Malt Scotch Whisky' sits at the apex of the category in which it competes. It is positioned as super premium and luxury brand. The Dalmore's 'To The Brave' proposition is built on a heritage that is rooted in the saving of King Alexander III of Scotland from being gored by a raging stag with a single arrow in 1263 by an ancestor of Mackenzie clan. The grateful king granted him the right to bear a stag's head in his coat of arms and so every bottle of The Dalmore is adorned with this noble emblem: a stag's head with twelve points to its antlers, signifying a 'royalty'. The Mackenzie family ran the Dalmore distillery from the mid 1800's until Whyte and Mackay took over. It is considered the most revered single malt whisky in the world. 'The Dalmore Principal Collection' consists of six permanent expressions positioned as Accessible (The 12, The 15, Cigar Malt Reserve, The 18, King Alexander III) and Aspirational (The 25). Positioned at the apex as Absolute is 'The Dalmore Constellation Collection' which is a rare ensemble of unique vintage single malts from the Highland distillery. 'The Dalmore' is renowned for rare editions that have sold for industry redefining prices, including the most expensive bottle ever sold in a retail store.

'Jura Single Malt Scotch Whisky' is a premium Scotch whisky that is considered an accessible single malt whisky. It is produced at the only distillery on the Isle of Jura, a very remote island off the west coast of Scotland. This brand is built upon a captivating island environment that has two distinct sides, the wild, rugged west and the temperate east. Jura's uncommon nature is reinforced by the split production of both peated and unpeated malt whiskies in the same distillery, reflecting the two sides of the island. 'The Jura Rare' collection offers one or two vintages every year, supported by a story, while the super premium 'Milestones' offers a new release every few years.

'Fettercairn' comes from Fettercairn distillery which was founded in 1824 and acquired by WMG in 1973. The arch and the unicorn are two symbols that are heavily associated with Fettercairn malts.

Liquers are alcoholic beverages made from a distilled spirit that has been flavored with fruit, cream, herbs, spices, flowers or nuts and bottled with added sugar or other sweetener. They are typically quite sweet, usually not aged for long but may have resting periods to allow flavors to marry. In this category belongs

'Glayva', a liqueur made from a blend of aged Scotch whiskies, a selected range of spices, Mediterranean tangerines, cinnamon, almonds and honey. It has a deep golden colour and a distinctive flavor.

'Vladivar Vodka' is a brand of vodka distilled in the UK. It is a Pure Grain, triple distilled, charcoal filtered vodka. Originally made in Warrington by the G & J Greenall distillery, the brand was sold in 1990 to Whyte and Mackay and is today bottled in Scotland.

'John Barr', 'Cluny' and 'Claymore' are positioned for mass blended whisky market

NEW PRODUCTS

From Bodegas Fundador S.L.U., the following iconic brands manufactured and distributed from Spain will be under EMP Group beginning March 1, 2016:

Fundador is a Brandy de Jerez, the brandy capital of Spain. Fundador means the founder, as it was the first Spanish brandy to be marketed, this happened in 1874 by Pedro Domecq Loustau. It is sold in over 30 countries worldwide, and the no. 1 imported premium brandy in the Philippines. The brand has an excellent range ending with the high premium brand Fundador Exclusivo.

Terry Centenario is the largest brandy in Spain. Centenario means centenary, and it evokes the change to the twentieth century when the Terry family started producing brandies in its bodegas in Puerto de Santa María. It is a premium and distinguished brand with the iconic net and the unique logo of the Terry Horse

Tres Cepas is a market leader in Equatorial Guinea. In the beginning Domecq had three brands, Una Cepa (One vine), Dos Cepas (Two vines) and Tres Cepas (Three vines), that were in increasing order of quality and age. It is a premium brand result of a special selection of wines distilled aged in sherry oak casks by the traditional Criadera and Solera system.

Harveys is the number 1 selling Sherry Wine in the world and the leader in the UK. It is a recipient of twenty-four quality awards in 2015. It holds Royal warrant in UK which distinguishes it as the only sherry wine that can be served to the Queen in Buckingham Palace. It is also the unique Spanish Company that supplies to the Royal Household. This brand was registered in Bristol by the Harvey family in 1886 and was the first cream Sherry to be marketed. Cream derives from another of their sherries that was called Bristol Milk. It is a unique blend of sherries combining the character and body of aged olorosos with the aroma and finesse of finos and amontillados

MARKETING, SALES AND DISTRIBUTION

EDI products are marketed, sold and distributed throughout the Philippines. Emperador enjoys 47% share of national sales volume of total spirit products. Sales in National Capital Region accounted for approximately 72% of sales volume; Provincial Luzon, 52%; Visayas, 30%; and Mindanao, 36% (Source: AC Nielsen 2015 report). A small volume of Emperador products is exported to the United Arab Emirates, South Africa, Qatar, and Macau in response to the demand of the Filipino community living and working in the region. The Company attributes its leading position to: (i) strong brand equity gained through brand building; (ii) targeted marketing; and (iii) local distribution network and, now a global reach.

Whyte and Mackay's overriding objective is to operate as a global branded drinks company which delivers sustainable rates of growth and returns that increase overall shareholder value. The Group operates in the UK and increasingly in international markets, including the Travel Retail sector. More than 80% of WMG sales come from UK and other European countries and more than 10% from India and Asia. The balance represents export sales to Africa, USA and other countries.

Strategic growth will be brands-led but will be supported by private label business.

Brand Equity

The Company believes that branding is a critical factor in a consumer's choice of beverage. Active brand promotion and advertising are essential tools to build image and market share, and establish consumer brand loyalty. EDI continually increases its market share by promoting its brands as distinct and unique with the objective to convey its unique and enduring message to promote its image and products. Marketing strategies focus on emphasizing Emperador Brandy's premium value image to consumers as well as the taglines: "*Sa Totoong Tagumpay*" ("*To true success*") and "*Gawin Mong Light" ("Make It Light")*. EDI markets its brandies as a drink for the celebration of life successes though values of diligence, perseverance and responsibility. Its labeling includes a lion and a bullfighter wherein the lion symbolizes power and success while the bullfighter symbolizes grace and superiority. Emperador Deluxe carries the imagery of luxury and class. It is marketed as an affordable luxury for everyday consumption. The Bar also has a premium image targeted at socially active younger drinkers, and is positioned as a "must-have" party drink; its tagline "*The Bar, Always Open*" aims to convey that the product can be conveniently enjoyed at all times and anywhere.

The key brands in Whyte and Mackay are well defined. The Dalmore Single Malt Scotch Whisky is a brand of supreme quality that is positioned at the apex of the category in which it competes. Truly a luxury brand, The Dalmore's 'To The Brave' proposition is built on a heritage that is rooted in the saving of King Alexander III of Scotland from a raging stag in 1263 by an ancestor of the Mackenzie clan. The grateful king granted him the right to bear a stag's head in his coat of arms and so every bottle of The Dalmore is adorned with this noble emblem: a stag's head with twelve points to its antlers, signifying a 'royalty'.

Jura Single Malt Scotch Whisky hails from a remote island of 200 people, 6,000 red deer, one road and a distillery. This brand is built upon a captivating island environment that has two distinct sides, the wild, rugged west and the temperate east. The brand uniquely offers both peated and unpeated malt whiskies, reflecting the two sides of the island.

The Whyte & Mackay blended Scotch whisky brand has had new packaging introduced and launched a new communication campaign to reinforce its unique Triple Maturation process that delivers a smoother, richer taste which have both been well received.

Targeted Marketing

To maximize market penetration, EDI supports both traditional advertising and marketing as well as proprietary market research tools. It uses multiple consumer research agencies and methodologies to assess consumer insight, trend, behavior and preferences, and markets its products accordingly. The brands are also marketed through an integrated 360-degree marketing campaign including the traditional above-the-line media, such as television and radio commercials, print and digital advertisements, including social media initiatives for Facebook and Twitter, below-the-line promotions and sponsorships. In addition, management supports creativity and innovation in product marketing by encouraging managers to take ownership of strategic geographic areas. It entrusts a high degree of responsibility for sales and marketing efforts to approximately 31 local managers. Its creative consumer research has qualitative and quantitative aspects and includes face-to-face interviews and information gathering exercises with consumers at local neighborhood events and gatherings.

The Dalmore and Jura single malts are marketed internationally using a combination of ambassadorship, product rarity, and outlet activations as well as digital and more traditional forms of marketing. All of these activities are designed to reinforce the brands' core positioning, talking to a well-defined consumer target in each market.

Sales and Distribution Network

The Company has a broad sales and distribution network which is one of its key strengths that will continue to drive its future growth. It has a distribution network of 21 sales offices across the Philippines, which supply national and regional customers, hypermarkets, supermarkets, wholesalers, traders, grocery outlets, convenient stores, and local neighborhood small sari-sari, stores. It employs a sales force of approximately 1,000 sales personnel and has a direct delivery service for over 112,500 accounts (more than 100,000 of which consist of sari-sari stores) with a fleet of more than 270 direct sales vehicles. It uses direct sales vehicles such as cash vans to cover sari-sari stores across the country. Cash vans sell the brands directly to these small retailers on a cash-only basis, where the average transaction is for two cases.

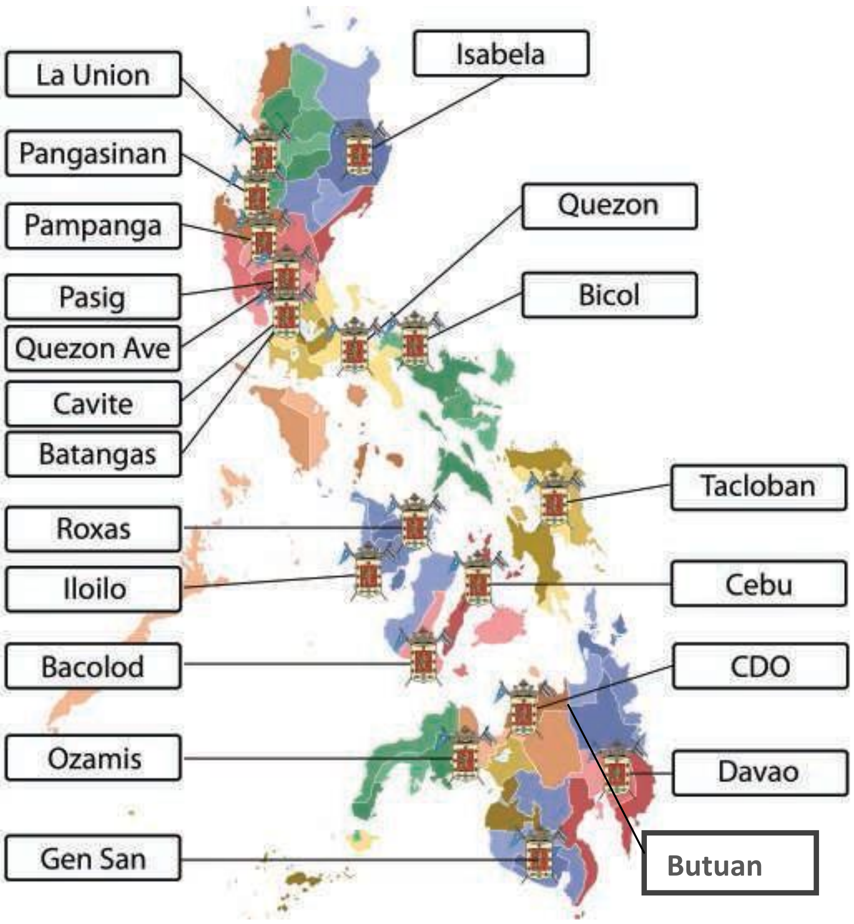
The Company believes that the day-to-day interaction its sales team has with its trade partners is essential to maintaining product availability as well as access to its consumers. Standard sales terms include a credit period of 30 days before a buyer is required to pay for the Company's products.

The Company has a standard volume based pricing model that is applied evenly across all customer segments and discounts are offered on large volume transactions.

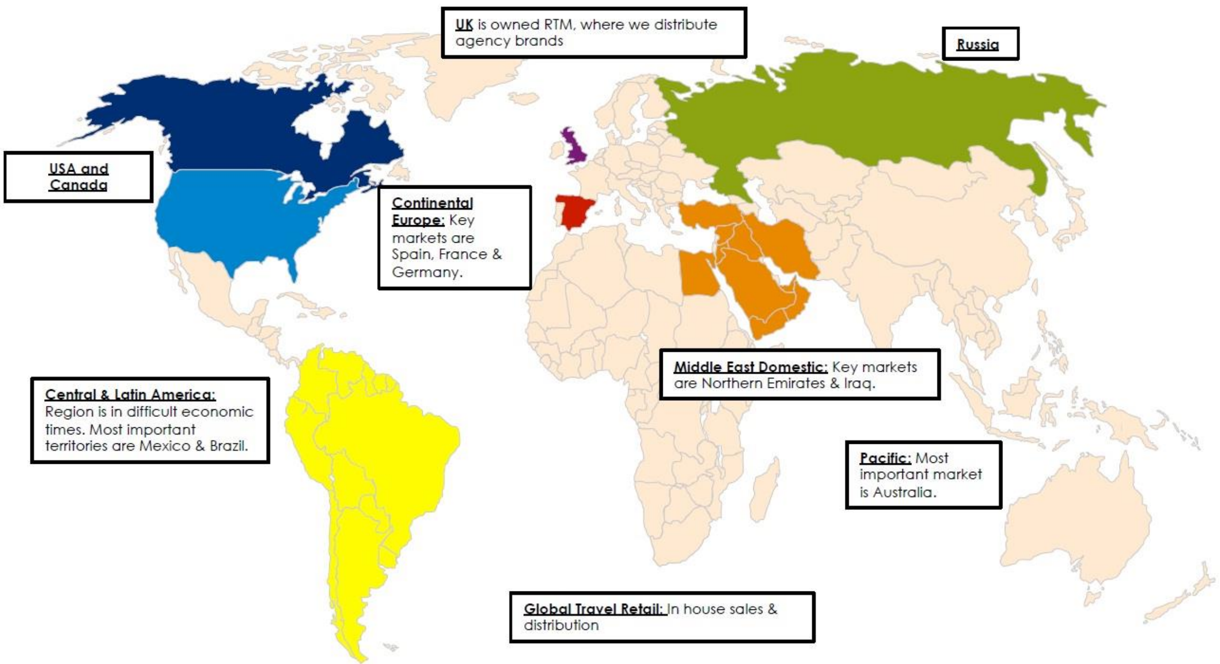
The WMG business has a strong, international Route to Market. In UK, a dedicated sales team covers all trade channels and customers. It also has a dedicated Global Travel Retail team which manages its brands in a channel that is critical for single malt whisky equity building and sales.

In other markets Whyte and Mackay has established a network of distribution partners that represent the brands in each territory. The goal is to develop long term partnerships with the strongest local distributor in each market, with selection driven by the strength and commitment to the channels representing the biggest opportunities in each case. Recently, it appointed E&J Gallo Winery as the exclusive distributor in the USA beginning 2016.

Set out below is a map indicating the distribution network in the Philippines for the Company'sproducts:



And the map showing WMG global reach.:



COMPETITION

The Company competes primarily against established Philippine spirits companies that produce and distribute brandy and other spirits to the domestic market.

The main competitors in the Philippine broad distilled spirits market mainly comprise of Ginebra San Miguel, Inc. (GSMI) and Tanduay Distillers, Inc. (TDI)The Company also competes against imported labels. With respect to flavored vodka, gin and other alcohol products, it primarily competes with other local vodka and gin companies that also produce ready-to-serve alcoholic beverages from Asia Brewery, Inc. and TDI. as well as imported labels. The whisky segment in the Philippines is not well tapped at present, and the Company aims to revive and reenter this segment.

The principal competitive factors with respect to the Company's products include brand equity, product range and quality, price, ability to source raw materials, distribution capabilities and responsiveness to consumer preferences, with varying emphasis on these factors depending on the market and the product. The Company believes it has a track record of proven strength on these areas.

The Company believes that its products are strongly positioned within their respective markets, as measured by market share and brand recognition. Emperador Brandy accounted for 92% share of the Philippine brandy market in terms of sales volume, according to AC Nielsen Retail Audit. The Company believes its 'Emperador' brand is a status brand in the Philippines, and is associated with a certain level of success and sophistication that its potential customers aspire to. The Company believes that its range of well-established and highly recognized brands present significant barriers to new competitors, and are particularly important to its ability to both attract and maintain consumers.

WMG, on the other hand, faces competition from several international companies as well as local and regional companies in the countries in which it operates. Competitors use brand strength together with price and product range to compete. The major Scotch whisky brand owners are Diageo, Pernod Ricard, William Grant and Bacardi who are all materially larger than WMG. WMG can effectively compete as they have differentiated brands which consumers choose over others. WMG management monitors market prices on an on-going basis and takes steps to safeguard the overall competitive position.

SOURCES AND AVAILABILITY OF RAW MATERIALS

The principal raw materials for the manufacture of the alcoholic beverage products are distilled neutral spirit, brandy distillates, grain and malt whiskies, and water. It also requires a regular supply of glass bottles and packaging materials. EDI owns a distillery which produces distilled neutral spirit. It can also source raw materials from subsidiaries and third party suppliersAll of the water for blending is sourced from two deep wells located in the Santa Rosa, Laguna manufacturing facility. The facilities in Laguna are located on top of one of the best fresh water supplies in the Philippines. There is also a filtration system for the water it uses at its Laguna facilities.

EDI sources its bottles from AWGI, which produces a majority of the new glass bottles; and the rest are imported. EDI also reuses returned bottles. AWGI canvasses suppliers twice a year to seek the most competitive prices for its raw materials. While terms for different suppliers vary, AWGI generally orders raw materials to meet its projected supply requirements for one year and prices are subject to review on a quarterly basis. For imported raw materials, new purchase orders for supplies are generally sought two months prior to the expiration of existing purchase orders. For raw materials sourced in the Philippines, orders are finalized one month before existing orders terminate. At least three suppliers are maintained for major raw materials. In addition, major raw materials' suppliers typically maintain a warehouse in close proximity to the AWGI plant to cover possible delays in shipments and to prevent delivery interruptions. AWGI also maintains its own inventory of raw materials to prevent interruptions to production.

EDI sources final packing material such as carton boxes and closures from at least three different suppliers.

The Company has not experienced and does not anticipate any significant difficulty in obtaining adequate supplies of raw materials and dry goods at satisfactory prices under its supply arrangements. AWGI doubled its production capacity in the fourth quarter of 2012 and is able to manufacture enough glass bottles to meet the Company's requirements. The Company believes that AWGI has not had, and does not expect to have, difficulty sourcing glass bottles on behalf of the Company from third party suppliers, as required.

Whyte and Mackay have long term sound relationships with its suppliers to meet the current business requirements. Pricing agreements are in place with all suppliers.

DEPENDENCE ON A SINGLE OR FEW CUSTOMERS

The Company is not dependent upon a single customer or a few customers, the loss of any or more of which would have a material adverse effect on the Company and its subsidiaries taken as a whole. There is also no single customer that accounts for, or based upon existing orders will account for, more than 8% of the total Group sales taken as a whole.

TRANSACTIONS WITH AND/OR DEPENDENCE ON RELATED PARTIES

The Group has transactions with related parties such as AGI, subsidiaries, key management and other related parties under common ownership. These transactions generally comprise:

- Purchase of raw materials – EDI imports raw materials throughAndresons Global, Inc., a company beneficially owned by the Tan family. Starting in 2014, EDI also imports from Alcoholera dela Mancha Vinicola, SL, a wholly owned subsidiary of BLC. These purchases are typically payable within 30 days.

- Operating Leases

    - EDI has a lease contract with Tradewind Estates, Inc. (TEI) covering certain manufacturing facilities including, among others, a production building, storage tanks for raw materials and a water treatment area. Under the lease agreement, TEI also provides skilled workers to operate and maintain the leased machineries and equipment. EDI paid TEI a refundable security deposit. [Note: EDI acquired TEI in March 2016.]

    - EDI and AWGI lease their head office spaces from Megaworld Corporation. EDI paid Megaworld a refundable security deposit.

    - EDI's subsidiary, AWGI, leases the glass manufacturing plant from AGI.

- Management services – EDI has management contracts with Condis and TEI in relation to the operation, management and maintenance of its distillery and bottling plant, respectively.

- Sale of finished goods – These sales are generally non-interest bearing, unsecured and settled through cash within three to six months.

- Advances – EDI made advances to officers and employees as well as to related parties. These advances are generally non-interest bearing, unsecured, and payable upon demand in cash. It also made advances to two related parties in 2014 and it collected interest therefrom. One party had fully paid its account in March 2016.

For a more detailed discussion of related party transactions concerning the Group, see Note 22 to the Company's audited consolidated financial statements filed with this report.

INTELLECTUAL PROPERTY

EDI owns registered trademarks, which are of material importance to the success of its business since they have the effect of developing brand identification and maintaining consumer loyalty. EDI's principal trademark is 'Emperador', which it purchased from Condis in 2007, in addition to associated patents, copyrights and goodwill and bottle designs for its brandy products. Its trademark for 'Emperador' has a fresh period of ten years expiring in 2025 after its renewal in 2015 with the Philippine Intellectual Property Office ("Philippine IPO"). It also registered the trademark for 'Generoso' and the trademark for its 'The BaR' flavored alcoholic beverage products in 2006 and 2008, respectively, while the trademark for 'Emperador Deluxe' was registered with the Philippine IPO in 2015 for a period of ten years. The new Andy Player trademark is registered in 2015 for a period of ten years.

EDI trademarks are also registered in more than 30 countries, among which, the European Union, USA, Canada, Australia, Japan, Vietnam, Taiwan, Hong Kong, Indonesia, Laos, Cambodia, and Myanmar.

The existing trademarks for Pik-Nik products are licensed to EDI in the Philippines, for 10-to 20-year periods. The trademark licenses are renewable thereafter.

Whyte and Mackay owns approximately 700 trademarks worldwide, which includes trademarks for its products: The Dalmore, Isle of Jura, and Whyte & Mackay. It also has trademark licenses for Vladivar, Glayva, Claymore, John Barr and Cluny brands . Trademark are typically renewed on a 10 to 20 year cycle.

REGULATORY AND ENVIRONMENTAL MATTERS

Philippine local government legislations require a license to sell alcoholic beverages and prohibit the sale of alcoholic beverages to person under 18 years of age or within a certain distance from schools and churches. However, advertising and marketing of alcoholic beverages are largely unregulated in the Philippines, except that minors are not allowed to be employed for commercials or advertisements promoting alcoholic beverages.

In addition, approvals from the FDA are required before the Company can manufacture a new product. In addition, all new products must be registered with the BIR prior to production.

The Company is in compliance, and not aware of any material deviation, with all applicable regulatory, environmental, health and safety regulations. All the products are registered and approved by FDA. The Company monitors compliance of all stages of its production process with pertinent hygiene practices to ensure the high quality of its finished products.

WMG has an environmental policy which commits it to ensure that its activities are conducted in ways which comply with the law and, so far as is reasonably and commercially practicable, do not harm the environment.

Whyte & Mackay's five distilleries and associated warehouses are extensively regulated under Customs and Excise licenses and regulations, Environmental Agency regulations on water abstractions, effluent discharges, air emissions and potential major accident impacts on the environment.

Whyte & Mackay is in compliance, and not aware of any material deviation, with all applicable regulatory, environmental, health and safety regulations and all distilleries demonstrate a good to excellent level of compliance.

Retail Trade and Liberalization Act

Republic Act No. 8762 is known as the "Retail Trade Liberalization Act of 2000" ("R.A. No. 8762") and was enacted into law on March 7, 2000. R.A. No. 8762 repealed R.A. No. 1180, known as "An Act to

Regulate the Retail Business." R.A. No. 8762 liberalized the Philippine retail industry to encourage Filipino and foreign investors to forge an efficient and competitive retail trade sector in the interest of empowering the Filipino consumer through lower prices, high quality goods, better services and wider choices.

Retail trade is defined by R.A. No. 8762 to cover any act, occupation, or calling of habitually selling direct to the general public any merchandise, commodities or goods for consumption. The law provides that foreign-owned partnerships, associations and corporations formed and organized under the laws of the Philippines may, upon registration with the PSEC and the Department of Trade and Industry ("DTI") or in case of foreign-owned single proprietorships, with the DTI, engage or invest in the retail trade business, subject to the following categories:

- Category A – Enterprises with paid-up capital of the equivalent in pesos of less than U.S.$2.5 million shall be reserved exclusively for Filipino citizens and corporations wholly-owned by Filipino citizens.

- Category B – Enterprises with a minimum paid-up capital of the equivalent in pesos of U.S.$2.5 million but less than U.S.$7.5 million may be wholly-owned by foreigners except for the first two years after the effectivity of R.A. No. 8762 wherein foreign participation shall be limited to not more than 60% of total equity.

- Category C – This category ceased to be available as a permitted category from March 25, 2002.

- Category D – Enterprises specializing in high-end or luxury products with a paid-up capital of the equivalent in pesos of U.S.$250,000 per store may be wholly-owned by foreigners.

The foreign investor shall be required to maintain in the Philippines, the full amount of the prescribed minimum capital, unless the foreign investor has notified the PSEC and the DTI of its intention to repatriate its capital and cease operations in the Philippines. The actual use in Philippine operations of the inwardly remitted minimum capital requirements shall be monitored by the PSEC.

Foreign retail stores shall secure a certification from the BSP and the DTI, which will verify or confirm inward remittance of the minimum required capital investment.

No foreign retailer shall be allowed to engage in retail trade in the Philippines unless all the following qualifications are met:

- A minimum of U.S.$200 million net worth in its parent corporation for categories B and C, and U.S.$50 million net worth in its parent corporation for category D;

- Five retail branches or franchises in operation anywhere around the world unless such retailers has at least one store capitalized at a minimum of U.S.$25 million;

- Five-year track record in retail; and

- Only nationals from, or judicial entities formed or incorporated in, countries which allow the entry of Filipino retailers, shall be allowed to engage in retail trade in the Philippines.

The implementing rules define a foreign retailer as an individual who is not a Filipino citizen, or a corporation, partnership, association or entity that is not wholly-owned by Filipinos, engaged in retail trade. The DTI is authorized to pre-qualify all foreign retailers, subject to the provisions of R.A. No. 8762, before they are allowed to conduct business in the Philippines. The DTI shall keep a record of qualified foreign retailers who may, upon compliance with law, establish retail stores in the Philippines. It shall ensure that the parent retail trading company of the foreign investor complies with the qualifications on capitalization and track record prescribed in the law.

Foods, Drugs and Devices, and Cosmetics Act

Republic Act No. 3720 ("R.A. No. 3720"), known as the "Food, Drugs and Devices and Cosmetics Act," was passed into law on June 22, 1963. Executive Order 175 later amended the title of the law to read, "An Act To Ensure the Safety and Purity of Foods and Cosmetics, and the Purity, Safety, Efficacy and Quality of Drugs and Devices Being Made Available to the Public, Vesting the Bureau of Food and Drugs with Authority to Administer and Enforce the Laws Pertaining thereto, and for Other Purposes." R.A. No. 3720 was further amended in 2009 by R.A. No. 9711 or "The Food and Drug Administration Act of 2009." R.A. No. 3720 was enacted as part of the government's policy of ensuring that safe and good quality of food is available to the people of the Philippines and to regulate the production, sale and trade of food in such a way as to protect the health of the citizens. R.A. No. 3720, as amended, defines "food" as any processed substance which is intended for human consumption and includes drink for man, beverages, chewing gum and any substances which have been used as an ingredient in the manufacture, preparation or treatment of food. Due to the nature of the business and operations of EDI, it is required to obtain a license from the FDA.

R.A. No. 3720 covers both locally manufactured and imported products and establishes standards as well as quality measures for food. A comprehensive enforcement framework was set up, which is deemed as necessary to ensure a pure and safe supply of food in the country. R.A. No. 3720 prohibits:

- The manufacture, importation, exportation, sale, offering for sale, distribution, transfer, non-consumer use, promotion, advertising, or sponsorship of any health product that is adulterated, unregistered or misbranded;

- The adulteration or misbranding of any health product;

- The refusal to permit entry or inspection as authorized by section 27 of R.A. No. 3720 or to allow samples to be collected;

- The giving of a guaranty or undertaking referred to in Section 12 (b) of R.A. No. 3720 which guaranty or undertaking is false, except by a person who relied upon a guaranty or undertaking to the same effect, signed by, and containing the name and address of the person or entity from whom he received in good faith the health products or the giving of a guaranty or undertaking referred to in section 12 (b) of R.A. No. 3720 which guaranty or undertaking is false;

- Forging, counterfeiting, simulating, or falsely representing or without proper authority using any mark, stamp, tag label, or other identification device authorized or required by regulations promulgated under the provisions of R.A. No. 3720;

- The using by any person to his own advantage, or revealing, other than to the Secretary of Health or officers and employees of the Department of Health or to the courts when relevant in any judicial proceeding under R.A. No. 3720, any information concerning any method or process which as a trade secret is entitled to protection;

- The alteration, mutilation, destruction, obliteration, or removal of the whole or any part of the labelling of, or the doing of any other act with respect to health products if such act is done while such article is held for sale (whether or not the first sale) and results in such article being adulterated or misbranded. Provided, that a retailer may sell in smaller quantities subject to guidelines issue by the FDA;

- The use, in labelling, advertising or other sales promotion of any reference to any report or analysis furnished in compliance with section 26 of R.A. No. 3720;

- The manufacture, importation, exportation, sale, offering for sale, distribution, transfer, non-consumer use, promotion, advertisement, or sponsorship of any health product which, although requiring registration, is not registered with the FDA pursuant to R.A. No. 3720;

- The manufacture, importation, exportation, sale, offering for sale, distribution, transfer, or retail of any drug, device or in-vitro diagnostic reagent, the manufacture, importation, exportation, transfer or distribution of any food, cosmetic or household/urban hazardous substance, or the operation of a radiation or pest control establishment by any natural or juridical person without the license to operate from the FDA required under R.A. No. 3720; and

- The sale, offering for sale, importation, exportation, distribution or transfer of any health product beyond its expiration or expiry date, if applicable.

The commission of any of the prohibited acts stated above can result in imprisonment and/or a fine, in the sole discretion of the courts. Furthermore, any article of food, drug, device or cosmetic that is adulterated or misbranded when introduced into the domestic commerce may be seized and held in custody pending proceedings, without a hearing or court order, when the Director General of the FDA has reasonable cause to believe from facts found by him or any officer or employee of the FDA that such health products may cause injury or prejudice to the consuming public.

R.A. No. 3720 provides:

A food shall be deemed to be adulterated if it bears or contains any poisonous or deleterious substance which may render it injurious to health, but in case the substance is not an added substance such food shall not be considered adulterated under R.A. No. 3720 if the quantity of such substance in such food does not ordinarily render it injurious to health. Food shall be deemed adulterated if it bears or contains any added poisonous or added deleterious substance other than one which is a pesticide chemical in or a raw agricultural commodity for which tolerances have been established and it conforms to such tolerances. Food is adulterated if it consists in whole or in part of any filthy, putrid, or in part decomposed substance, or if it is otherwise unfit for food; Food is deemed adulterated if it has been prepared, packed, or held under unsanitary conditions whereby it may have become contaminated with filth, or whereby, it may have been rendered injurious to health likewise food is deemed adulterated, in whole or in part, the product of a diseased animal or of an animal which has died otherwise than by slaughter. Lastly, if the container is composed, in whole or in part, of any poisonous or deleterious substance which may render the contents injurious to health, the food is considered adulterated.

Furthermore, food shall be deemed adulterated in the following instances:

- if any valuable constituent has been, in whole or in part, omitted or abstracted therefrom and same has not been substituted by any healthful equivalent of such constituent;

- if any substance injurious to health has been added or substituted;

- if damage or inferiority has been concealed in any manner;

- if any substance has been added thereto or mixed or packed therewith so as to increase its bulk or weight, or reduce its quality or strength, or make it appear better or of greater value than it is;

- if it bears or contains a coal-tar color other than one which is permissible under existing regulations;

- if it is confectionery, and it bears or contains any alcohol or non-nutritive article or substance except harmless coloring, harmless flavoring, harmless resinous glass less coloring, harmless flavoring, harmless resinous glass not in excess of four-tenths of one per centum, natural gum and pectin: Provided, that this paragraph shall not apply to any confectionery by reason of its containing less than one-half of one per centum by volume of alcohol derived solely from the use of flavoring extracts, or to any chewing gum by reason of its containing harmless non-nutritive masticatory substances; and

- if it is oleomargarine or margarine or butter and any of the raw material used therein consists in whole or in part of any filthy, putrid or decomposed substance, or such oleomargarine, margarine or butter is otherwise unfit for food.

A food shall be deemed to be misbranded if its labelling is false or misleading in any particular; if it is offered for sale under the name of another food; if it is an imitation of another food, unless its label bears in type of uniform size and prominence, the word “imitation” and immediately thereafter, the name of the food imitated; if its container is so made, formed, or filled as to be misleading; if it is in package form unless it bears a label containing (1) the name and place of business of the manufacturer, packer, distributor and (2) an accurate statement of the quantity of the contents in terms of weight, measure, numerical count; provided, that under this clause (2) reasonable variations shall be permitted, and exemptions as to small packages shall be established by regulations prescribed by the Secretary of Health, if any word, statement, or other information required by or under authority of R.A. No. 3720 to appear on the label or labelling is not prominently placed thereon with such conspicuousness (as compared with other words, statements, designs or devices, in the labelling), and in such terms as to render it likely to be read and understood by the ordinary individual under customary conditions of purchase and use; if it if purports to be or is represented as a food for which a definition and standard of identity has been prescribed unless (1) it conforms to such definition and standard, and (2) its label bears the name of the food specified in the definition and standard, and insofar as may be required by such regulations, the common names of optional ingredients (other than spices, flavoring, and coloring) present in such food if it purports to be or is represented as (1) a food for which a standard of quality has been prescribed by regulations as provided by section 13, and its quality falls below such standard, unless its label bears, in such manner and form as such regulations specify, a statement that it falls below such standard, or (2) a food for which a standard or standards of fill of container have been prescribed by regulations as provided by section 13 and it falls below the standard of fill of container applicable thereto, unless its label bears, in such manner and form as such regulations specify, statement that if falls below such standard; if its label does not bear (1) the common or usual name of the food, if there be any, and (2) in case it is fabricated from two or more ingredients, the common or usual name of each such ingredient; except the spices, flavorings and colorings other than those sold as such, may be designated as spices, flavorings and colorings without naming each: provided, that to the extent that compliance with the requirements of clause (2) is impracticable or results in deception or unfair competition, exemptions shall be established by regulations promulgated by the Secretary of Health; if it purports to be or is presented for special dietary uses, unless its label bears such information concerning its vitamin, mineral and other dietary properties as the Secretary of Health determines to be, and by regulations prescribes as necessary in order to fully inform purchasers as to its value for such uses; if it bears or contains any artificial flavoring, artificial coloring, or chemical preservative, unless it bears labelling stating that fact; Provided, that to the extent that compliance with the requirements of this clause is impracticable, exemptions shall be established by regulations promulgated by the Secretary of Health.

For purposes of enforcement of R.A. No. 3720 officers or employees duly designated by the Secretary of Health, upon presenting appropriate credentials to the owner, operator, or agent in charge, are authorized (1) to enter, at reasonable hours, any factory, warehouse, or establishment in which food, drugs, devices or cosmetics are manufactured, processed, packed, or held, for introduction into domestic commerce; and (2) to inspect, in a reasonable manner, such factory, warehouse, establishment, or vehicle and all pertinent equipment, finished or unfinished materials, containers, and labelling therein.

The Secretary of Health may cause to be disseminated information regarding food, drugs, devices, or cosmetics in situations involving, in the opinion of the Secretary of Health, imminent danger to health, or gross deception of the consumer. The Secretary of Health shall not be prohibited from collecting, reporting and illustrating the results of investigations of the Department of Health (“DOH”).

Laguna Lake Development Authority Clearance

Republic Act No. 4850 as amended, created the Laguna Lake Development Authority ("LLDA") in order to promote and accelerate the balanced growth of the Laguna de Bay Region, with due regard for environmental management and control, preservation and preservation of the quality of human life and ecological systems, and the prevention of undue ecological disturbances, deterioration and pollution.

The LLDA is an attached agency of the Department of Environment and Natural Resources ("DENR") mandated to manage and protect an environmentally critical area which is the Laguna de Bay Region. It is empowered to pass upon and approve or disapprove all plans, programs, and projects proposed by local government offices or agencies within the region, public corporations, and private persons or enterprises where such plans, programs, and projects are related to the development of the region. The Company is engaged in industrial and manufacturing activities which are prescribed developmental activities mandated to secure an LLDA clearance.

The LLDA clearance is issued upon submission of an application and the supporting financial documents. An administrative fine is imposed on establishments operating, developing, or constructing without the necessary LLDA clearance. Any and all proposed, on-going, or completed expansion inconsistent with the previously issued LLDA clearance of an established must be covered by a new LLDA clearance. The change of name or ownership requires an establishment to apply for an amendment of the previously issued LLDA clearance.

Discharge Permit

LLDA Board Resolution No. 33, series of 1996 requires all development projects, installations, and activities that discharge liquid waste or regulated effluents into and pose a threat to the environment of the Laguna de Bay Region, to obtain a Discharge Permit from the LLDA. The Discharge Permit authorizes the owner or operator to discharge wastewater, provided the permit specifies the quantity and quality of effluent that the facility is allowed to discharge into a particular body of water in compliance with schedule and monitoring requirements.

The following activities, projects, or installations are exempt from securing the Discharge Permit:

(a) Single residential buildings and similar human occupancy structures that have twelve cubic meters per day or less in total domestic sewage generation;

(b) Dry industrial establishment that generates twelve cubic meters or less of total domestic sewage per day or with maximum of 212 workers and with septic tanks; and

(c) Industrial or commercial establishment interconnected to central wastewater or sewage treatment plant or facility.

If the LLDA finds upon inspection that an activity, project, or installation is exempt from securing a Discharge Permit, it issues a letter acknowledging the exemption with a proviso that the exemption is without prejudice to subjecting the activity to regular monitoring.

Environmental Compliance Certificate

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate ("ECC") prior to commencement. The DENR, through its regional offices or through the Environment Management Bureau, determines whether a project is environmentally critical or located in an environmentally critical area. As a requisite for the issuance of an ECC, an environmentally critical project is required to submit an Environmental Impact Statement ("EIS") to the EMB while a project in an environmentally critical area is generally required to submit an Initial Environmental Examination

("IEE") to the proper DENR regional office. In case of an environmentally critical project within an environmentally critical area, an EIS is required.

The EIS refers to both the document and the study of a project's environmental impact, including a discussion of the direct and indirect consequences to human welfare and ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the EIS or an IEE may vary from project to project, as a minimum, it contains all relevant information regarding the projects' environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Government certification, indicating that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System and that the proponent is committed to implement its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund ("EGF") when the ECC is issued to projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The EGF is intended to answer for damages caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are mandated to include a commitment to establish an Environmental Monitoring Fund ("EMF") when an ECC is eventually issued. The EMF shall be used to support the activities of a multi-partite monitoring team which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

Aside from the EIS and IEE, engineering, geological and geo-hazard assessments are also required for ECC applications covering subdivisions, housing and other development and infrastructure projects.

The Company incurs expenses for the purposes of complying with environmental laws that consist primarily of payments for Government regulatory fees. Such fees are standard in the industry and are minimal.

Excise Tax Law

The Company's alcohol products are subject to excise taxes which are currently substantially pass on to consumers and form part of the sales prices.

R.A. No. 10351

Excise taxes apply to alcohol products such as distilled spirits, wines and fermented liquors, which are manufactured or produced in the Philippines for domestic sales or consumption or for any other disposition, including imported items. The excise tax imposed by law is in addition to Value Added Tax.

Spirits or distilled spirits are substances known as ethyl alcohol, ethanol or spirits of wine, including all dilutions, purifications and mixtures thereof, from whatever source, by whatever process produced, and includes whisky, brandy, rum, gin and vodka, and other similar products or mixtures. Proof spirits are liquors containing one-half of their volume of alcohol with a specific gravity of 0.7939 at 15˚C. A proof liter is a liter of proof spirits.

Pursuant to R.A. No. 10351, excise taxes on distilled spirits shall be levied, assessed and collected as follows:

- Effective on January 1, 2013:

    - An ad valorem tax equivalent to 15.0% of the net retail price (excluding the excise tax and VAT) per proof; and
    - In addition to the ad valorem tax, a specific tax of ₱20.00 per proof liter.

- Effective on January 1, 2015:

    - An ad valorem tax equivalent to 20.0% of the net retail price (excluding the excise tax and VAT) per proof; and
    - In addition to the ad valorem tax, a specific tax of ₱20.00 per proof liter.

- Effective January 1, 2016, the specific tax rate of ₱20.00 shall be increased by 4.0% every year thereafter, while the ad valorem tax shall remain the same.

- Medicinal preparations, flavoring extracts, and all other preparations, except toilet preparations, of which, excluding water, distilled spirits form the chief ingredient, are subject to the same tax as the chief ingredient.

The tax is proportionally increased for any strength of the spirits, and the tax attaches to this substance as soon as it is in existence as such, whether it be subsequently separated as pure or impure spirits, or transformed into any other substance either in the process of original production or by any subsequent process.

The net retail price shall be determined by the BIR through a price survey under oath. Revenue Memorandum Circular ("RMC") No. 90-2012 issued on December 27, 2012, provides for the initial classification, effective January 1, 2013, of distilled spirits, based on the 2010 price survey conducted by the BIR. Distilled spirits introduced in the domestic market after the effectivity of R.A. No. 10351 are initially taxed at suggested net retail price.

The suggested net retail price means the net retail price at which locally manufactured or imported distilled spirits are intended by the manufacturer or importer to be sold in major supermarkets or retail outlets in Metro Manila for those marketed nationwide, and in other regions, for those with regional markets. At the end of three months from the product launch, the BIR will validate the suggested net retail price of the new brand against the net retail price and determine the correct tax on a newly introduced distilled spirits. After the end of nine months from such validation, the BIR shall revalidate the initially validated net retail price against the net retail price as of the time of revalidation in order to finally determine the correct tax on a newly introduced distilled spirits.

Understatement of the suggested net retail price by as much as 15.0% of the actual net retail price results in the manufacturer's liability for additional excise taxes equivalent to the tax due and the difference between the understated suggested net retail price and the actual net retail price.

Manufacturers and importers of distilled spirits, within 30 days from the effectivity of R.A. No. 10351 and within the first five days of every third month thereafter, submit to the BIR a sworn statement of the volume of sales for each particular brand of distilled spirits sold at his establishment for the three-month period immediately preceding.

Any manufacturer or importer who misdeclares or misrepresents in the sworn statement any pertinent data or information shall, upon final findings by the BIR that the violation was committed, be penalized by a summary cancellation or withdrawal of the permit to engage in business as a manufacturer or importer of distilled spirits. Any corporation, association or partnership liable for any of the acts or omissions in violation of the provision on excise tax for distilled spirits under R.A. No. 10351 will be fined treble the amount of deficiency taxes, surcharges and interest which may be assessed. Any person liable for, or who wilfully aids or abets a personally liable for, any of the acts or omissions prohibited under the excise tax laws will be criminally liable and penalized under the National Internal Revenue Code of 1997, as amended (the "Philippine Tax Code"). Non-nationals will be deported immediately after serving the sentence.

Scotch Whisky Regulations 2009

The Scotch Whisky Regulations 2009 ("SWR") came into force on November 23, 2009, replacing the Scotch Whisky Act 1988 and the Scotch Whisky Order 1990. Whereas the previous legislation had only governed the way in which Scotch Whisky must be produced, the SWR also set out rules on how Scotch Whiskies must be labelled, packaged and advertised, as well as requiring Single Malt Scotch Whisky to be bottled in Scotland, labelled for retail sale, from November 23, 2012. The SWR make clear that Scotch Whisky must be wholly matured in Scotland. They also require that all maturation must take place in an excise warehouse or in another permitted place regulated by Her Majesty's Revenue and Customs ("HMRC").

Regulation 3(2) defines five categories of Scotch Whisky. The relevant category description must appear clearly and prominently on every bottle of Scotch Whisky sold.

- Single Malt Scotch Whisky – A Scotch Whisky distilled at a single distillery (i) from water and malted barley without the addition of any other cereals, and (ii) by batch distillation in pot stills. From 23 November 2012, Single Malt Scotch Whisky must be bottled in Scotland.

- Single Grain Scotch Whisky - A Scotch Whisky distilled at a single distillery (i) from water and malted barley with or without whole grains of other malted or unmalted cereals, and (ii) which does not comply with the definition of Single Malt Scotch Whisky.

- Blended Scotch Whisky - A blend of one or more Single Malt Scotch Whiskies with one or more Single Grain Scotch Whiskies.

- Blended Malt Scotch Whisky - A blend of Single Malt Scotch Whiskies, which have been distilled at more than one distillery.

- Blended Grain Scotch Whisky - A blend of Single Grain Scotch Whiskies, which have been distilled at more than one distillery.

SWR provided added legal protection for the traditional regional names with Scotch Whisky production, ie 'Highland', 'Lowland', 'Speyside', 'Campbeltown', and 'Islay'. These names can only appear on whiskies wholly distilled in those regions. A distillery name must not be used as a brand name on any Scotch Whisky which has not been wholly distilled in the named distillery. Labelling must not by any other means mislead consumers as to where the Scotch Whisky has been distilled.

SWR maintain the long standing rule on the use of age statements, i.e. the only age which may be stated is the age of the youngest Scotch Whisky in the product. When distillation or vintage year will be used, then only one year may be mentioned together with the year of bottling or age statement which must appear in the same field of vision as the year of distillation or vintage, and all of the whisky in the product must have been distilled in that vintage year.

BIR Issuances

To implement R.A. No. 10351, the BIR issued Revenue Regulation ("RR") No. 17-2012 on December 26, 2012. Among others, RR No. 17-2012 provides that for purposes of tax classification, alcohol or tobacco products, whether imported or domestically manufactured in the Philippines, shall be taxed according to their individual brand name (whether or not with prefix or suffix), color and/or design of label (such as logo, font, picturegram, and the like), manner and/or form of packaging or size of container of the product. RR No. 17-2012 also provides that all cigarettes whether packed by hand or packed by machine shall only be packed in twenties (20s), and through other packaging combinations which shall result to not more than 20 sticks of cigarettes: provided, that, in case of cigarettes packed in not more than 20 sticks, whether in five sticks, 10 sticks and other packaging combinations below 20 sticks, the net retail price of each individual package of 5s, 10s, etc. shall be the basis of imposing the tax rate prescribed under R.A. No. 10351.

The BIR also issued RMC No. 3-2013 on January 9, 2013, which clarified that “ethyl alcohol, ethanol, or spirits of wine, including all dilutions, purifications and mixtures thereof” were separate and distinct distilled spirits from “whisky, brandy, rum, gin and vodka.” Consequently, both groups of distilled spirits should be subject to separate and distinct excise taxes. However, on February 15, 2013, the BIR issued RMC No. 18-2013, which amended RMC No. 3-2013 insofar as ethyl alcohol is concerned. RMC 18-2013 provides as follows:

The importation of ethyl alcohol or ethanol intended for re-sale or for the manufacture of compounded liquors shall be subject to excise tax unless the importer thereof is a holder of a Permit to Operate as importer of ethyl alcohol or ethanol or as a manufacturer of compounded liquors, as the case may be, duly issued by the BIR and has posted a surety bond, in addition to the importer’s bond prescribed under Section 160 of the Philippine Tax Code;

In case of domestic sale of ethyl alcohol or ethanol by duly registered manufacturers thereof, otherwise known as distilleries, the sale and delivery of ethyl alcohol or ethanol directly to manufacturers of compounded liquors shall be subject to excise tax, unless a surety bond shall be posted by the distillery, in addition to the manufacturer’s bond prescribed under Section 160 of the Philippine Tax Code. Moreover, the sale and delivery of ethyl alcohol or ethanol without the payment of the excise tax to be used as raw material in the manufacture of compounded liquors shall not be allowed unless the buyer thereof is a holder of a Permit to Operate as manufacturer of compounded liquors duly issued by the BIR;

The removal of ethyl alcohol or ethanol from distilleries for purposes of rectification shall be conditionally tax-exempt and the excise tax due on the rectified alcohol shall be paid by the rectifier pursuant to the provisions of Section 137 of the Philippine Tax Code and its implementing rules and regulations. In case the rectifier shall remove and deliver the rectified alcohol to manufacturers of compounded liquors, such removal shall not be subject to excise tax provided that a surety bond in an amount similar to that provided for distilleries shall have been posted by the rectifier;

The duly registered importer of ethyl alcohol or ethanol intended for resale shall be liable to the excise tax on sale and delivery thereof to persons or entity other than to manufacturers of compounded liquors;

All existing manufacturers of compounded liquors are now liable to pay the excise tax on every removal of compounded liquors from its place of production pursuant to R.A. No. 10351, and are required to post an initial manufacturer’s bond prescribed under Section 160 of the Philippine Tax Code equivalent to the excise due on the total volume of compounded liquors that have been actually removed from the place of production in the immediately previous year of operation;

With respect to the tolling, bottling and other sub-contracting agreements prescribed under Section 21 of R.R. No. 03-2006, the owner of the alcohol products shall be the person liable to pay the excise tax before removal thereof from the place of production of the toller or sub-contractor; and

The excise tax that has already been paid on ethyl alcohol or ethanol pursuant to RMC No. 3-2013 shall not be entitled to tax credit/refund or shall not be deducted from the total excise tax due on compounded liquors.

UK excise duty

Total duty and excise tax payment made up about 76% of the average price of a bottle of whisky. In 2014 budget, the duty on spirits was frozen and the alcohol duty escalator scrapped. Alcohol duty had risen by inflation plus 2% each year from 2008. In 2015 budget, Chancellor George Osborne announced a 2% cut on excise duty on spirits. It is said to be the first cut in spirits duty in almost 20 years. In 2016 budget, a freeze on excise duty have been announced. According to the Scotch Whisky Association, the duty burden on a 70cl bottle of Scotch at the average price of £13 has been reduced from £7.90 to £7.74 to £7.59. The total tax burden, including VAT, now stands at £9.91, or 76% of the average price of a bottle of Scotch - down from 78%.

RESEARCH AND DEVELOPMENT

EMP develops new products and regularly seeks to expand its existing product lines. EMP researches new processes and tests new equipment to maintain and improve the quality of its beverages. EDI has a research and development staff of approximately five people and also conducts extensive research and development for new products, line extensions for existing products and for improved production, quality control and packaging, as well as consumer preferences, habits and trends. The amount spent on research and development activities in percentage to total revenues in each of the last three years is minimal.

Likewise, WMG is committed to research and development activities in order to secure its position as one of the market leaders in the production, marketing and distribution of Scotch whisky, vodka, liqueurs and other alcoholic drinks.

EMPLOYEES

The following table sets out the full-time employees of the Company as of December 31, 2015.

Officers	14
Managers	74
Supervisors and ranks	930
Total	1,018
Whyte and Mackay	489
TOTAL	1,507

The Group intends to hire additional employees if the present workforce becomes inadequate to handle operations. WMG anticipates to hire fourteen personnel. The newly-acquired Spanish business has one hundred forty-four employees.

AWGI has a renewed five-year collective bargaining agreement with its production employees covering the period up to January 20, 2020. The employees also agree to follow certain grievance procedures and to refrain from strikes during the term of the agreement. Whyte and Mackay has recognition agreements with both UNITE and GMB trade unions and relationships with both are good; there has been no recent unrest.

The Group gives full and fair consideration to the employment of disabled persons for suitable jobs, as well as their training, career development and promotion within the Group.

The Group has not experienced any disruptive labor disputes, strikes or threats of strikes, and management believes that the Group's relationship with its employees in general is satisfactory.

RISKS ASSOCIATED WITH THE BUSINESS

The Company's businesses may be disrupted by natural disasters and outbreaks of infectious diseases or fears of such occurrences in its business areas.

It is not possible to predict the extent to which the Company's various businesses in general will be affected by any of the above occurrences or fears that such occurrences will take place, and there can be no assurance that any disruption to its businesses will not be protracted or that property will not be damaged, or that they could not materially and adversely affect their business, financial condition and results of operations.

Whyte and Mackay have a substantial inventory of aged stocks which mature over periods of up to 60 years. The maturing inventory is stored in various locations across Scotland, and the loss through contamination, fire or other natural disaster of all or a portion of the stock could result in a significant reduction in supply of products and consequently consumer demand for these products would not be met, and turnover and profitability would be adversely affected.

This risk is mitigated by ensuring appropriate insurance coverage is in place.

Demand for the Company's products may be adversely affected by changes in consumer preferences and tastes, product quality and reputation, or Company's reputation.

EDI currently sells the following brands of alcoholic beverages, Emperador Brandy, Emperador Light, Emperador Deluxe, Andy Player Whisky, The Dalmore Scotch whisky, Jura Scotch whisky and Whyte & Mackay Scotch whisky,Smirnoff Mule and The Bar beverages and cocktails. It also sells the special editions – Emperador Deluxe Special Reserve, Emperador Grand Supreme and Zabana Rum in its retail stores: 'Emperador' at Eastwood City and Ninoy Aquino International Airport Terminal 3, 'The Dalmore' at t Lucky Chinatown mall and 'The World's Finest Liquor' at Resorts World Manila. While it has cornered the biggest chunk of the market, maintaining the competitive position depends on its continued ability to offer products that appeal to consumers. Consumer preferences may shift due to a variety of factors, including changes in demographic and social trends, leisure activity patterns and a downturn in economic conditions, which may reduce consumers' willingness to purchase premium branded products. The Company believes that its reputation for product quality is one of its principal competitive advantages and, as a result, any such damage to its reputation for quality could have a material adverse effect on the Company's business, financial condition and results of operation. In addition, concerns about health effects due to negative publicity regarding alcohol consumption, negative dietary effects, regulatory action or any litigation or customer complaints against companies in the industry may have an adverse effect on profitability.

Whyte and Mackay faces competition from several international companies as well as local and regional companies in the countries in which it operates. WMG can effectively compete as they have differentiated brands which consumers choose.

The prices of the Company's brandy products have increased, and may continue to increase, because of the Sin Tax Reform Law of 2012 which may result in decreased demand for, and sales of, its products.

EDI's products are subject to excise taxes levied on alcohol and tobacco producers by the Government. The applicable duty on alcohol products will increase gradually, increasing the price of spirits by a specific tax of ₱20.00 per proof liter, plus an ad valorem tax equivalent to 15.0% of the net retail price per proof and with varying levels for other alcoholic drinks including wine and beer. By January 1, 2015, the ad valorem tax is increased to 20.0% of the net retail price per proof while the specific tax of ₱20.00 per proof liter is maintained. In addition, to prevent excise tax erosion from inflation, rates will be further increased by 4.0% each year effective 2016 for distilled spirits and 2018 for beer. Presently, EDI passes these increasing tax payments to consumers by increasing the prices of its products. However, there can be no assurance that EDI will, in the future, continue to be able to raise the prices of its products and pass on to its customers higher excise taxes, which could result in lower sales volume or lower margin. Consequently, the Company's sales, result of operations and financial condition could be materially and adversely affected.

The Company's operating results may be adversely affected by increased costs or shortages of raw materials, packaging materials or labor.

The raw materials that EDI and WMG use for the production of its beverage products are largely commodities that are subject to price volatility caused by changes in global and local supply and demand, weather conditions, agricultural uncertainty or governmental controls. If commodity price changes result in unexpected increases in raw materials cost or if the cost of packaging materials increase, the Group may not be able to increase its prices to offset these increased costs without suffering reduced volume, revenue and operating profit. The Group may be adversely affected by shortages of such raw materials or packaging materials. The Group mitigates this risk through effective supplier selection, procurement practices and effective monitoring of the commodity markets supplemented by making appropriate price increases wherever possible.

Similarly, the operating results could be adversely affected by labor or skill shortages or increased labor costs due to increased competition for employees, higher employee turnover or increased employee benefit costs. Success is dependent on the capability of its employees. There is no guarantee that the Group will continue to be able to recruit, retain and develop the capabilities that it requires to deliver its strategy, for example in relation to sales, marketing and innovation capability within markets or in its senior management.

The Company is subject to risks associated with growing its business through acquisitions, such as a failure to successfully integrate any acquired entity and its assets.

Growth through acquisitions involves business risks, including unforeseen contingent risks or latent business liabilities that may only become apparent after the acquisition is finalized, unsuccessful integration and management of the acquired entity with the Company, failure to retain key personnel and risks relating to management of a larger business, including diversion of management's attention from other on-going business concerns. If the Company is unable to manage these risks successfully, its results of operations and financial condition could be adversely affected.

Water is critical to the Company's operations and any shortage or contamination of its water supply source would adversely affect its operations.

EDI sources its water requirements for its beverage production from two deep wells located in its facility. The water then undergoes treatment at its in-house water filtration facility to ensure water safety and suitability for beverage production. The Philippines has from time to time experienced drought conditions and may continue to experience drought, for example, caused by El Niño. If the Company experiences a shortage of water for any reason, including competition from other users, drought or contamination, its beverage production business could be materially and adversely affected.

The Company is effectively controlled by the Tan Family and depends on their continued services.

Through its direct interest in AGI, and in the companies that beneficially own shares in AGI and in AGI's subsidiaries, the Tan Family effectively controls the Company. Dr. Andrew Tan and his spouse, Mrs. Katherine Tan, both serve on AGI's and the Company's board of directors as Chairman and Treasurer, respectively. Their sons, Messrs. Kevin Andrew Tan and Kendrick Andrew Tan, are directors of EDI. These positions allow the Tan Family to control shareholder decisions and exercise significant control over board decisions in AGI and in each of its major subsidiaries such as the Company. They are also an integral part of the Company's success, and the expertise, experience and business relationships that would be lost should any such persons depart could be difficult to replace and may result in a decrease in the Company's operating efficiency and financial performance. The respective businesses or activities of other Tan Family-related companies currently do not compete with the Company's businesses or activities, but they may do so in the future.

Volatility in the value of the peso against the U.S. dollar and other currencies could adversely affect the Company's business.

The peso has recently depreciated in value as compared to the U.S. dollar. Exchange rate to a dollar went up to P47.166 at December 31, 2015 from P44.617, P44.414 and P41.192 at December 31, 2014, 2013 and 2012, respectively. Reduced risk appetite for emerging market assets could also result in a decline in value of the peso as investors move their portfolios out of emerging markets. Intervention in the currency markets as well as changes in demand for the peso could result in volatility in the value of the peso against the U.S. dollar and other currencies.

RISKS MANAGEMENT AND BUSINESS STRATEGY

Risks are integral part of business. Opportunity for advancement cannot be achieved without taking risks. This is why the Company and its subsidiaries adopted a policy whereby risks are identified before they cause significant trouble for the business. They carefully prepare structured/strategic plans to anticipate the inherent risks in their activities and set up methods to mitigate the effects of these risks. Risks are prioritized based on their impact to business, and probability of occurrence. There is a monitoring system that keeps track of the indicators and the actions/corrections undertaken. Feedbacks, both internal and external, are important for current and emerging risks.

The Group's risk management is coordinated with the Board of Directors and focuses on actively securing short-to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns. The Group does not actively engage in the trading of financial assets for speculative purposes.

2. PRINCIPAL PROPERTIES

EDI produces its alcoholic beverage products at two facilities in the vicinity of Santa Rosa, Laguna, Philippines. The Company's main facility in Santa Rosa, Laguna is being leased on an automatic annual renewal basis from Tradewind Estates, Inc. ("TEI"), which is a wholly-owned subsidiary of its affiliate, Alliance Global Brands, Inc. [*Note*, EDI acquires TEI in March 2016 by way of share purchase.] The lease agreement includes the use of the premises and the services of certain workers provided by TEI. The Laguna facility is located on high ground that is well protected from flooding. It is also located on what the Company considers to be one of the best sources of fresh water in the Philippines. The annex production facility at Laguna Technopark 1 in Biñan, Laguna (in close proximity to its main plant in Santa Rosa) was acquired from Diageo Philippines in May 2012. The acquisition increased the Company's production and technical capabilities in the Philippines and further boosted the Company's competitiveness in promoting 'Emperador' as a strong global brand. In addition, the Company installed high-speed bottling lines to replace one of the bottling lines previously used by Diageo plc. The purchase and the update of the annex bottling facility increased the Company's total bottling capacity by 33.0%.

The glass manufacturing plant at Canlubang Industrial Estate in Calamba, Laguna is being leased from AGI on an annual renewal basis.

In February 2013, EDI acquired from Condis a distillery plant in Nasugbu, Batangas. The acquisition included inventory of molasses and alcohol and delivery vehicles. Also in 2013 and 2014, the Spain group acquired vineyard estates in Toledo, called Daramezas and Bergonza, and in Madrid, called Monte Batres. BLC's main industrial facilities are located at Jerez de la Frontera in Cadiz and Tomelloso in Ciudad Real.

Whyte and Mackay owns four malt distilleries and one grain distillery in Scotland, a network of onsite warehouses and related plant and equipment within its facilities. Its distilleries which have a total capacity of almost 49 million liters of alcohol are: (i) Dalmore distillery built on a freehold 15-hectare site; (ii) Tamnavulin distillery built on a freehold 7-hectare site; (iii) Fettercairn distillery built on a freehold 14-acre site; (iv) Jura distillery built on a freehold 5-acre site; and (v) Invergordon (grain) distillery built on a freehold 112-acre site.

The Grangemouth bottling facility is built on a 10-acre site. This bottling facility is leased under an operating lease agreement for a term of 30 years that runs to 2036. The corporate headquarters of Whyte and Mackay in Dalmore House in Glasgow, is occupied under lease for a term of 25 years that runs to 2016. [During 2016 Whyte and Mackay will move the corporate office to another building at 319 St Vincent St Glasgow on a 10 year lease.] Whyte and Mackay has warehouses in Edinburgh that are being leased under a 50 year term which started in 1979 and a warehouse in Bathgate which is on a rolling 12 month lease.

3. LEGAL PROCEEDINGS

The Company may be subject to various legal proceedings and claims that arise in the ordinary course of business. As of to-date, the Company is not engaged in or subject to any material pending legal proceedings to which the Company or any of its subsidiaries or affiliates is a party or of which any of its property is the subject.

4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On May 18, 2015, the Company submitted for approval of its stockholders the Minutes of the Annual Meeting of Stockholders held on 23 June 2014 and the Minutes of the Special Meeting of Stockholders held on 15 December 2014, and the amendment of the corporate name in the By-Laws which approval was obtained by a vote of more than 2/3 of the subscribed and outstanding capital stock of the Company.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

MARKET INFORMATION

The common shares of the Company are traded on the Philippine Stock Exchange ("PSE") under the symbol of EMP. The Company's common stock was first listed on the PSE on December 19, 2011. The closing price of the said shares on March 14, 2016 is P8.10.

The following table sets out, for the periods indicated, the high and low sales price for the Company's common shares as reported on the PSE:

Year		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2013	High	22.00	21.95	16.46	12.50
	Low	7.42	13.94	8.48	8.75
2014	High	12.40	12.98	11.84	11.18
	Low	10.54	11.00	10.32	10.04
2015	High	11.90	11.72	9.90	9.85
	Low	9.79	8.60	6.80	6.98

SHAREHOLDERS

As of February 29, 2016, the Company has 20 shareholders of record and 262 nominees. The following table sets forth the shareholders of the Company with their direct holdings as of February 29, 2016:

Rank	Name of Stockholder	No. Of Shares Subscribed	% OF OWNER SHIP
1	Alliance Global Group, Inc.[1]	13,138,249,995	81.50%
2	PCD Nominee Corporation (Non- Filipino)	2,371,786,415	14.71%
3	PCD Nominee Corporation (Filipino)	391,523,731	2.43
4	The Andresons Group, Inc.	217,866,400	0.002%
5	William Ragos Enrile II	300,000	0.002%
6	Chad V. Valencia	100,000	0.001%
7	John T. Lao	60,000	0.0001%
8	Eric U. Lim	40,000	0.0001%
9	Marjorie Anne Lim Lee	30,000	0.0001%
10	Edwin U. Lim	30,000	0.0001%

11	Alfred Reiterer	10,000	0.0001%
12	Frederick D. Go	1,000	-nil-
13	Ma. Christmas R. Nolasco	1,000	-nil-
14	Stephen G. Soliven	1,000	-nil-
15	Christine F. Herrera	100	-nil-
16	Julius Victor Emmanuel D. Sanvictores	100	-nil-
17	Joseph A. Sy &/or Evangeline T. Sy	100	-nil-
18	Bartholomew Dybuncio Young	100	
19	Owen Nathaniel S. Au ITF: Li Marcus Au	50	-nil-
20	Joselito T. Bautista	9	-nil-
	TOTAL	**16,120,000,000**	**100%**

[1]AGI beneficially owns shares held by foreign subsidiaries totaling 1,431,764,995 shares representing about 8.88%.

DIVIDEND POLICY

Under Philippine law, a corporation may generally declare dividends if it has unrestricted retained earnings. Unrestricted retained earnings represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purposes and which are free for distribution to the shareholders as dividends. If declared by the corporation's board of directors, a corporation may pay dividends in cash, by the distribution of property, by the issuance of shares or by a combination of the three, as the board of directors shall determine and subject to the approval of the SEC, as may be required by law. A cash dividend declaration does not require any further approval from shareholders. Stock dividends can be issued with the approval of shareholders representing at least two-thirds of the issued and outstanding stock voting at a shareholders' meeting duly called for the purpose. The board of directors may not declare dividends which will impair its capital.

The Company declared a cash dividend in the amount of P0.16 and P0.15 per share on August 6, 2014 and June 17, 2015, respectively.

The Company may declare dividends when there are unrestricted earnings available, but any such declaration will take into consideration a number of factors including restrictions that may be imposed by current and prospective financial covenants, projected levels of operating results of its businesses/subsidiaries, working capital needs and long-term capital expenditures of its businesses/subsidiaries; and regulatory requirements on dividend payments, among others.

RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES, INCLUDING RECENT ISSUANCE OF SECURITIES CONSTITUTING AN EXEMPT TRANSACTION

In August 2013, the Company and AGI, among other investors, have agreed to subscribe to an aggregate of up to 15,000,000,000 shares of the Company at par value of Php1.00 per share to be issued out of an increase in capital stock, which increase was approved by the SEC on September 5, 2013. The aforesaid subscription to the capital increase is exempt from registration with the SEC, it being an exempt transaction by express provision of Section 10.1 (i) of Republic Act No. 8799, otherwise known as the Securities Regulation Code.

In September 2013, the Company together with AGI as the Selling Shareholder offered for sale 1,800,000,000 existing common shares (the "Offer Shares") at P8.98 per Offer Share (the "Offer Price"). The Offer Shares were offered to persons outside the United States in reliance on Regulation S under the United States Securities Act of 1993, as amended. The Offer Shares are being offered in the Philippines to qualified buyers in reliance on Section 10.1(I) of Republic Act No. 8799, otherwise known as the Securities Regulation Code of the Philippines, as amended. Macquarie Capital (Singapore) Pte. Limited acted as the Sole Global Coordinator, Sole Bookrunner and Lead Manager. The Selling Shareholder agreed to remit to the Company an amount equal to a portion of the proceeds from the sale of 1,431,764,005 Offer Shares sold by the Selling Shareholder at the Offer Price. The remainder of the proceeds from the offer was retained by the Selling Shareholder.

In November 2014, the Company approved the subscription by and issuance to Arran of common shares and equity linked securities which shall be convertible into common shares, which were issued from the unissued shares of the Company, as follows:

1) the subscription by Arran to 1,120,000,000 common shares at a subscription price of P12,320,000,000.00;

2) the issuance to Arran of equity linked securities in the principal amount of P5,280,000,000.00 which shall be convertible into 480,000,000 common shares;

3) the grant to Arran of an investment option consisting of: (a) the option to subscribe to 280,000,000 common shares each with a par value of One Peso (P1.00) at a subscription price of P3,080,000,000.00, and (b) equity linked securities in the principal amount of P1,320,000,000.00 which shall be convertible into 120,000,000 common shares; and

4) the issuance to Arran of up to a maximum of 2,598,416,478 common shares corresponding to the interest payable to Arran under the equity linked securities, at an issue price equal to the thirty (30)-trading day volume-weighted average share price (VWAP) of the Company's shares ending on the date that is one trading day prior to the payment of the interest to Arran.

In November 2014, the Company also approved an Employee Stock Option Plan (the "Plan") for qualified employees of the Company and its subsidiaries. In November 2015, stock options were granted to qualified employees of the Company and its subsidiaries giving these employees the right to subscribe to a total of 118 million common shares of the Company at the exercise price of Php7.00 per share.

Under the Plan, stock options may be granted within ten (10) years from approval by stockholders of the Company owning at least 2/3 of its outstanding capital stock. The exercise price shall be at a 15% discount from the volume weighted average closing price (VWAP) of the Company's common shares for the nine months immediately preceding the date of grant; however, for the first batch of options to be granted, the exercise price shall be at P7.00/share. The Company shall reserve up to 1,000,000,000 common shares representing 5% of the authorized capital stock for issuance pursuant to the Plan. Stock options may be exercised by the grantee beginning on his 60th birthday subject to the terms and conditions of the Plan.

The Plan shall be administered by the Compensation and Remuneration Committee of the Board, which shall determine the eligible participants of the Plan for a particular calendar year as well as the number of shares to be covered by each option so granted, taking into consideration their position and responsibilities, nature and value of their services and accomplishments, and their present and potential contribution to the success of the Company, and such other factors as the Committee may deem relevant.

The purpose of the Plan is to enable qualified employees of the Company to participate in the growth of the Company, thereby encouraging long-term commitment to the Company and to encourage senior management to develop and train future leaders that will continue business growth and success of the Company.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

KEY PERFORMANCE INDICATORS

In Million Pesos	2015	2014	2013	%Growth 2015	%Growth 2014
Revenues	₱ 43,645	₱ 32,009	₱ 29,865	36.4	7.2
Net profit	₱ 6,960	₱ 6,204	₱ 5,831	12.2	6.4
Total assets	₱ 98,259	₱ 99,558	₱ 35,225	-1.3	182.6
Total current assets	₱ 59,193	₱ 66,099	₱ 30,787	-10.4	114.7
Total current liabilities	₱ 39,489	₱ 44,280	₱ 4,249	-10.8	942.1
Gross profit margin %	31.61	35.12	32.25		
Net profit rate %	15.95	19.38	19.52		
Return on investment %	7.08	6.23	16.55		
Current ratio	1.50x	1.49x	7.25x		
Quick ratio	1.08x	1.13x	6.37x		

- Revenue growth – measures the percentage change in revenues over a designated period of time
- Net profit growth – measures the percentage change in net profit over a designated period of time.
- Gross profit margin – computed as percentage of gross profit [which is sales less cost of sales] to sales – gives indication of pricing, cost structure and production efficiency.
- Net profit rate– computed as percentage of net profit to revenues - measures the operating efficiency and success of maintaining satisfactory control of costs
- Return on investment [or capital employed] – the ratio of net profit to total assets - measures the degree of efficiency in the use of resources to generate net income
- Current ratio – computed as current assets divided by current liabilities – measures the ability of the business to meet its current obligations. To measure immediate liquidity, quick assets [cash, marketable securities, accounts receivables] is divided by current liabilities.

RESULTS OF OPERATIONS

The years 2013 to 2015 saw the offshore growth of Emperador business. The Group acquired Bodegas Las Copas ("BLC") and Bodega San Bruno in Spain in February 2014 and early 2013, respectively, and Whyte and Mackay ("WMG") in UK in October 2014. BLC is a joint venture which is accounted for under the equity method while WMG is a wholly owned subsidiary which is consolidated beginning November 2014. These provided platforms for international expansion and domestic premiumization for Emperador. Another feat is the acquisition of a brandy and sherry business in Spain, a deal inked in November 2015 and the assets turned over in March 2016.

Year Ended December 31, 2015 Compared With Year Ended December 31, 2014

Revenues
Total revenues hit 36.4% growth to P43,645 million in 2015 from P32,009 million a year ago, on the back of Whyte and Mackay full year results consolidated this year while Emperador experienced soft volume locally during the year.

Other revenues were lower this year due to the divestment of temporary short-term investments.

Costs and Expenses
Total costs and expenses went up by 47.2% to P35,195 million in 2015 from P23,901 million a year ago, primarily due to WMG operations that were consolidated beginning November 2014.

Cost of Goods Sold
Costs went up by 45.0% primarily due to WMG. Emperador's costs during the year decreased by 6% due to soft volume and cost efficiencies.

Gross Profit

As a result, gross profit improved by 23.8% to P13,678 million in 2015 from P11,049 million in 2014. Emperador's gross profit rate for 2015 was up at 39% as compared to 37% a year ago due to cost efficiencies. WMG has a relatively low gross margin which is at 19.7% in 2015.

Other operating expenses
Selling and distribution expenses expanded by 22.5% to P3,250 million from P2,652 million while general and administrative expenses climbed by 169.7% to P1,828 million from P678 million. These increases are attributed to expenses incurred by Whyte and Mackay, particularly in advertising and promotions, salaries and employee benefits, outside services and freight and handling.

Other charges

Other charges soared by 226.2% to P528 million from P162 million primarily due the interest expense recorded from the equity-linked securities and foreign-currency denominated loans which were incurred to partly finance the acquisition of WMG in October 2014.

Profit before Tax

As a result of the foregoing, profit before tax was up by 4.2% to P8,450 million in 2015 from P8,108 million in 2014.

Tax Expense

Tax expense was down 21.8% to P1,490 million from P1,904 million a year ago primarily as a result of the lower taxable income of Emperador and deferred tax benefit of WMG.

Net Profit

As a result of the foregoing, net profit increased by 12.2% to P6,960 million from P6,204 million a year ago.

Year Ended December 31, 2014 Compared With Year Ended December 31, 2013

Revenues
Total revenues grew by 7.2% to P32,009 million in the year 2014 from P29,865 million a year ago primarily due to the revenues contributed by Whyte and Mackay which were derived from its two-month operations. Emperador sales for the year were at about the same level as last year.

Other revenues appeared to have gone down by more than half to P551 million from P1,258 million due to foreign currency gains booked in 2013.

Costs and Expenses
Total costs and expenses went up by 8.8% to P23,901 million in the year 2014 from P21,960 million a year ago primarily due to those attributed to Whyte and Mackay's two months operations.

Cost of Goods Sold
Costs of goods sold increased by 5.3% to P20,409 million in 2014 from P19,382 million a year ago due to the two month's costs from Whyte and Mackay. While Emperador's sales remain flat, its costs during the year decreased by about 10.0% due to cost efficiencies attributed substantially to the good retrieval of recycled bottles.

Gross Profit

As a result, gross profit improved by 16.5% to P11,049 million for 2014 from P9,225 million for 2013. Emperador's gross profit rate for 2014 climbed to 38% as compared to 32% a year ago.

Other operating expenses
Selling and distribution expenses expanded by 26.4% to P2,652 million from P2,098 million while general and administrative expenses ballooned by 212.4% to P678 million from P217 million. These increases are attributed to Whyte and Mackay spends which totaled P519 million and the non-recurring expenses incurred in the acquisition of WMG which totaled P310 million.

Other charges

Other charges decreased by 38.5% to P162 million from P263 million primarily due the reversal of the P212 million fair value loss on derivatives booked in 2013. Also in 2014, interest on borrowings incurred to partly finance the acquisition of WMG totalled to about P71 million.

Profit before Tax

As a result of the foregoing, profit before tax was slightly higher by 2.6% to P8,108 million in the year 2014 from P7,905 million in the year 2013.

Tax Expense

Tax expense shrank by 8.2% to P1,904 million in 2014 from P2,074 million in 2013 primarily as a result of the higher deductible expenses.

Net Profit

As a result of the foregoing, net profit increased by 6.4% to P6,204 million in 2014 from P5,831 million in 2013.

FINANCIAL CONDITION

December 31, 2015 and 2014

Total assets amounted to P98,259 million as of December 31, 2015 which is 1.3% down from P99.558 million as of December 31, 2014, which is primarily attributed to repayment of debts associated with the WMG acquisition. The Group is strongly liquid with current assets exceeding current liabilities 1.50 times by the end of the current year.

Cash and cash equivalents shrank by 17.2% or P6,057 million in 2015 because of debts repayment, additions to property, plant and equipment and dividend payment. The Group ended 2015 with P29,177 million in its coffers.

Financial assets at fair value through profit or loss were disposed of to pay off debts.

Inventories went up by 5.2% or P803 million, primarily due to increase in work-in-process at WMG which are basically maturing whisky stocks stored in various locations across Scotland.

Prepayments and other current assets dropped by almost half or P304 million due to timing of prepayments and subsequent charging to profit or loss of rent, advertising and general accounts, mostly from WMG.

Investment in a joint venture represents the share in net profits of BLC for 2015.

Property, plant and equipment went up by 24.4% or P2,799 from costs incurred in the ongoing construction of new distillery plant in Batangas, upgrade of IT system and buildings in UK.

Other non-current assets swelled by 737.2% or P2,780 million, due to the deposit paid to Beam Suntory for the acquisition of the brandy and sherry business in Spain.

Trade and other payables went down by P4,477 million or 22.8%, primarily due to repayment of advances from related parties which were used in the acquisition of WMG. Similarly, short-term loans totaling P23,827.2 million in 2014 were fully paid in 2015; new loans were, however, obtained anew from banks to finance the acquisition from Beam Suntory.

Financial liabilities at fair value through profit or loss were booked in 2014 as a result of lower market values of foreign exchange contracts at that time.

Income tax payable decreased by 25.9% or P148 million, due to lower unpaid taxes at end of year.

Equity-linked debt securities represent the debt instrument issued to Arran for its initial investment paid in December 2014, presented net of the related P26.4 million documentary stamp tax. The P5 million increase represents the amortization of such tax. The interest accrued on the debt instrument amounted to P264 million in 2015 and is presented under non-current liability because such will be payable at the time of conversion or maturity.

Provisions refer to the amount provided by WMG for leased properties located in Scotland. These include restoration costs to be incurred for the restoration of the leased properties to specified condition at the end of the lease, and tenant repairing clauses. Also, there is provision for the vacant or discounted sublet portions of the leased properties. There was drop in onerous lease provision because of having a new tenant in one of the units which cause a change in the assumptions.

Deferred tax liabilities are attributed to the UK group. These are net of deferred tax assets of EDI and AWGI.

Revaluation reserves refer to actuarial valuation remeasurements of retirement benefit obligations, which is attributed to WMG.

Accumulated translation adjustments refer to the resulting difference in the translation of the foreign subsidiaries's financial statements to Philippine pesos.

Non-controlling interest refers to the redeemable, non-reissuable, non-participating preferred shares of AWGI issued to Arran in 2015. The same amount was received in 2014 and reported under deposit for future stock subscription in 2014.

December 31, 2014 and 2013

Total assets grew by 182.6% to P99.559 million as of December 31, 2014 from P35,225 million as of December 31, 2013, or 675.8% from P12,834 million as of December 31, 2012. These growths rates are attributable to the assets consolidated from the UK and Spain subsidiaries in 2014 and the capital stock subscriptions in both recent years. UK assets totaled P40.6 billion as of December 31, 2014.

With the debts incurred and the cash money flowed out in 2014 from the UK acquisition, current assets exceeded current liabilities by 1.5 times only at yearend-2014 as compared to 7.2 times at year-end 2013. Current assets amounted to P66,099 million while current liabilities amounted to P44.280 million at yearend 2014.

Cash and cash equivalents increased by 46.6% or P11,194 million in 2014, primarily due to investment that came from Arran which was received in December 2014. The Group ended 2014 with P35,235 million in its coffers.

Trade and other receivables grew by 359.5% or P10,877 million, primarily due to trade receivables in EGB Group, a downpayment for a land acquisition by EDI and its advances to related parties.

Financial assets at fair value through profit or loss represent equity securities held by EMP. These are temporary investments made by EMP to park its excess cash during 2014.

Inventories swelled by 333.5% or P11,760 million, primarily due to the inventories at WMG which consist of inventories of cased stock, maturing whisky stock, and other materials. Maturing whisky stocks are reported as Work in process; these are stored in various locations across Scotland.

Prepayments and other current assets rose by 225.4% or P4440 million, primarily due to the accounts at EGB which amounted to P369.6 million at yearend.

Investment in a joint venture represents the cost put to acquire Bodegas Las Copas plus the share in its net profits for 2014.

Property, plant and equipment enlarged by 205.7% or P7,716 million, primarily due to the P6.3 billion assets of WMG, which include five distillery plants in Scotland. Another vineyard land in Spain was also acquired in 2014 while the construction of a new distillery plant is still in progress.

Intangible assets were up by P17,542million, because of the trademarks, distribution rights and goodwill brought about by the acquisition of the WMG group.

Other non-current assets increased by 15.9% or P50 million, due to additional deferred input vat.

Trade and other payables expanded by 435.0% or P15,972 million, due to the advances obtained from related parties and used in the acquisition of WMG. Similarly, short-term loans totaling P23,827 million were obtained from banks to bridge and complete the money required for the said acquisition.

Financial liabilities at fair value through profit or loss increased P195 million as a result of lower market values of foreign exchange contracts.

Income tax payable increased by 5.8% or P31 million, due to higher taxable profit in the fourth quarter.

Equity-linked debt securities represent the debt instrument issued to Arran for its initial investment paid in December 2014, presented net of the related P26.4 million documentary stamp tax. The debt may be converted to 480 million common shares anytime by Arran and two years after issue date by EMP. Redemption is at end of five years, extendible up to two more years by EMP. The interest accrued on the debt instrument amounted to P19.5 million and is presented under non-current liability because such will be payable at the time of conversion or maturity.

Provisions refer to the amount provided by WMG for leased properties located in Scotland. These include restoration costs to be incurred for the restoration of the leased properties to specified condition at the end of the lease, and tenant repairing clauses. Also, there is provision for the vacant or discounted sublet portions of the leased properties.

Deferred tax liabilities are attributed to the UK group. These are net of deferred tax assets of EDI and AWGI.

Capital stock and Additional paid-in capital (“APIC”) increased by P1,120 million and P11,193 million, respectively, as a result of the initial equity investment paid by Arran in December 2014. The subscription corresponds to 1,120 million new common shares at P11.00 per share. The P6.7 million documentary stamp tax paid for this transaction is net out in APIC.

Revaluation reserves refer to loss on actuarial valuation remeasurements of retirement benefit obligations, P292 million of which is attributed to WMG.

Accumulated translation adjustments refer to the resulting difference in the translation of the foreign subsidiaries’s financial statements to Philippine pesos. Monetary assets and liabilities are translated at the closing rate, non-monetary ones at historical cost, and income and expenses at average exchange rates. For this year, the P685.6 million balance represent loss from such monetary translations.

LIQUIDITY AND CAPITAL RESOURCES

In the past, the Group sourced funds from operations and equity offering. In 2015 and 2014, it availed of short-term borrowings. The Company expects to meet its working capital and investment requirements for the ensuing year primarily from available funds at year-end plus cash flows from operations. It may also from time to time seek other sources of funding, if necessary, which may include debt or equity financings, including peso-denominated loans from Philippine banks, depending on its financing needs and market conditions.

PROSPECTS FOR THE FUTURE

A new era begins for Emperador in 2016. It now has a much bigger product portfolio of brandy and whisky that have greater global reach. The core local product, Emperador brandy, is seen to benefit from this international route to market given export opportunities in other countries. The Group is best positioned to capitalize on premiumization opportunities with its broad spectrum of products available locally ranging from standard value to premium to super premium to luxury. Emperador brandy remains to be the leader in the local spirits industry. And the Group has a compelling presence in foreign brands in the Philippines with the single malt Scotch whisky products, The Dalmore and Jura, and now the Fundador brandy de Jerez.

OTHER MATTERS

Except for what have been noted:

There were no other known material events subsequent to the end of the year that would have a material impact in the current year.

There are no other known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group’s liquidity increasing or decreasing in any material way. The Group does not have nor anticipate having any cash flow or liquidity problems. The Group is not in default or breach of any note, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no other known events that will trigger direct or contingent financial obligation that is currently considered material to the Group, including any default or acceleration of an obligation. There are no other material off-balance sheet transactions, arrangements, obligations, and other relationships with unconsolidated entities or other persons created during the reporting period.

There are no other known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. There are also no known events that will cause material change in the relationship between costs and revenues.

There are no other significant elements of income or loss that did not arise from continuing operations.

There were no other material issuances, repurchases or repayments of debt and equity securities.

The business has no seasonal aspects that had a material effect on the financial condition and results of operations of the Group.

7. FINANCIAL STATEMENTS

The audited consolidated financial statements, together with Statement of Management’s Responsibility and Auditors’ Report, and supplementary schedules are attached and filed herewith.

The consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS), on the historical cost basis except for the measurement of certain financial assets and liabilities. The preparation of the consolidated financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and related notes. The estimation and judgments are based upon management’s evaluation of relevant facts and circumstances of the financial statements. Actual results may ultimately vary from those estimates.

8. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

EXTERNAL AUDIT FEES AND SERVICES

Audit and audit-related services

Punongbayan&Araullo ("P&A") is appointed as the principal auditors for 2015. It audited the Company's consolidated financial statements for the years 2013, 2014 and 2015. In compliance with SEC Rule 68 paragraph 3 (b) (iv) (Rotation of External Auditors), and as adopted by the Company, external auditors or engagement partners are rotated or changed every five years. The lead engagement partner for the last three years is Ms. Mailene S. Bisnar.

The combined fees billed by P&A for the audit of the 2013 and 2014 annual financial statements of the Company and its subsidiaries, excluding out-of-pocket expenses, totaled P2,682,000 and P3,300,000, respectively. For the audit of the 2015 annual financial statements, the agreed fees, excluding out-of-pocket expenses, to P&A by the Company and its subsidiaries totaled P3,530,000. The 2014 fees included a review of purchase price adjustment for Whyte and Mackay. The services are those normally provided in connection with statutory and regulatory filings or engagements.

Tax fees and all other fees

In 2013, P&A billed P5,350,000 for services rendered in connection with the offering of the Company's shares. The services included the audit of the consolidated financial statements for the three years ended December 31, 2012 and the review of interim consolidated financial statements as of June 30, 2013.

There were no separate tax fees billed and no other products and services provided by P&A for the last two fiscal years.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

P&A issued an unqualified opinion on the consolidated financial statements. There are no disagreements with them on any matter of accounting principles or practices, financial statement disclosures, and auditing scope or procedure which, if not resolved would have caused the auditors to make reference thereto in its reports.

PART III - CONTROL AND COMPENSATION INFORMATION

9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

The overall management and supervision of the Company is undertaken by the Board of Directors ("Board"). Currently, the Board consists of seven members, of which two are independent directors. All of the directors were elected at the Company's annual stockholders meeting on May 18, 2015 and will hold office until their successors have been duly elected and qualified.

The table below sets forth each member of the Company's Board as of February 29, 2016:

Name	Age	Gender	Citizenship	Type/Position	Date First Elected
Andrew L. Tan	66	Male	Filipino	Non-exec/ Chairman	Aug 28, 2013
Winston S. Co	57	Male	Filipino	Executive Director	Aug 28, 2013
Katherine L. Tan	64	Female	Filipino	Executive Director	Aug 28, 2013
Kingson U. Sian	54	Male	Filipino	Non-exec Director	Aug 28, 2013

Name	Age	Gender	Citizenship	Type/Position	Date First Elected
Kendrick Andrew L. Tan	35	Male	Filipino	Executive Director	Aug 28, 2013
Miguel B. Varela	75	Male	Filipino	Independent Director	Aug 28, 2013
Alejo L. Villanueva, Jr.	74	Male	Filipino	Independent Director	Aug 28, 2013

The table below sets forth the Company's executive officers as of February 29, 2016:

Name	Age	Gender	Citizenship	Position
Winston S. Co	57	Male	Filipino	President
Katherine L. Tan	64	Female	Filipino	Treasurer
Kendrick Andrew L. Tan	35	Male	Filipino	Executive Director
Dina D.R. Inting	56	Female	Filipino	Compliance Officer and Corporate Information Officer
Dominic V. Isberto	40	Male	Filipino	Corporate Secretary
Rolando D. Siatela	54	Male	Filipino	Assistant Corporate Secretary

Andrew L. Tan
Chairman of the Board

Mr. Tan, was first elected as Director and Chairman of the Board on August 28, 2013. He holds position in the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/ Years
Alliance Global Group, Inc. (the parent company)	-Chairman of Board and Chief Executive Officer -Vice-Chairman of Board	Sep 2006 Aug 2003	Sept 2015 Sept 2006	9 3
Megaworld Corporation	Chairman & President	Aug 1989	June 2015	26
Travellers International Hotel Group, Inc.	Director	July 2008	June 2015	7
Global-Estate Resorts, Inc. (subsidiary of Megaworld)	Chairman	January 2011	June 2015	4
Empire East Land Holdings, Inc. (subsidiary of Megaworld)	Chairman	July 1994	June 2015	21

He is also the Chairman of Emperador Distillers, Inc. since its incorporation in 2003. He pioneered the live-work-play-learn model in the real estate development through the Megaworld Corporation's integrated township communities, fueling the growth of the business process outsourcing ("BPO") industry, food and beverage, and quick service restaurants industries. Mr. Tan is concurrently the Chairman of the Board and President of Megaworld Land,Inc., Megaworld Globus Asia, Inc., Megaworld Newport Property Holdings, Inc., Mactan Oceanview Properties and Holdings, Inc., Richmonde Hotel Group International Limited, The Bar Beverage, Inc. and Yorkshire Holdings, Inc. He is also the Chairman of Alliance Global Group Cayman Islands, Inc., Alliance Global Brands, Inc., Suntrust Properties, Inc., Adams Properties, Inc., Consolidated Distillers of the Far East, Inc., and Townsquare Development, Inc. He sits in the boards of Eastwood Cyber One Corporation, Megaworld Cayman Islands, Inc., Forbes Town Properties & Holdings, Inc., Gilmore Property Marketing Associates, Inc., Megaworld Central Properties, Inc., Raffles & Company, Inc., The Andresons Group, Inc. He is also the Vice-Chairman and Treasurer of Golden Arches Development Corporation and Golden Arches Realty Corporation and a Director and Treasurer of Andresons Global, Inc. Mr. Tan graduated Magna Cum Laude from the University of the East with a degree of Bachelor of Science in Business Administration.

Winston S. Co
Director and President

Mr. Co was first elected as Director and President on 28 August 2013. He holds position in the following listed company:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/ Years
Alliance Global Group, Inc. (the parent company)	Director	June 1998	Sept 2015	16
	Vice Chairman	Nov 1999	Aug 2003	3
	Chairman	June 1998	Oct 1999	3

He is also a Director and President of Emperador Distillers, Inc. since 2003. His field of expertise is in finance and marketing of consumer products. He is concurrently Chairman and President of New Town Land Partners, Inc.; Chairman of Anglo Watsons Glass, Inc.; a Director of Alliance Global Brands, Inc., Forbes Town Properties & Holdings, Inc., McKesterPik-Nik International Limited, Raffles & Company, Incorporated, and The Bar Beverage, Inc.; and Senior Vice President of The Andresons Group, Inc. Mr. Co is a Magna Cum Laude graduate of Jose Rizal College with a Bachelor of Science in Commerce.

Katherine L. Tan
Director and Treasurer

Ms. Tan was first elected as Director and Treasurer on 28 August 2013. She holds position in the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/Years
Alliance Global Group, Inc.	Director and Treasurer	Feb 2007	Sept 2015	7
Megaworld Corporation	Director	Aug 1989	June 2015	26
	Treasurer	Aug 1989	June 1995	6

She is a Director and Treasurer of Emperador Distillers, Inc. since 2003, and of Alliance Global Brands, Inc., Yorkshire Holdings, Inc., and New Town Land Partners, Inc. She is concurrently Chairman and President of Andresons Global, Inc. and Choice Gourmet Banquet, Inc.; Director and President of The Andresons Group, Inc., Consolidated Distillers of the Far East, Inc., and Raffles & Company, Inc. Ms. Tan graduated from St. Scholastica's College with a degree in Nutrition.

Kingson U. Sian
Director

Mr. Sian was first elected as Director on 28 August 2013. He holds position in the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Terms/ Years
Alliance Global Group, Inc.	President and Chief Operating Officer	Feb 2007	Sept 2015	8
Megaworld Corporation	Director/Executive Director	Apr 2007	June 2015	8
Travellers International Hotel Group, Inc.	Director and President	June 2008	June 2015	7
	Chief Executive Officer	Oct 2014	June 2015	1

He is concurrently President and Director of Forbestown Properties Holdings, Inc., and Eastwood Cyber One Corporation and a Director of Alliance Global Group Cayman Islands, Inc. He is also Chairman and President of Prestige Hotels & Resorts, Inc. and is the Chief Operating Officer of Megaworld Land, Inc. Mr. Sian was formerly a Vice President of FBP Asia Ltd/First Pacific Bank in Hongkong from 1990 to 1995 and, prior to that, was connected with Citicorp Real Estate, Inc. in the United States from 1988 to 1990. He graduated from the University of the Philippines with the degree of Bachelor of Science in Business Economics. He obtained his Masteral Degree in Business Administration for Finance and Business Policy from the University of Chicago.

Kendrick Andrew L. Tan
Director

Mr. Tan was first elected as Director on 28 August 2013. He has served as Corporate Secretary and Executive Director of Emperador Distillers, Inc. since 2007. He is also the Head of Research & Development of Emperador Distillers, Inc. He is concurrently Director of Anglo Watsons Glass, Inc., Consolidated Distillers of the Far East, Inc., Emperador Brandy, Inc., The Bar Beverage, Inc., The Andresons Group, Inc., and Yorkshire Holdings, Inc. Mr. Tan graduated from Southern New Hampshire University with a degree in Bachelor of Science in Accountancy.

Miguel B. Varela
Independent Director

Mr. Varela, Filipino was first elected as Independent Director on 28 August 2013. He holds position in the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Terms/ Years
Global-Estate Resorts, Inc.	Independent Director	Sept 2012	June 2015	3
Megaworld Corporation	Independent Director	June 2006	June 2015	9

He is presently the President of the Philippine Chamber of Commerce and Industry (PCCI) and Director, NPC Alliance Corporation. He is the Chairman of the Employers' Confederation of the Philippines (ECOP), Board of Trustee of Philippines Trade Foundation, Inc. Chairman of Pribadong Institusyon Laban sa Kahirapan (PILAK). Chairman of the Philippine Association of Voluntary Arbitration Foundation (PAVAF), and Chairman of Philippine Dispute Resolution Center, Inc. (PDRCI). He is also the Vice President of the International Labor Organization, Inc., and Trustee and Corporate Secretary of the Streetwatch Commission an Foundation for Crime Prevention. He is an accredited international arbitrator of the Paris-based International Court of Arbitration. A member of the Philippine Bar, he pursued his Bachelor of Laws in the Ateneo de Manila Law School and his Associate in Liberal Arts from the San Beda College. He attended a Top Management and Productivity Program from the Asian Institute of Management (AIM) as well as special courses sponsored by ILO, Geneva, Switzerland, Asian Productivity Organization (APO), and the Nikkeren, Japan, covering areas of Managerial Management and Organizational Development, Productivity, Legal Management, Labor and Industrial Relations, Development of SME's among others. He is a member of the Philippine Bar Association, a Commissioner of the Consultative Commission on Constitutional Reform and a Lifetime Member of the Philippine Constitution Association (PHILCONSA). He is the recipient of various awards and citations such as San Beda College's Outstanding Alumni Award for Business Leadership, and San Beda Hall of Fame Awardee. Presidential Medal of Merit for Outstanding Service to the Republic of the Philippines, Tamaraw Leadership Award, Katipunan Leadership Award and Leadership Award from ECOP, PCCI and ASEAN Productivity Organization and Confederation of Asia-Pacific Chamber of Commerce and Industry (CACCI) Medallion for Distinguished Service Award. He was also conferred by the Central Luzon State University with the degree of Doctor of Humanities (honoriscausa), and by the Eulogio "Amang" Rodriguez University of Science and Technology with a Doctorate in Business Technology (honoris causa).

Alejo L. Villanueva, Jr.
Independent Director

Mr. Villanueva was first elected as Independent Director on 28 August 2013. He holds position in the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Terms/ Years
Alliance Global Group, Inc.	Independent Director	Aug 2001	Sept 2015	14
Empire East Land Holdings, Inc.	Independent Director	June 2007	June 2015	8
Suntrust Home Developers, Inc.	Independent Director	Oct 2012	Oct 2015	3

He is a Director of First Capital Condominium Corporation, a non-stock non-profit corporation. He is also the Chairman of Ruru Courier Systems, Inc. and Vice Chairman of Public Relations Counselors Foundations of the Philippines, Inc. He is a professional consultant who has more than twenty years of experience in the fields of training and development, public relations, community relations, institutional communication, and policy advocacy, among others. He has done consulting work with the Office of the Vice President, the Office of the Senate President, the Commission on Appointments, the Securities and Exchange Commission, the Home Development Mutual Fund, the Home Insurance Guaranty Corporation, Department of Agriculture, Philippine National Railways, International Rice Research Institute, Rustan's Supermarkets, Louis Berger International (USAID-funded projects on Mindanao growth), World Bank (Subic Conversion Program), Ernst & Young (an agricultural productivity project), Chemonics (an agribusiness project ofUSAID), Price Waterhouse (BOT program, a USAID project), Andersen Consulting (Mindanao 2000, a USAID project), Renardet S.A. (a project on the Privatization of MWSS, with World Bank funding support), Western Mining Corporation, Phelps Dodge Exploration, and Marubeni Corporation. Mr. Villanueva obtained his bachelor's degree in Philosophy from San Beda College, summa cum laude. He has a master's degree in Philosophy from the University of Hawaii under an East-West Center Fellowship. He also took up special studies in the Humanities at Harvard University. He studied Organizational Behavior at INSEAD in Fontainebleau, France. He taught at the Ateneo Graduate School of Business, the UST Graduate School, and the Asian Institute of Journalism.

Dina D.R. Inting
Chief Finance Officer, Corporate Information Officer
and Compliance Officer

Ms. Inting was first elected as Compliance Officer and Corporate Information Officer on 28 August 2013. She holds position in the following other listed company:

Listed Company	Position	Date First Appointed/ Elected	Date Last Appoint/Elected	No. of Terms/ Years
Alliance Global Group, Inc.	First Vice President for Finance			28
	Compliance Officer	August 2005	September 2015	10
	Corporate Information Officer	August 2002	September 2015	13

She is currently director of Progreen Agricorp, Inc. She gained an extensive experience in the fields of audit, comptrollership, treasury, finance, branch operations and personnel management from her previous employments. She is a Cum Laude graduate of Bachelor of Science in Commerce major in Accounting, Honors Program, at the Philippine College of Commerce (Polytechnic University of the

Philippines), holds a certificate in Organizational Development from the Ateneo de Manila University, and is a Certified Public Accountant.

Dominic V. Isberto
Corporate Secretary

Mr. Isberto was first elected as Corporate Secretary on 28 August 2013. He holds position in the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Terms/ Years
Global-Estate Resorts, Inc.	Corporate Secretary and Assistant Corporate Information Officer	Jan 2011	June 2015	4
Alliance Global Group, Inc.	Corporate Secretary	Sept 2007	Sept 2015	8

He is also the Corporate Secretary of Twin Lakes Corporation, Eastwood City Estates Association, Inc., Suntrust Properties, Inc. and Fil-Estate Properties, Inc. He is currently a Vice President for Corporate Advisory and Compliance of Megaworld Corporation where he is responsible for negotiation, preparation and review of lease agreements for office and retail tenants, joint venture and sale and purchase agreements for the acquisition of property, loan agreements, and other corporate contracts and agreements. He also handles legal cases involving office and retail tenants. Mr. Isberto has experience in litigation and banking and corporate law. He has a degree in Management Engineering from the Ateneo de Manila University and obtained his Bachelor of Laws degree from the University of the Philippines.

Rolando D. Siatela
Assistant Corporate Secretary

Mr. Siatela was first elected as Assistant Corporate Secretary on 28 August 2013. He holds position on the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Terms/ Years
Suntrust Home Developers, Inc.	Corporate Secretary and Corporate Information Officer	May 2006	Oct 2015	9
Megaworld Corporation	Assistant Corporate Secretary	Oct 2006	June 2015	9
Global-Estate Resorts, Inc.	Assistant Corporate Secretary	Jan 2011	June 2015	4
Alliance Global Group, Inc.	Assistant Corporate Secretary	Aug 2002	Sept 2015	13

He is a member of the board of Asia Finest Cuisine, Inc. and also serves as Corporate Secretary of Oceanic Realty Group International, Inc., ERA Real Estate, Inc. and ERA Real Estate Exchange, Inc., and as Documentation Officer of Megaworld Foundation, Inc. He was employed as Administrative and Personnel Officer with Batarasa Consolidated, Inc. and served as Assistant Corporate Secretary and Chief Administrative Officer of The Andresons Group, Inc.

SIGNIFICANT EMPLOYEES

While the Company values its workforce, the business of the Company is not highly dependent on the services of personnel outside of Senior Management.

FAMILY RELATIONSHIPS

Chairman Andrew L. Tan is married to Director and Treasurer Katherine L. Tan while their son, Kendrick Andrew L. Tan, is also a Director. Kendrick is currently serving as director of Anglo Watsons Glass, Inc. and Corporate Secretary of EDI.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

The Company is not aware of the occurrence during the past five (5) years up to the date hereof of any of the following events that are material to an evaluation of the ability or integrity of any director, any nominee for election as director, or executive officer:

1. Any bankruptcy petition filed by or against any business of a director, nominee for election as director, or executive officer who was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

2. Any conviction by final judgment in a criminal proceeding, domestic or foreign, or a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

3. Any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

4. Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law of regulation, and the judgment has not been reversed, suspended, or vacated.

10. EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table identifies the Company's Chief Executive Officer and the four most highly compensated executive officers and summarize their aggregate annual compensation in the last two completed years and the estimated aggregate compensation for the ensuing year. Such compensation is received from EDI and none from the Company.

	Name and principal position	Year	Salary (P) '000	Bonus (P)	Other Annual Compensation
CEO	Winston S. Co, President				
A	Katherine L. Tan, Treasurer				
B	Kendrick Andrew L. Tan, Executive Director				
C	Eleizer S. Joaquin, Vice President for Sales and Marketing[4]				
C	Gerardo T. Francia, Chief Operating Officer[3]				
D	Edwin Jaranilla, Plant Manager[1]				
D	Glenn Manlapaz, Director for Asia and the Pacific[2]				
	[1]included in 2014; [2]included in 2015; [3]incuded from Oct2015; [4]retired Feb2016				
	Total - President and four most highly compensated executive officer	2014	20,175		None
		2015	23,870		None
		2016	25,460		None

E	All other officers and named directors as a group	2014 2015 2016	0 0 0	

COMPENSATION OF DIRECTORS

The Company's By-Laws stipulates that, except for reasonable per diem, directors, as such, are entitled to receive only such compensation as may be granted to them upon the recommendation of the Compensation and Remuneration Committee and subsequent approval by vote of stockholders representing at least a majority of outstanding capital stock at a regular or special meeting of stockholders. In no case shall the total yearly compensation of directors, as such, exceed 10% of the net income before tax of the Corporation for the preceding year.

EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL ARRANGEMENT

There are no employment contract between the Company and a named executive officer; and no compensatory plan or arrangement, including payments to be received from the Company, with respect to a named executive officer, that results or will result from the resignation, retirement or any other termination of such executive's employment with the Company and its subsidiaries or from a change-in-control of the Company or a change in the named executive officer's responsibilities following a change-in-control and amount involved, including all periodic payments or installments, exceeds P2.5 million.

OUTSTANDING WARRANTS AND OPTION

On December 15, 2014, stockholders holding more than 2/3 of the subscribed and outstanding capital stock of the Company approved an Employee Stock Option Plan (the "Plan") for qualified employees of the Company and its subsidiaries.

Under the Plan, stock options may be granted within ten (10) years from approval by stockholders of the Company owning at least 2/3 of its outstanding capital stock. The exercise price shall be at a 15% discount from the volume weighted average closing price (VWAP) of the Company's common shares for the nine months immediately preceding the date of grant; however, for the first batch of options to be granted, the exercise price shall be at PHP7.00/share. The Company shall reserve up to 1,000,000,000 common shares representing 5% of the authorized capital stock for issuance pursuant to the Plan. Stock options may be exercised by the grantee beginning on his 60th birthday subject to the terms and conditions of the Plan.

The Plan shall be administered by the Compensation and Remuneration Committee of the Board, which shall determine the eligible participants of the Plan for a particular calendar year as well as the number of shares to be covered by each option so granted, taking into consideration their position and responsibilities, nature and value of their services and accomplishments, and their present and potential contribution to the success of the Company, and such other factors as the Committee may deem relevant.

The purpose of the Plan is to enable qualified employees of the Company to participate in the growth of the Company, thereby encouraging long-term commitment to the Company and to encourage senior management to develop and train future leaders that will continue business growth and success of the Company.

On November 5, 2015, stock options were granted to qualified employees of the Company and its subsidiaries giving them the right to subscribe to a total of 118 million common shares of the Company at the exercise price of P7.00 per share. The options, which were issued under the Company's Employee Stock Option Plan, shall generally vest on the 60th birthday of the Option Holder provided that he has continuously served for 11 years of service after the Option Offer Date, subject to the terms and conditions of the Plan.

11. SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS OF MORE THAN 5% AS OF FEBRUARY 29, 2016

Title of Class	Name, address of Record Owner and Relationship with Issuer [Direct]	Name of Beneficial Owner and Relationship with Record Owner [Indirect]	Citizenship	No. of Shares Held	Percent
Common	Alliance Global Group, Inc., 7/F 1880 Eastwood Avenue, Eastwood City, E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City, Parent of the Issuer	Alliance Global Group, Inc., Alliance Global Group, Inc., ultimate parent[1]	Filipino	11,706,485,000 1,431,764,995	72.62% 8.88%
Common	PCD Nominee Corporation (Non-Filipino)	Participants of the PCD composed of custodian banks and brokers[3]	Non-Filipino	2,371,786,415	14.71%
Common	Arran Investment Private Limited	GIC Private Limited[2]	Non-Filipino	1,120,000,000	6.95%

[1]AGI beneficially owns shares held by foreign subsidiaries totaling 1,431,764,995 shares representing about 8.88%. [2] This is nominee account included under PCD Nominee Corporation. [3]Other than the persons identified above, there are no other beneficial owners of more than 5% of the Company's outstanding capital stock that are known to the Company.

SECURITY OWNERSHIP OF MANAGEMENT AS OF FEBRUARY 29, 2016

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Directors				
Common	Andrew L. Tan	1 (indirect)	Filipino	Nil
Common	Winston S. Co	1 (indirect)	Filipino	Nil
Common	Katherine L. Tan	1 (indirect)	Filipino	Nil
Common	Kingson U. Sian	1 (indirect)	Filipino	Nil
Common	Kendrick Andrew L. Tan	1 (indirect)	Filipino	Nil
Common	Miguel B. Varela	1 (indirect)	Filipino	Nil
Common	Alejo L. Villanueva, Jr.	1 (indirect)	Filipino	Nil
Other Executive Officers				
Common	Winston S. Co	Same as above		
Common	Katherine L. Tan	Same as above		
Common	Dina D.R. Inting	0	Filipino	N/A
Common	Dominic V. Isberto	0	Filipino	N/A
Common	Rolando D. Siatela	0	Filipino	N/A

VOTING TRUST HOLDERS OF 5% OR MORE

The Company is not aware of the existence of persons holding more than five percent (5%) of the Company's common shares under a voting trust or similar agreement.

CHANGES IN CONTROL

The Company is not aware of any arrangement which may result in a significant change in control.

12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Except for the material related party transactions described in the notes to the consolidated financial statements of the Company for the years 2015 and 2014 (*please see as filed elsewhere in here*), there has been no material transaction during the last two years, nor is there any material transaction currently proposed, to which the Company was or is to be a party, in which any director or executive officer, any nominee for election as director, stockholder of more than ten percent (10%) of the Company's voting shares, and any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any such director or officer or stockholder of more than ten percent (10%) of the Company's voting shares had or is to have a direct or indirect material interest.

PART IV – CORPORATE GOVERNANCE

13. ANNUAL CORPORATE GOVERNANCE REPORT FOR 2015

Filed with this report.

PART V - EXHIBITS AND SCHEDULES

14. EXHIBITS AND REPORTS ON SEC FORM 17-C

REPORTS ON SEC FORM 17-C FILED DURING THE LAST SIX-MONTH PERIOD COVERED BY THIS REPORT

Date	Disclosures
June 17, 2015	Declaration of Cash Dividends
July 15, 2015	Press Release: Emperador's Revenues Higher by 38% in the First Half of 2015
August 7, 2015	SEC Approval of the Amendment to the name in the title of the Amended By-Laws
November 5, 2015	Grant of Employee Stock Options
November 12, 2015	Press Release: Emperador's Revenues Higher by 45% in the First Nine Months of 2015
November 23, 2015	Notice and Corrigendum in connection with AGI Cayman's USD$500M 6.50% Guaranteed Notes due 2017
November 30, 2015	Emperador purchases Fundador, the largest and oldest brandy maker in Spain, from Beam Suntory
December 3, 2015	Notice of Special Investors/Analysts' Briefing
December 4, 2015	Submission of Certificates of Completion of Key Officers of the Company of the Corporation Governance seminar for the year 2015
December 18, 2015	Submission of Certificates of Completion of Directors and Key Officers of the Company of the Corporation Governance seminar for the year 2015

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.

EMPERADOR INC.
Issuer Company

By:

WINSTON S. CO
President
(Principal Executive Officer)
(Principal Operating Officer)

DINA D.R. INTING
Chief Financial Officer
(Principal Financial Officer)
(as Principal Accounting Officer
and Comptroller)

DOMINIC V. ISBERTO
Corporate Secretary

APR 04 2016

SUBSCRIBED AND SWORN to before me this _____ day of _________ 2016 affiant(s) exhibiting to me their Passport/SSS No., as follows:

NAMES	Passport/SSS No.	DATE OF ISSUE	PLACE OF ISSUE
Winston S. Co	EB5747522	June 25, 2012 to 2017	Manila
Dina D. R. Inting	SSS 03-5204775-3		
Dominic V. Isberto	SSS 33-1952824-1		

Doc No. 237
Page No. 49
Book No. XIII
Series of 2016.

Notary Public

MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31, 2017
Appt. No. M-28 (2016-2017) Attorney's Roll No. 34562
MCLE Compliance No. V-0010453/9-18-2015
PTR No. MKT5323136/1-4-2016/Makati City
IBP Lifetime Member Roll No. 05413
Ground Level, Dela Rosa Carpark 1
Dela Rosa St. Legaspi Village,
Makati City

EMPERADOR INC.
7F 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue,
Bagumbayan 1110, Quezon City, Philippines Tel: 709-2038 to 41 Fax: 709-1966

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of *Emperador Inc.* is responsible for the preparation and fair presentation of the consolidated financial statements as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015, including the additional components attached therein, in accordance with the Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements, including the additional components attached therein, and submits the same to the stockholders.

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

ANDREW L. TAN
Chairman of the Board

WINSTON S. CO
President /Chief Executive Officer

DINA D.R. INTING
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this APR 04 2016, affiants exhibiting to me their Passport/SSS No., as follows:

Names	PassportNo./SSS No.	Date	Place of Issue
Andrew L. Tan	EC1087269	May 14, 2014 to 2019	Manila
Winston S. Co	EB5747522	June 25, 2012 to 2017	Manila
Dina D.R. Inting	SSS 03-5204775-3		

Doc.No. 236
Page No. 49
Book No. XIII
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Notary Public

MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31, 2017
Appt. No. M-28 (2016-2017) Attorney's Roll No. 34562
MCLE Compliance No. V-0010463/9-18-2015
PTR No. MKT5323136/1-4-2016/Makati City
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Ground Level, Dela Rosa Carpark I
Dela Rosa St. Legaspi Village,
Makati City

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Report of Independent Auditors

The Board of Directors and Stockholders
Emperador Inc. and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)
7th Floor, 1880 Eastwood Avenue
Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue
Bagumbayan, Quezon City

We have audited the accompanying consolidated financial statements of Emperador Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Emperador Inc. and Subsidiaries as at December 31, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 5321724, January 4, 2016, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 15, 2018)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-20-2015 (until Mar. 18, 2018)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

April 1, 2016

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	2015	2014
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	5	**P 29,177,542,237**	P 35,234,629,567
Trade and other receivables - net	6	**13,592,915,689**	13,902,568,185
Financial assets at fair value through profit or loss	7	**2,654,900**	1,040,340,021
Inventories - net	8	**16,089,751,648**	15,287,019,458
Prepayments and other current assets		**330,175,997**	634,606,527
Total Current Assets		**59,193,040,471**	66,099,163,758
NON-CURRENT ASSETS			
Investment in a joint venture	12	**3,873,264,431**	3,743,256,791
Property, plant and equipment - net	9	**14,267,074,361**	11,467,808,296
Intangible assets - net	10	**17,768,351,472**	17,871,224,140
Other non-current assets - net	11	**3,156,901,823**	377,098,482
Total Non-current Assets		**39,065,592,087**	33,459,387,709
TOTAL ASSETS		**P 98,258,632,558**	P 99,558,551,467
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	13	**P 23,899,762,792**	P 23,827,219,465
Trade and other payables	15	**15,167,221,745**	19,643,818,731
Financial liabilities at fair value through profit or loss	7	**-**	233,751,463
Income tax payable		**421,891,614**	569,582,757
Deposit for future stock subscription		**-**	5,750,000
Total Current Liabilities		**39,488,876,151**	44,280,122,416
NON-CURRENT LIABILITIES			
Equity-linked debt securities	14	**5,259,137,443**	5,253,911,638
Accrued interest payable	14	**283,528,767**	19,528,767
Provisions	16	**794,258,510**	919,469,601
Deferred tax liabilities - net	21	**1,883,012,945**	2,051,427,187
Retirement benefit obligation	20	**464,167,708**	1,132,094,607
Total Non-current Liabilities		**8,684,105,373**	9,376,431,800
Total Liabilities		**48,172,981,524**	53,656,554,216
EQUITY			
Equity attributable to owners of the parent company			
Capital stock	23	**16,120,000,000**	16,120,000,000
Additional paid-in capital	23	**22,348,856,023**	22,348,856,023
Accumulated translation adjustments	2	**(1,404,255,536)**	(685,584,783)
Revaluation reserves		**40,162,823**	(310,304,679)
Share options		**4,050,748**	-
Retained earnings	23	**12,971,086,976**	8,429,030,690
Total equity attributable to owners of the parent company		**50,079,901,034**	45,901,997,251
Non-controlling interest		**5,750,000**	-
Total Equity		**50,085,651,034**	45,901,997,251
TOTAL LIABILITIES AND EQUITY		**P 98,258,632,558**	P 99,558,551,467

See Notes to Consolidated Financial Statements.

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2015	2014	2013
REVENUES	17	**P 43,645,076,684**	P 32,009,385,645	P 29,864,744,842
COSTS AND EXPENSES				
Costs of goods sold	18	**29,589,385,943**	20,409,136,993	19,381,725,433
Selling and distribution expenses	19	**3,249,646,048**	2,652,209,005	2,097,852,769
General and administrative expenses	19	**1,828,201,914**	677,801,497	216,970,460
Other charges	6, 7, 13, 14, 20	**528,004,429**	161,880,966	263,092,696
		35,195,238,334	23,901,028,461	21,959,641,358
PROFIT BEFORE TAX		**8,449,838,350**	8,108,357,184	7,905,103,484
TAX EXPENSE	21	**1,489,782,064**	1,904,172,008	2,074,293,503
NET PROFIT		**6,960,056,286**	6,204,185,176	5,830,809,981
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will be reclassified subsequently to profit or loss				
Translation gain (loss)	2	**(718,670,753)**	(820,041,951)	137,988,773
Items that will not be reclassified subsequently to profit or loss				
Net actuarial gain (loss) on retirement benefit obligation	20	**419,835,089**	(358,625,137)	(23,968,477)
Tax income (expense) on remeasurement of retirement benefit obligation	21	**(69,367,587)**	70,563,930	7,190,543
		350,467,502	(288,061,207)	(16,777,934)
		(368,203,251)	(1,108,103,158)	121,210,839
TOTAL COMPREHENSIVE INCOME		**P 6,591,853,035**	P 5,096,082,018	P 5,952,020,820
Earnings per share - Basic and Diluted	24	**P 0.43**	P 0.41	P 0.52

See Notes to Consolidated Financial Statements.

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

		Attributable to Owners of the Parent Company											
								Retained Earnings					
	Note	Capital Stock	Additional Paid-in Capital	Accumulated Translation Adjustment	Revaluation Reserves	Share Options Outstanding	Equity Reserves	Appropriated	Unappropriated	Total	Total	Noncontrolling Interest	Total Equity
Balance at January 1, 2015		P 16,120,000,000	P 22,348,856,023	(P 685,584,783)	(P 310,304,679)	P -	P -	P -	P 8,429,030,690	P 8,429,030,690	P 45,901,997,251	P -	P 45,901,997,251
Issuances during the year		-	-	-	-	4,050,748	-	-	-	-	4,050,748	5,750,000	9,800,748
Total comprehensive income for the year		-	-	(718,670,753)	350,467,502	-	-	-	6,960,056,286	6,960,056,286	6,591,853,035	-	6,591,853,035
Cash dividends declared during the year	23	-	-	-	-	-	-	-	(2,418,000,000)	(2,418,000,000)	(2,418,000,000)	-	(2,418,000,000)
Appropriations during the year	23	-	-	-	-	-	-	550,000,000	(550,000,000)	-	-	-	-
Balance at December 31, 2015		**P 16,120,000,000**	**P 22,348,856,023**	**(P 1,404,255,536)**	**P 40,162,823**	**P 4,050,748**	**P -**	**P 550,000,000**	**P 12,421,086,976**	**P 12,971,086,976**	**P 50,079,901,034**	**P 5,750,000**	**P 50,085,651,034**
Balance at January 1, 2014		P 15,000,000,000	P 11,155,461,023	P 134,457,168	(P 26,249,891)	P -	P -	P -	P 4,624,845,514	P 4,624,845,514	P 30,888,513,814	P -	P 30,888,513,814
Issuances during the year	23	1,120,000,000	11,193,395,000	-	-	-	-	-	-	-	12,313,395,000	-	12,313,395,000
Total comprehensive income for the year		-	-	(820,041,951)	(288,061,207)	-	-	-	6,204,185,176	6,204,185,176	5,096,082,018	-	5,096,082,018
Addition from acquired subsidiary		-	-	-	4,006,419	-	-	-	-	-	4,006,419	-	4,006,419
Cash dividends declared during the year	23	-	-	-	-	-	-	-	(2,400,000,000)	(2,400,000,000)	(2,400,000,000)	-	(2,400,000,000)
Balance at December 31, 2014		P 16,120,000,000	P 22,348,856,023	(P 685,584,783)	(P 310,304,679)	P -	P -	P -	P 8,429,030,690	P 8,429,030,690	P 45,901,997,251	P -	P 45,901,997,251
Balance at January 1, 2013		P 61,750,005	P 99,789,060	(P 3,531,605)	(P 9,471,957)	P -	P 5,838,460,935	P -	P 2,496,169,584	P 2,496,169,584	P 8,483,166,022	P -	P 8,483,166,022
Issuances during the year	23	14,938,249,995	11,055,671,963	-	-	-	(5,838,460,935)	-	-	-	20,155,461,023	-	20,155,461,023
Increase (decrease) during the year		-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	137,988,773	(16,777,934)	-	-	-	5,830,809,981	5,830,809,981	5,952,020,820	-	5,952,020,820
Cash dividends declared during the year	23	-	-	-	-	-	-	-	(3,702,134,051)	(3,702,134,051)	(3,702,134,051)	-	(3,702,134,051)
Balance at December 31, 2013		P 15,000,000,000	P 11,155,461,023	P 134,457,168	(P 26,249,891)	P -	P -	P -	P 4,624,845,514	P 4,624,845,514	P 30,888,513,814	P -	P 30,888,513,814

See Notes to Consolidated Financial Statements.

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 8,449,838,350**	P 8,108,357,184	P 7,905,103,484
Adjustments for:				
Depreciation and amortization	9	**536,641,735**	374,555,576	312,760,208
Interest expense		**519,361,430**	96,756,338	2,899,330
Interest income		**(183,976,825)**	(241,455,589)	(133,053,603)
Share in net income of joint venture	12	**(130,007,640)**	(39,534,826)	-
Amortization of trademarks	10	**102,872,668**	102,872,668	102,334,204
Provisions	16	**58,258,375**	12,411,409	-
Share option		**4,493,028**	-	-
Impairment losses	6	**3,426,329**	7,875,358	6,159,219
Fair value losses (gains) on financial assets and financial liabilities at fair value through profit or loss	7	**(2,641,000)**	36,111,750	212,020,646
Gain on sale of property, plant and equipment	9	**(1,522,346)**	(2,569,463)	(1,534,684)
Operating profit before working capital changes		**9,356,744,104**	8,455,380,405	8,406,688,804
Decrease (increase) in trade and other receivables		**12,261,840**	(6,782,655,481)	(1,044,801,252)
Decrease (increase) in financial instruments at fair value through profit or loss		**806,574,658**	(881,331,451)	(2,711,523)
Increase in inventories		**(604,154,349)**	(1,041,818,041)	(188,383,637)
Decrease (increase) in prepayments and other current assets		**161,369,768**	(597,163,989)	(320,743,498)
Decrease (increase) in other non-current assets		**207,621,996**	183,875,462	(182,318,700)
Increase (decrease) in trade and other payables		**(5,084,772,878)**	10,358,979,361	74,341,384
Increase (decrease) in retirement benefit obligation		**(423,017,457)**	8,829,806	6,787,638
Cash generated from operations		**4,432,627,682**	9,704,096,072	6,748,859,216
Cash paid for income taxes		**(1,732,636,554)**	(1,741,201,096)	(1,872,609,734)
Net Cash From Operating Activities		**2,699,991,128**	7,962,894,976	4,876,249,482
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property, plant and equipment	9	**(3,544,640,919)**	(2,027,740,563)	(2,051,683,004)
Deposit for asset acquisition	11	**(2,848,690,163)**	-	-
Interest received		**183,976,825**	232,513,623	118,942,570
Proceeds from sale of property, plant and equipment	9	**11,677,624**	3,459,020	3,063,295
Acquisition of a subsidiary	1	**-**	(30,272,934,983)	(13,500,000,000)
Investment in joint venture	12	**-**	(3,703,721,965)	-
Acquisition of trademark	10	**-**	-	(16,153,914)
Net Cash Used in Investing Activities		**(6,197,676,633)**	(35,768,424,868)	(15,445,831,053)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	23	**(2,418,000,000)**	(2,400,000,000)	(3,702,134,051)
Interest paid		**(213,945,152)**	-	-
Net proceeds from loans and borrowings	13	**72,543,327**	23,827,219,465	-
Proceeds from additional capital subscription	23	**-**	12,313,395,000	33,655,461,023
Proceeds from equity-linked debt securities	14	**-**	5,253,600,000	-
Proceeds from future stock subscription		**-**	5,750,000	-
Net Cash From (Used in) Financing Activities		**(2,559,401,825)**	38,999,964,465	29,953,326,972
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(6,057,087,330)**	11,194,434,573	19,383,745,401
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**35,234,629,567**	24,040,194,994	4,656,449,593
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 29,177,542,237**	P 35,234,629,567	P 24,040,194,994

See Notes to Consolidated Financial Statements.

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Change in Corporate Name

Emperador Inc. (EMP or the Parent Company or the Company) was incorporated under the name of Touch Solutions, Inc. (TSI) on November 26, 2001. On June 19, 2013, the Board of Directors (BOD) approved the change in corporate name to TrillionStars Holdings, Inc. This was ratified by the stockholders and approved by the Philippine Securities and Exchange Commission (SEC) on August 27 and September 5, 2013, respectively.

On August 28, September 16 and September 27, 2013, the BOD, stockholders by written assent, and SEC, respectively, approved the change in corporate name to Emperador Inc.

1.2 Corporate Update

The Parent Company was incorporated in the Philippines and registered with the SEC, primarily as an information technology (IT) services and products provider. On March 1, April 10 and July 31, 2013, the BOD, stockholders and SEC, respectively, approved the change in the primary purpose of the Parent Company to become a holding company. Consequently, the Parent Company disposed of its IT-related net assets in April 2013 (see Note 1.7).

On June 19, August 27 and September 5, 2013, the BOD, stockholders and SEC, respectively, approved the increase in authorized capital stock to 20.0 billion shares from 100.0 million shares (see Note 23.1).

On August 28, 2013, Alliance Global Group, Inc. (AGI or the Ultimate Parent Company) obtained a controlling interest in EMP through AGI's subscription to EMP's new capital stock. As part of this transaction, AGI transferred to EMP all the issued and outstanding shares of Emperador Distillers, Inc. (EDI) owned by AGI (see Note 1.3).

AGI is a domestic holding company with diversified investments in real estate, food and beverage manufacturing, quick service restaurants and tourism-oriented businesses.

The common shares of the Parent Company and AGI were first listed in the Philippine Stock Exchange (PSE) on December 19, 2011 and April 19, 1999, respectively.

On May 30, June 23, and October 16, 2014, the BOD, stockholders, and SEC, respectively, approved the change in the registered principal office of EMP to 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City where the registered office of AGI is also presently located.

1.3 *Acquisition of EDI by the Parent Company*

EDI became a wholly owned subsidiary on August 28, 2013 when EMP acquired EDI from AGI as a condition to AGI's subscription to EMP shares [see Notes 1.2 and 2.3(a)(iii)].

The acquisition of EDI by the Parent Company was effectively an acquisition of a group of assets because the Parent Company does not constitute a business as defined under Philippine Financial Reporting Standard (PFRS) 3, *Business Combinations.* The consolidated financial statements of the Parent Company and EDI and its subsidiaries represent the continuation of the consolidated financial statements of EDI and its subsidiaries [see Note 2.3(a)(iii)].

EDI was incorporated in the Philippines on June 6, 2003 to primarily engage in the manufacturing and trading of brandy, wine or other similar alcoholic beverage products. EDI's brands include Emperador brandy (in three variants, namely Classic, Light and imported Deluxe), Andy Player whisky, The BaR flavored alcoholic beverage (in gin, vodka and tequila variants) and Smirnoff Mule vodka. EDI and its subsidiaries (collectively referred to as the "EDI Group") are all engaged in businesses related to the main business of EDI. The liquor production business was acquired in 2007 from the Andrew Tan family who started it in 1979. EDI's subsidiaries are as follows:

Name of Subsidiaries	Explanatory Notes	Percentage of Effective Ownership 2015	2014
Anglo Watsons Glass, Inc. (AWGI)	(a)	**100%**	100%
The Bar Beverage, Inc. (The Bar)	(b)	**100%**	100%
Cocos Vodka Distillers Philippines, Inc. (CVDPI)	(c)	**100%**	-
Emperador International Ltd. (EIL)	(d)	**16%**	32%

Explanatory Notes:

(a) AWGI is a domestic corporation presently engaged in flint glass container manufacturing and primarily supplies EDI's bottle requirements. In 2015, AWGI issued 115.0 million preferred shares to Arran Investment Private Limited (Arran), which effectively reduced the voting ownership of the Group to 78%. While these preferred shares are voting, they are non-participating and do not qualify for dividends nor to any surplus on liquidation of AWGI.

(b) Incorporated to carry out a general and commercial business of manufacturing, making, processing, importing, exporting, buying, and selling any and all kinds of alcohol, wine or liquor products.

(c) CVDPI was established in 2015 to manufacture, import, export, buy, sell, acquire, hold or otherwise dispose of and deal in, any alcohol, wine or liquor products.

(d) A foreign entity incorporated in the British Virgin Islands primarily to handle the international sales, marketing and merchandising of EDI's products. EIL is presently operating as an investment holding entity. It ceased to be a direct subsidiary of EDI in 2014 when its ownership interest was diluted upon EMP's direct investment to EIL in 2015 and 2014 (see Note 1.4).

EDI's registered office, which is also its principal place of business, is located at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City where its subsidiaries, except for EIL, have their registered offices and place of business also. EIL's registered office and principal place of business is at the offices of Portcullis TrustNet (BVI) Limited, which is currently located at Porctcullis Trust Net Chambers, 4th Floor Skelton Building, 3076 Drake's Highway, Road Town, Tortola, British Virgin Islands.

1.4 Direct Investment in EIL by the Parent Company

In 2015 and 2014, the Parent Company made direct investments in EIL amounting to P17.6 billion and P11.7 billion, respectively. This resulted in the dilution of EDI's investment in EIL from 100% in 2013 to 32% in 2014 and 16% in 2015 (see Note 1.3). There was no change in control over EIL as EIL is still 100% beneficially owned by EMP.

EIL is presently operating as an investment holding entity. EIL's subsidiaries as of December 31, 2015 and 2014 are as follows:

Name of Subsidiaries	Explanatory Notes	Percentage of Ownership
Emperador Holdings (GB) Limited (EGB)	(a)	100%
Emperador Asia Pte. Ltd. (EA)	(b)	100%
Emperador Europe Sarl (EES)	(c)	100%

Explanatory Notes:

(a) EGB is a foreign entity incorporated in the UK to operate as an investment holding entity. It holds 100% ownership interest over Emperador UK Limited (EUK) who in turn holds 100% ownership interest over WMG Group (see Note 1.5).

EGB's registered office is located at 20-22 Bedford Road, London, United Kingdom.

(b) EA is a foreign entity incorporated in Singapore on July 10, 2013 as a limited private company with principal activity as a wholesaler of liquor, food and beverages, and tobacco. It holds 100% ownership interest in Grupo Emperador Spain, S.A. (GES), a foreign entity incorporated on September 28, 2011 as a small limited liability company and subsequently changed to a large liability company on February 5, 2014. GES carries out activities related to the production of wines, fortified wines, brandies, and all types of alcoholic drinks, as well as the purchase, ownership and operations of any type of land, particularly, vineyards.

EA's registered office is located at 1 Scotts Road, 19-06 Shaw Centre, Singapore.

(c) EES is a foreign entity incorporated in Luxembourg as a private limited liability company, primarily to operate as an investment holding entity.

EES' registered office is located at L-1449 Luxembourg, 18, Rue de l'Eau.

1.5 Acquisition of Whyte and Mackay Group Limited (WMG)

On May 9, 2014, a deal was signed between United Spirits (Great Britain) Limited and EUK, a wholly owned subsidiary of EGB, for EUK's purchase of 100% ownership interest in WMG. EGB is a wholly owned subsidiary of EIL (see Note 1.4). This deal was completed on October 31, 2014.

WMG was incorporated in the United Kingdom (UK) on August 7, 2001. It is presently operating as an investment holding entity. WMG and all of its significant subsidiaries' registered office is located at Dalmore House, 310 St. Vincent Street, Glasgow, Scotland.

WMG and its subsidiaries (collectively referred to as "WMG Group") are all engaged in businesses related to the main business of production, marketing and distribution of Scotch whisky, vodka, liqueurs and other alcoholic drinks. WMG's significant subsidiaries and WMG's corresponding percentage of ownership as of December 31, 2015 and 2014 are as follows:

Name of Subsidiaries	Explanatory Notes	Percentage of Ownership
Whyte and Mackay Limited (WML)	(a)	100%
Whyte and Mackay Warehousing Limited (WMWL)	(b)	100%
Whyte and Mackay Property Limited (WMPL)	(c)	100%
KI Trustees Limited (KITL)	(c)	100%

Explanatory Notes:

(a) WML is a foreign entity incorporated in the UK to carry out the production, marketing and distribution of Scotch whisky, vodka, liqueurs and other alcoholic drinks. WML's core brands include Whyte and Mackay, The Dalmore, Isle of Jura, Vladivar, Glayva, Claymore and John Barr. WML holds 100% ownership interest in 37 dormant companies, all incorporated in the UK, and one active company, Whyte & Mackay Americas, who handles the distribution of Whyte and Mackay brands within the United States of America.

(b) WMWL is a foreign entity incorporated in the UK to carry out warehousing and blending of bulk whisky for WML and third party customers.

(c) WMPL and KITL are foreign entities incorporated in the UK and are currently dormant.

EUK's purchase of WMG Group is aligned with EMP's expansion strategies. The goodwill arising from the acquisition reflects the opportunity to strengthen the Group's position in the global drinks market, the synergies and economies of scale expected from combining the operations of the Group and WMG and the value attributed to WMG's workforce. The goodwill recognized is not expected to be deductible for income tax purposes.

The following table summarizes the consideration paid for the acquisition of WMG Group and the recognized amounts of the identifiable assets acquired and liabilities assumed. For purposes of determining the goodwill, the Parent Company determined the fair value of the identified net assets as of October 31, 2014.

	Notes	
Consideration		
Cash		P 30,272,934,983
Recognized amounts of identifiable assets acquired:		
Tangible assets	6, 8, 9	21,723,648,592
Intangible assets	10	9,972,144,142
Liabilities	16, 20, 21	(9,095,752,005)
Total identifiable net assets		22,600,040,679
Goodwill (see Note 10)		**P 7,672,894,304**

The revenues and net income of WMG Group for November and December that were included in the 2014 consolidated statement of comprehensive income amounted to P4.0 billion and P149.5 million, respectively.

1.6 Acquisition of brandy and sherry business

On November 27, 2015, GES reached a definitive agreement with Beam Suntory, Inc. to purchase its Spanish brandy and sherry business in Jerez, the brandy capital of Spain. The purchase includes four brands: Fundador Brandy, Terry Centenario Brandy, Tres Cepas Brandy, and Harveys sherry wine (see Note 11). GES assigned its rights and obligations under the agreement to its direct wholly-owned subsidiary, Bodegas Fundador S.L.U. on January 28, 2016. The purchase amounting to €275.0 million was subsequently completed on February 29, 2016.

1.7 Discontinuance of IT operations

On March 1 and April 10, 2013, the Company's BOD and stockholders, respectively, approved the transfer of all or substantially all the assets and liabilities related to the IT business. In April 2013, the Parent Company (then named TSI) disposed of its investment in Sagesoft Solutions, Inc. (SSI) to TSI's minority stockholders and transferred and conveyed its IT-related net assets totaling to P28.6 million to SSI (see Note 1.2).

1.8 Acquisition of Tradewind Estates, Inc. (TEI)

On March 11, 2016, EDI acquired full ownership of TEI by way of common stock purchase. EDI presently leases its main plant from TEI.

1.9 Approval of the Consolidated Financial Statements

The consolidated financial statements of EMP and its subsidiaries (collectively referred to as the "Group") as of and for the year ended December 31, 2015 (including the comparative consolidated financial statements as of and for the years ended December 31, 2014 and 2013) were authorized for issue by the Parent Company's BOD on April 1, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with PFRS. PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB) and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expenses in a single consolidated statement of comprehensive income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning on the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed. In 2015, only one comparative period was presented in the consolidated statement of financial position as none of these situations are applicable.

Certain account in the 2014 consolidated statement of comprehensive income was reclassified to conform with the consolidated financial statement presentation in 2015. The reclassification did not impact the Group's consolidated income in the said year.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of Amended PFRS and Interpretation

(a) Effective in 2015 that are Relevant to the Group

The Group adopted the following amendment and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after July 1, 2014, for its annual reporting period beginning January 1, 2015:

PAS 19 (Amendment)	:	Employee Benefits – Defined Benefit Plans – Employee Contributions
Annual Improvements	:	Annual Improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle)

Discussed below are the relevant information about these amendment and improvements.

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions*. The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit. The amendment did not have a significant impact on the Group's consolidated financial statements since the Group's defined benefit plan does not require employees or third parties to contribute to the benefit plan.

(ii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) effective for annual periods beginning on or after July 1, 2014, made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify the existing requirements:

Annual Improvements to PFRS (2010-2012 Cycle)

- PAS 16 (Amendment), *Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation,* and PAS 38 (Amendment), *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Amortization.* The amendments clarify that when an item of property, plant and equipment, and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

- PAS 24 (Amendment), *Related Party Disclosures – Disclosure of Key Management Personnel.* The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors.

- PFRS 2 (Amendment), *Share-based Payment – Definition of Vesting Condition.* This amendment clarifies the definitions of "vesting condition" and "market condition" and defines a "performance condition" and a "service condition".

- PFRS 3 (Amendment), *Business Combinations – Accounting for Contingent Consideration in a Business Combination.* This amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity in accordance with PAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities.* It also clarifies that all non-equity contingent consideration should be measured at fair value at the end of each reporting period, with changes in fair value recognized in profit or loss.

- PFRS 8 (Amendment), *Operating Segments – Aggregation of Operating Segments, and Reconciliation of the Total of the Reportable Segment's Assets to the Entity's Assets.* This amendment requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. It further clarifies the requirement to disclose for the reconciliations of segment assets to the entity's assets if that amount is regularly provided to the chief operating decision maker.

Annual Improvements to PFRS (2011-2013 Cycle)

- PAS 40 (Amendment), *Investment Property – Clarifying the Interrelationship between PFRS 3 and PAS 40*. The amendment clarifies the interrelationship of PFRS 3 and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires an entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset in accordance with PAS 40, *Investment Property*, or a business combination in accordance with PFRS 3, *Business Combinations*.

- PFRS 3 (Amendment), *Business Combinations – Scope Exceptions for Joint Ventures*. It clarifies that PFRS 3 does not apply to the accounting for the formation of any joint arrangement under PFRS 11, *Joint Arrangements*, in the financial statements of the joint arrangement itself.

- PFRS 13 (Amendment), *Fair Value Measurement – Scope of Portfolio Exception*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of and accounted for in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32, *Financial Instruments: Presentation*.

(b) Effective Subsequent to 2015 but not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2015 which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions, and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that the principle of materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(ii) PAS 16 (Amendment), *Property, Plant and Equipment,* and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iii) PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective from January 1, 2016). This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. This amendment permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

(iv) PFRS 10 (Amendment), *Consolidated Financial Statements,* PFRS 12, *Disclosure of Interests in Other Entities,* and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective from January 1, 2016). This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. It clarifies which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of PFRS 10 and clarifies whether the exemption to present consolidated financial statements, set out in paragraph 4 of PFRS 10, is available to a parent entity that is a subsidiary of an investment entity. This amendment also permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

(v) PFRS 10 (Amendment), *Consolidated Financial Statements,* and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale or contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction. In December 2015, the IASB deferred the mandatory effective date of these amendments (i.e., from January 1, 2016) indefinitely.

(vi) PFRS 11 (Amendment), *Joint Arrangements – Accounting for Acquisitions of Interest in Joint Operations* (effective from January 1, 2016). This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in PFRS 3 to apply all accounting principles and disclosure requirements on business combinations under PFRS 3 and other PFRSs, except for those principles that conflict with the guidance in PFRS 11.

(vii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, do not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Management is currently assessing the impact of PFRS 9 on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(viii) Annual Improvements to PFRS (2012-2014 Cycle) (effective from January 1, 2016). Among the improvements, the following amendments are relevant to the Group but management does not expect these to have material impact on the Group's consolidated financial statements:

- PAS 19 (Amendment), *Employee Benefits – Discount Rate*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

- PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries as enumerated in Notes 1.3, 1.4 and 1.5, after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as that of the Parent Company, using consistent accounting policies.

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Parent Company obtains control.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

(i) Accounting for Business Combination using the Acquisition Method

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets [See Note 2.3(c)].

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss.

(ii) Accounting for Business Combination using the Pooling-of-interests Method

Business combinations arising from transfers of interests in entities that are under the common control of the principal shareholder are accounted for under the pooling-of-interests method. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting. No restatements are made to the financial information in the consolidated financial statements for periods prior to the business combination; hence, the profit and loss of the acquiree is included in the consolidated financial statements only from the acquisition date. Also, any pre-acquisition income and expenses of a subsidiary are no longer included in the consolidated financial statements.

(iii) Reverse Acquisition Accounting Involving a Non-Operating Shell Company

The acquisition of EDI disclosed in Note 1.3 has been accounted for similar to a reverse acquisition of a non-operating shell company. Such transaction was accounted for in the consolidated financial statements of the Parent Company, which is the legal parent (the accounting acquiree), as a continuation of the consolidated financial statements of the EDI Group, which is the legal subsidiary (the accounting acquirer).

(b) *Investment in Joint Venture*

A jointly controlled entity is a corporation, partnership, or other entity in which two or more venturers have an interest, under a contractual arrangement that establishes joint control over the entity. Each venturer usually contributes cash or other resources to the jointly controlled entity. Those contributions are included in the accounting records of the venturer and recognised in the venturer's financial statements as an investment in the jointly controlled entity.

Investments in joint venture are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in the jointly controlled entity is subject to the purchase method. The purchase method involves the recognition of the jointly controlled entity's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the venturer's share of the identifiable net assets of the joint venture at the date of acquisition. Any goodwill or fair value adjustment attributable to the venturer's share in the joint venture is included in the amount recognized as investment in joint venture.

All subsequent changes to the ownership interest in the equity of the joint venture are recognized in the venturer's carrying amount of the investments. Changes resulting from the profit or loss generated by the joint venture are credited or charged against the Share in net income of joint venture under the Revenues account in the consolidated statement of comprehensive income.

Impairment loss is provided when there is objective evidence that the investment in joint venture will not be recovered (see Note 2.17).

Changes resulting from other comprehensive income of the jointly controlled entity or items recognized directly in the jointly controlled entity's equity are recognized in other comprehensive income or equity of the venturer, as applicable. However, when the venturer's share of losses in a joint venture equals or exceeds its interest in the associate, including any other unsecured receivables, the venturer does not recognize further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity. If the jointly controlled entity subsequently reports profits, the venturer resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the jointly controlled entity are accounted for as a reduction of the carrying value of the investment.

(c) *Transactions with Non-controlling Interests*

AWGI issued preferred shares in 2015 which are considered as non-controlling interests as these do not result in the Group's loss of control in AWGI. Such non-controlling interest is presented as a separate line item in the consolidated statements of changes in equity.

2.4 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's executive committee; its chief operating decision-maker. The strategic executive committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's product lines, which represent the main products provided by the Group.

Each of these operating segments is managed separately as each of these product lines requires different processes and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8 are the same as those used in its financial statements.

There have been no changes from prior period in the measurement methods used to determine reported segment profit or loss, though only one segment was reported in the prior period.

2.5 Financial Assets

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Recognition and Measurement*. All other non-derivative financial instruments are treated as debt instruments.

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss. A more detailed description of the categories of financial assets that are relevant to the Group is as follows:

(i) Financial Assets at FVTPL

This category includes financial assets that are either classified as held for trading or that meets certain conditions and are designated by the entity to be carried at fair value through profit or loss upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months from the end of each reporting period.

Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at fair value through profit or loss) may be reclassified out of FVTPL category if they are no longer held for the purpose of being sold or repurchased in the near term.

(ii) 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 arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables (except Advances to suppliers) and Refundable security deposits (presented as part of Other Non-current Assets) in the statement of financial position. Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the loans and receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows discounted using the financial asset's effective interest rate. The amount of loss, or reversal thereof, is recognized as profit or loss.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the profit or loss.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Other revenues under the Revenues account and in the Other Charges account in the consolidated statement of comprehensive income.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.6 Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. Finished goods and work-in-process inventories include the cost of raw materials, direct labor and a proportion of manufacturing overhead (including an element of depreciation) based on normal operating capacity. The cost of raw materials include all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

Net realizable value of finished goods is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value of raw materials is the current replacement cost.

2.7 Prepayments and Other Assets

Prepayments and other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statement when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), are classified as non-current assets.

2.8 Property, Plant and Equipment

Property, plant and equipment, except land, are carried at acquisition cost less accumulated depreciation, amortization and any impairment losses. As no finite useful life for land can be determined, related carrying amount (which is cost less any impairment losses, if any) is not depreciated.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings and building improvements	25 to 50 years
Land improvement	10 years
Machinery and equipment (including tools and other equipment)	2 to 20 years
Transportation equipment	3 to 10 years
Office furniture and fixtures	3 to 10 years

Moulds and dies are depreciated using their expected usage for the period. Total usage multiplied by rate results to depreciation expense for the period. The rate is computed by dividing cost by estimated cases to be produced.

Leasehold improvements are amortized over the estimated useful life of the improvements of 5 to 10 years or the lease term, whichever is shorter.

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

The residual values and estimated useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment, including the related accumulated depreciation, amortization and impairment loss, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in consolidated statement of comprehensive income in the year the item is derecognized.

2.9 Intangible Assets

Intangible assets include trademarks and goodwill which are accounted for under the cost model. The cost of the trademarks is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Capitalized costs for trademarks with finite lives are amortized on a straight-line basis over their estimated useful lives of ten years. Capitalized costs for trademarks with infinite useful lives are not amortized. The useful lives are reviewed each reporting period to determine whether events and circumstances continue to support an infinite useful life assessment. Changes in the useful life assessment from infinite to finite are accounted for as change in accounting estimate. In addition, trademarks are subject to impairment testing as described in Note 2.17.

When an intangible asset, such as trademarks, is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.10 Financial Liabilities

The categories of financial liabilities relevant to the Group are more fully described below.

(a) Financial Liabilities at FVTPL

Financial liabilities are classified in this category if they are held for trading or derivative transactions that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category.

The Group occasionally uses derivative financial instruments, such as foreign exchange forward contracts, to manage its risks associated with fluctuations in foreign currency. Such derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group's derivative instruments provide economic hedges under the Group's policies but are not designated as accounting hedges. Consequently, any gains or losses arising from changes in fair value are taken directly to profit or loss for the period.

The Group's financial liabilities categorized at financial liabilities at FVTPL are presented as Financial Liabilities at Fair Value Through Profit or Loss in the consolidated statement of financial position.

(b) Financial Liabilities at Amortized Cost

This category pertains to financial liabilities that are not held for trading or not designated as financial liabilities at FVTPL upon inception of the liability. This includes interest-bearing loans and borrowings, trade and other payables [except output value-added tax (VAT) and other tax-related payables], equity-linked debt securities, and accrued interest payable, and is recognized when the Group becomes a party to the contractual agreements of the instrument.

Financial liabilities are initially recognized at their fair values and subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments.

All interest-related charges, if any, are recognized as an expense under the caption Other Charges in the consolidated statement of comprehensive income.

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Group.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.11 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.12 Business Combination

Business acquisitions are accounted for using the acquisition or pooling-of-interest method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill, if any, is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Negative goodwill, which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost, is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.13 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.14 Revenue and Expense Recognition

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods sold, excluding VAT, rebates and trade discounts.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that future economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Sale of goods* – Revenue is recognized when the risks and rewards of ownership of the goods have passed to the buyer, i.e., generally when the customer has acknowledged delivery of goods.

(b) *Interest income* – This is recognized as the interest accrues taking into account the effective yield on the asset.

(c) *Dividends* – Revenue is recognized when the Group's right to receive payment is established.

(d) *Trading gain* – Trading gain is recognized when the ownership of the securities is transferred to the buyer (at an amount equal to the excess of the selling price over the carrying amount of securities) and as a result of the mark-to-market valuation of the securities classified as financial assets at FVTPL.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs, if any, which are included as part of the cost of the related qualifying asset (see Note 2.20).

2.15 Leases – Group as Lessee

Leases are classified as operating lease when all the risks and benefits of ownership of the asset are not substantially transferred to the Group. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes 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.

2.16 Foreign Currency Transactions and Translation

(a) Transactions and Balances

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income as part of profit or loss.

(b) Translation of Financial Statements of a Foreign Subsidiary

The operating results and financial position of EIL, which are measured using the U.S. dollar, its functional currency, are translated to Philippine pesos, the Group's functional currency, as follows:

(i) Monetary assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) Non-monetary assets and liabilities for each statement of financial position presented, which are measured in terms of historical cost, are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities which are measured at fair value are translated using the exchange rates at the date when the fair value was determined;

(iii) Income and expenses for each profit or loss account are translated at the monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,

(iv) All resulting translation adjustments are recognized in other comprehensive income and in a separate component of consolidated statement of changes in equity under Accumulated Translation Adjustments.

When a foreign operation is partially disposed of or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of the gain or loss on sale.

The translation of the financial statements into Philippine peso should not be construed as a representation that the U.S. dollar amounts could be converted into Philippine peso amounts at the translation rates or at any other rates of exchange.

2.17 Impairment of Non-financial Assets

The Group's property, plant and equipment, intangible assets, investment in a joint venture and other non-financial assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.18 Employment Benefits

The Group's post-employment benefits to its employees are as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's retirement cost accrual covers all regular full-time employees. The pension plan is tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using a discount rate derived from the interest rates of zero coupon government bonds as published by Philippine Dealing & Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions) and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest is reported as part of Other Charges account in the consolidated statement of comprehensive income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Bonus Plans

The Group recognizes a liability and an expense for bonuses based on a formula that takes into consideration the Group's profits after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(d) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.19 Share-based Employee Remuneration

The Parent Company grants share options to qualified employees of the Group eligible under a share option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any. The share-based remuneration is recognized as an expense in the consolidated profit or loss with a corresponding credit to Share Options under the Equity section of the consolidated statement of financial position.

The share-based remuneration expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number that ultimately vests on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as additional paid in capital (APIC).

2.20 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.21 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax recognized in the profit or loss.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets, whether recognized or unrecognized, are reassessed at the end of each reporting period and are recognized or reduced, as the case may be, to the extent that it has become probable that future taxable profit will be available to allow all or part of such deferred tax assets to be utilized. [See Note 3.2(e)]

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

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.22 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.23 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Accumulated translation adjustments represent the translation adjustments resulting from the conversion of foreign currency-denominated financial statements of a certain subsidiary into the Group's presentation currency [see Notes 2.16(b)(iv) and 26.1].

Revaluation reserves comprise gains and losses due to remeasurements of post-employment defined benefit plan.

Share options represent the current and all prior period share-based employee remuneration as reported in the consolidated statement of comprehensive income.

Equity reserves represent the difference between the net assets of the EDI Group and the sum of the legal capital of the Parent Company and the combined retained earnings and other equity account of the EDI Group as a result of the accounting for reverse acquisition involving a non-operating shell company [see Note 2.3(a)(iii)].

Retained earnings represent the current and all prior period results of operations as reported in the profit or loss section of the consolidated statement of comprehensive income, reduced by the amounts of dividends declared.

2.24 Earnings Per Share

Basic earnings per share (EPS) is determined by dividing the net profit for the year by the weighted average number of common shares issued and outstanding during the year, after giving retroactive effect to any stock dividends, stock split or reverse stock split declared in the current year.

Diluted EPS is also computed by dividing the net profit for the year by the weighted average number of common shares issued and outstanding during the year. However, the weighted average number of common shares outstanding is adjusted to assume conversion of dilutive potential shares. The Group has dilutive potential shares outstanding related to its employee share options, which are deemed to have been converted to common shares at the issuance of the option.

2.25 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements; and if not material, the Group has the option to or not to disclose.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Distinction Between Operating and Finance Leases

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management's judgment, such leases were determined to be operating leases.

(b) Business Combinations Accounted for Under Acquisition Method

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period. Details of acquired assets and liabilities assumed are given in Note 1.5.

(c) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish the difference between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.13 and disclosures on relevant provisions and contingencies are presented in Notes 16 and 25.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Impairment of Trade and Other Receivables

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectibility of the accounts, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying value of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 6.

(b) Fair Value Measurement for Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

The amounts of fair value changes recognized during the years presented on the Group's financial instruments at FVTPL are disclosed in Note 7.

(c) Net Realizable Values of Inventories

In determining the net realizable values of inventories, management takes into account the most reliable evidence available at the times the estimates are made. The Group's core business is subject to changes in market factors that directly affect the demand for alcoholic beverages such as purchasing power of consumers, degree of competition, and other market-related factors. Future realization of inventories is affected by price changes in the costs incurred necessary to make a sale. These aspects are considered as key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next financial year.

A reconciliation of the allowance for inventory write-down is presented in Note 8.

(d) Useful Lives of Property, Plant and Equipment and Intangible Assets

The Group estimates the useful lives of property, plant and equipment, and trademarks based on the period over which the assets are expected to be available for use. Trademarks for The Dalmore and Jura were determined to have indefinite useful lives because these brands have been in existence for more than 100 years. The estimated useful lives of property, plant and equipment, and trademarks are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets (see Notes 2.8 and 2.9). The carrying amounts of property, plant and equipment and trademarks are presented in Notes 9 and 10, respectively.

(e) Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as of December 31, 2015 and 2014 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 21.

(f) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment losses were recognized on non-financial assets in 2015, 2014 and 2013 based on management's assessment.

(g) Recognition of Liability and Equity Components of Compound Financial Instruments

Equity-linked debt securities (ELS) instrument contains both a liability and an equity component as this instrument grants an option to the holder to convert it into an equity instrument of the issuer. The equity component is assigned the residual value of the fair value of the instrument as a whole, after deducting the amount separately determined for the liability component.

The Group determined the carrying amount of the liability component by measuring the fair value of similar liabilities that do not have an associated equity component. Consequently, after deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole, it was determined that the equity component of the ELS has no value; hence, no equity component was recognized in the consolidated financial statements. The carrying amount of the ELS is presented under the Non-current Liabilities section of the consolidated statements of financial position (see Note 14).

Valuation techniques are used to determine the fair values, which are validated and periodically reviewed. To the extent practicable, models use observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. The Group uses judgment to select a variety of methods and make assumptions that are mainly based on conditions existing at the date of the issuance of the ELS.

(h) *Valuation of Post-employment Defined Benefit*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, salary rate increase, and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 20.

(i) *Fair Value of Share Options*

The Group estimates the fair value of the share option by applying an option valuation model, taking into account the terms and conditions on which the share option were granted. The estimates and assumptions used are presented in Note 23.3 which include, among other things, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, volatility of the Parent Company's share price and fair value of the Parent Company's common shares. Changes in these factors can affect the fair value of share options at grant date.

(j) *Provision for Onerous Lease*

The Group determines the provision for leasehold properties which are no longer used in the business for which the recoverable amount of the interest in the property is expected to be insufficient to cover future obligations relating to the lease using discounted cash flows and assumptions relating to future sublease income expectations. A significant change in the credit-adjusted risk-free rate used in discounting the estimated cost and sublease assumptions would result in a significant change in the amount of provision recognized with a corresponding effect on profit or loss.

An analysis of the Group's provisions for onerous lease is presented in Note 16.1.

(k) *Provision for Restoration of Leased Property*

Determining provision for leased property restoration requires estimation of the cost of dismantling and restoring the leased properties to their original condition. The estimated cost was initially determined based on a recent cost to restore the facilities and is being adjusted to consider the estimated incremental annual costs up to the end of the lease term. A significant change in the credit-adjusted risk-free rate used in discounting the estimated cost would result in a significant change in the amount of provision recognized with a corresponding effect on profit or loss.

An analysis of the Group's provisions for leased property restoration cost is presented in Note 16.2.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group is organized into two business segments, Emperador and WMG, which represent the two major distilled spirits categories where the Group operates, namely the brandy and Scotch whisky. This is also the basis of the Group's executive committee for its strategic decision-making activities.

In 2014, the Group reviewed operating results of all alcoholic beverage products as one segment; hence, the Group only had one operating segment in the 2014 consolidated financial statements.

4.2 Segment Assets and Liabilities

Segment assets and liabilities represent the assets and liabilities reported in the statements of financial position of the companies included in each segment.

4.3 Intersegment Transactions

Intersegment transactions, such as intercompany sales and purchases, and receivables and payables, are eliminated in consolidation.

4.4 Analysis of Segment Information

Segment information for the years ended December 31, 2015 and 2014 (in thousands) are as follows:

	EMPERADOR		WMG		Total	
	2015	2014	**2015**	2014	**2015**	2014
REVENUES	**P 27,120,209**	P 28,388,192	**P 16,524,868**	P 3,621,194	**P 43,645,077**	P 32,009,386
COSTS AND EXPENSES						
Costs of goods sold	**16,341,007**	17,443,372	**13,248,379**	2,965,765	**29,589,386**	20,409,137
Selling and distribution expenses	**2,493,669**	2,465,363	**755,977**	186,846	**3,249,646**	2,652,209
General and administrative expenses	**234,819**	345,521	**1,593,383**	332,280	**1,828,202**	677,801
Other charges	**469,306**	123,318	**58,699**	38,564	**528,005**	161,882
	19,538,801	20,377,574	**15,656,438**	3,523,455	**35,195,239**	23,901,029
SEGMENT PROFIT BEFORE TAX	**7,581,408**	8,010,618	**868,430**	97,739	**8,449,838**	8,108,357
TAX EXPENSE (INCOME)	**1,725,102**	1,916,737	**(235,320)**	(12,565)	**1,489,782**	1,904,172
SEGMENT NET PROFIT	**P 5,856,306**	P 6,093,881	**P 1,103,750**	P 110,304	**P 6,960,056**	P 6,204,185
TOTAL ASSETS	**P 54,832,345**	P 58,938,262	**P 43,426,288**	P 40,620,289	**P 98,258,633**	P 99,558,551
TOTAL LIABILITIES	**37,762,618**	44,586,862	**10,410,364**	P 9,069,692	**48,172,982**	53,656,554

Sales to any of the Group's major customers did not exceed 10% of the Group's revenues in all of the years presented.

5. CASH AND CASH EQUIVALENTS

This account includes the following components:

	2015	2014
Cash on hand and in banks	P 16,296,974,597	P 18,395,082,504
Short-term placements	12,880,567,640	16,839,547,063
	P 29,177,542,237	P 35,234,629,567

Cash in banks generally earn interest at rates based on daily bank deposit rates. Short-term placements have an average maturity of 30 days and earn effective annual interest rates ranging from 0.4% to 2.8% in 2015, 0.9% to 1.5% in 2014 and 1.2% to 2.5% in 2013. Interest earned amounted to P100.8 million, P206.8 million and P128.4 million in 2015, 2014 and 2013, respectively, and is presented as part of Other revenues under the Revenues account in the consolidated statements of comprehensive income (see Note 17).

6. TRADE AND OTHER RECEIVABLES

Details of this account are as follows:

	Notes	2015	2014
Trade receivables	22.4	P 11,627,694,408	P 8,703,651,759
Advances to related parties	22.7	1,628,798,800	3,944,499,022
Advances to suppliers		336,354,121	1,271,946,815
Advances to officers and employees	22.5	21,491,459	10,720,071
Accrued interest receivable		201,972	22,688,748
Other receivables		35,274,356	27,379,893
		13,649,815,116	13,980,886,308
Allowance for impairment		(56,899,427)	(78,318,123)
		P 13,592,915,689	P 13,902,568,185

Trade receivables are usually due within 30 days and do not bear any interest. All trade receivables are subject to credit risk exposure (see Note 26.2).

Advances to suppliers pertain to down payments made to third parties primarily for the purchase of parcels of land and goods from suppliers.

All of the Group's trade and other receivables have been reviewed for indications of impairment and adequate amounts of allowance for impairment have been recognized.

A reconciliation of the allowance for impairment is shown below.

		2015		2014
Balance at beginning of year	**P**	**78,318,123**	P	19,670,880
Impairment reversal	**(**	**24,845,025)**		-
Impairment losses		**3,426,329**		7,875,358
Allowance carried from acquired subsidiary		**-**		50,771,885
Balance at end of year	**P**	**56,899,427**	P	78,318,123

In 2015, certain receivables previously provided with allowance for impairment were collected. Consequently, this reduced the allowance for impairment by the same amount and recognized as part of Other revenues under the Revenues account in the 2015 consolidated statement of comprehensive income (see Note 17).

Impairment losses on trade and other receivables are presented as part of Other Charges in the consolidated statements of comprehensive income.

The carrying amounts of these financial assets are a reasonable approximation of their fair values due to their short-term duration.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's financial instruments at FVTPL pertain to listed equity securities and derivative assets and liabilities. All financial assets at FVTPL are classified as held-for-trading. Derivative assets and liabilities arise from foreign exchange margins trading spot and forward contracts entered into by the Group. The term of these forward contracts is usually one month to one year.

As of December 31, 2014, the Group owns certain equity securities listed in the PSE amounting to P1.0 billion. In 2015, these were sold to a related party (see Note 22).

The net changes in fair values of these financial instruments are presented in the consolidated statements of comprehensive income as part of Other revenues under the Revenues (for net fair value gains) account or Other Charges (for net fair value losses). The Group recognized fair value gains amounting to P2.6 million and P58.9 million in 2015 and 2014, respectively, and fair value loss amounting to P212.2 million in 2013 (see Note 17).

The fair values of listed equity securities were determined directly by reference to quoted close prices in active markets (see Note 28.2). In 2015 and 2014, the Group's recognized gains on trading financial assets at FVTPL amounting to P5.2 million and P159.0 million, respectively, are presented as part of Other revenues under the Revenues account in the consolidated statement of comprehensive income (see Note 17). There were no similar transactions in 2013.

8. INVENTORIES

Inventories as of December 31, 2015 and 2014, except for certain finished goods and raw materials, are all stated at cost, which is lower than their net realizable values. The details of inventories are shown below.

	Note	2015	2014
Work-in-process		**P 11,494,183,891**	P 9,901,698,258
Finished goods	22.1	**2,326,981,897**	2,109,429,719
Raw materials	22.1	**1,858,531,561**	2,843,409,742
Packaging materials		**399,369,933**	394,279,690
Machinery spare parts, consumables and factory supplies		**155,653,361**	167,539,508
		16,234,720,643	15,416,356,917
Allowance for inventory write-down		**(144,968,995)**	(129,337,459)
		P 16,089,751,648	P 15,287,019,458

WML has a substantial inventory of aged stocks which mature over periods of up to 60 years. The maturing whisky stock inventory amounting to P11.1 billion and P9.5 billion as of December 31, 2015 and 2014, respectively, is presented as part of work-in-process inventories, and is stored in various locations across Scotland.

An analysis of the cost of inventories included in costs of goods sold for 2015, 2014 and 2013 is presented in Note 18.

A reconciliation of the allowance for inventory write-down is shown below.

	2015	2014
Balance at beginning of year	**P 129,337,459**	P -
Impairment losses	**15,631,536**	-
Allowance carried from acquired subsidiary	**-**	129,337,459
Balance at end of year	**P 144,968,995**	P 129,337,459

Impairment losses on inventories are presented as part of Impairment losses under Cost of Goods Sold account in the 2015 consolidated statement of comprehensive income (see Note 18).

9. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property, plant and equipment at the beginning and end of 2015 and 2014 are shown below.

	Land	Land Improvement	Buildings and Improvements	Leasehold Improvement	Machinery and Equipment	Transportation Equipment	Office Furniture and Fixtures	Moulds and Dies	Construction in Progress	Total
December 31, 2015										
Cost	P 2,592,928,420	P 29,078,186	P 4,744,219,634	P 76,420,470	P 10,217,177,688	P 345,769,525	P 562,490,376	P 84,891,277	P 2,720,485,160	P 21,373,460,736
Accumulated depreciation and amortization	-	(8,389,062)	(1,144,835,024)	(39,189,353)	(5,200,569,446)	(194,933,164)	(455,602,374)	(62,867,952)	-	(7,106,386,375)
Net carrying amount	**P 2,592,928,420**	**P 20,689,124**	**P 3,599,384,610**	**P 37,231,117**	**P 5,016,608,242**	**P 150,836,361**	**P 106,888,002**	**P 22,023,325**	**P 2,720,485,160**	**P 14,267,074,361**
December 31, 2014										
Cost	P 1,577,601,130	P 28,636,221	P 4,384,952,765	P 66,697,854	P 9,368,152,491	P 314,385,676	P 496,289,338	P 71,817,348	P 1,542,618,830	P 17,851,151,653
Accumulated depreciation and amortization	-	(5,488,609)	(1,053,184,042)	(35,721,715)	(4,634,166,897)	(172,417,885)	(430,096,025)	(52,268,184)	-	(6,383,343,357)
Net carrying amount	P 1,577,601,130	P 23,147,612	P 3,331,768,723	P 30,976,139	P 4,733,985,594	P 141,967,791	P 66,193,313	P 19,549,164	P 1,542,618,830	P 11,467,808,296
January 1, 2014										
Cost	P 924,583,429	P 28,636,221	P 281,204,398	P 55,633,085	P 2,689,582,222	P 237,746,928	P 59,968,801	P 57,756,463	P 464,731,277	P 4,799,842,824
Accumulated depreciation and amortization	-	(2,624,987)	(42,146,930)	(26,545,608)	(774,973,851)	(132,514,180)	(27,538,081)	(42,179,277)	-	(1,048,522,914)
Net carrying amount	P 924,583,429	P 26,011,234	P 239,057,468	P 29,087,477	P 1,914,608,371	P 105,232,748	P 32,430,720	P 15,577,186	P 464,731,277	P 3,751,319,910

A reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of 2015, 2014 and 2013 is shown below.

	Land	Land Improvement	Buildings and Improvements	Leasehold Improvement	Machinery and Equipment	Transportation Equipment	Office Furniture and Fixtures	Moulds and Dies	Construction in Progress	Total
Balance at January 1, 2015, net of accumulated depreciation and amortization	P1,577,601,130	P 23,147,612	P3,331,768,723	P 30,976,139	P 4,733,985,594	P 141,967,791	P 66,193,313	P 19,549,164	P 1,542,618,830	P 11,467,808,296
Additions	1,023,319,790	441,964	360,284,562	702,251	731,609,232	38,769,981	65,738,341	13,073,929	1,310,700,869	3,544,640,919
Disposals	7,992,500	-	(673,684)	-	(236,221)	(1,252,873)	-	-	-	(10,155,278)
Reclassifications	-	-	6,421,921	9,020,365	117,392,253	-	-	-	(132,834,539)	-
Depreciation and amortization charges for the year	-	(2,900,452)	(98,416,912)	(3,467,638)	(566,142,616)	(28,648,538)	(25,043,652)	(10,599,768)	-	(735,219,576)
Balance at December 31, 2015, net of accumulated depreciation and amortization	**P 2,592,928,420**	**P 20,689,124**	**P 3,599,384,610**	**P 37,231,117**	**P 5,016,608,242**	**P 150,836,361**	**P 106,888,002**	**P 22,023,325**	**P 2,720,485,160**	**P 14,267,074,361**
Balance at January 1, 2014, net of accumulated depreciation and amortization	P 924,583,429	P 26,011,234	P 239,057,468	P 29,087,477	P1,914,608,371	P 105,232,748	P 32,430,720	P 15,577,186	P 464,731,277	P 3,751,319,910
Additions due to acquired subsidiary	194,686,056	-	2,904,349,608	-	2,944,291,075	970,334	50,146,111	-	-	6,094,443,184
Additions	458,331,645	-	14,053,173	248,661	95,412,343	62,754,373	3,326,381	14,060,885	1,379,553,102	2,027,740,563
Disposals	-	-	-	-	(38,640)	(850,917)	-	-	-	(889,557)
Reclassifications	-	-	212,678,814	7,271,371	89,352,818	2	(7,637,456)	-	(301,665,549)	-
Depreciation and amortization charges for the year	-	(2,863,622)	(38,370,340)	(5,631,370)	(309,640,373)	(26,138,749)	(12,072,443)	(10,088,907)	-	(404,805,804)
Balance at December 31, 2014, net of accumulated depreciation and amortization	P1,577,601,130	P 23,147,612	P3,331,768,723	P 30,976,139	P4,733,985,594	P 141,967,791	P 66,193,313	P 19,549,164	P1,542,618,830	P 11,467,808,296
Balance at January 1, 2013, net of accumulated depreciation and amortization	P 132,830,000	P -	P 161,610,808	P 16,670,064	P1,482,999,445	P 61,941,418	P 34,942,800	P 15,728,071	P 107,203,119	P 2,013,925,725
Additions	791,753,429	28,636,221	101,556,519	20,592,353	660,876,063	72,353,276	8,110,961	10,276,024	357,528,158	2,051,683,004
Disposals	-	-	-	-	-	(1,528,611)	-	-	-	(1,528,611)
Depreciation and amortization charges for the year	-	(2,624,987)	(24,109,859)	(8,174,940)	(229,267,137)	(27,533,335)	(10,623,041)	(10,426,909)	-	(312,760,208)
Balance at December 31, 2013, net of accumulated depreciation and amortization	P 924,583,429	P 26,011,234	P 239,057,468	P 29,087,477	P1,914,608,371	P 105,232,748	P 32,430,720	P 15,577,186	P 464,731,277	P 3,751,319,910

In 2013, the Group acquired the distilling facility of Consolidated Distillers of the Far East, Inc. (Condis), a related party under common ownership, located in Lumbangan, Nasugbu, Batangas (see Note 22.9). In the same year, the Group started the construction of another distillery plant in Balayan, Batangas which is still ongoing as of December 31, 2015.

Also reported under Construction in Progress were the construction costs related to the expansion of the main bottling plant in Sta. Rosa, Laguna, which was started in 2012 and completed in 2014. The accumulated construction costs were then reclassified to Buildings in 2014.

The Group, through EIL, acquired in 2014 and 2013, certain parcels of land in Spain. The assets owned by WMG were presented as Additions due to an acquired subsidiary in 2014.

The amount of depreciation and amortization is allocated as follows:

	Notes	**2015**	2014	2013
Costs of goods sold	18	**P 473,317,155**	P 322,671,428	P 273,193,221
Selling and distribution expenses	19	**29,173,831**	30,582,692	37,712,739
General and administrative expenses	19	**34,150,749**	21,301,456	1,854,248
		P 536,641,735	P 374,555,576	P 312,760,208

In 2015 and 2014, depreciation expense amounting to P198.6 million and P30.3 million, respectively, was capitalized to form part of the work-in-process inventory. Such capitalized amount represents depreciation expense on barrels and warehouse buildings wherein the maturing bulk stocks of whisky are held, which can reach periods of up to 60 years.

In 2015, 2014 and 2013, certain transportation equipment with carrying amounts of P1.3 million, P0.8 million and P1.5 million, respectively, were sold for P2.8 million, P3.4 million, and P3.1 million, respectively, which resulted to gains of P1.5 million, P2.6 million and P1.5 million in 2015, 2014 and 2013, respectively. The resulting gains on disposals were recognized as part of Other revenues under the Revenues account in the consolidated statements of comprehensive income (see Note 17).

10. INTANGIBLE ASSETS

This account is composed of the following:

	Note	**2015**	2014
Infinite useful lives:			
Trademarks	1.5	**P 9,972,144,142**	P 9,972,144,142
Goodwill	1.5	**7,672,894,304**	7,672,894,304
		17,645,038,446	17,645,038,446
Finite useful lives – Trademarks		**123,313,026**	226,185,694
		P 17,768,351,472	P 17,871,224,140

The Group's trademarks include those that were acquired from Condis, to manufacture and sell distilled spirits, particularly brandy, under the brand names "Emperador Brandy" and "Generoso Brandy." The Group also has another trademark for its flavored-alcoholic beverage under the brand name "The BaR". In 2013, the Group registered another trademark under the new brand name "Emperador Deluxe." In 2014, as a result of the Group's acquisition of WMG Group, additional trademarks amounting to P4.5 billion and P5.5 billion for "Jura" and "The Dalmore", respectively, were also recognized in the consolidated financial statements. The trademarks "Jura" and "The Dalmore" have infinite useful life; hence, no amortization was recognized for these brands during the year.

The remaining useful lives of the trademarks subject to amortization are as follows:

	December 31, 2015	December 31, 2014
Emperador Brandy	**1 year**	2 years
Generoso Brandy	**1 year**	2 years
The BaR	**2.5 years**	3.5 years
Emperador Deluxe	**7.5 years**	8.5 years

The net carrying amount of these trademarks with finite useful life is as follows:

	Note	**2015**	2014
Balance at beginning of year		**P 226,185,694**	P 329,058,362
Amortization during the year	19	**(102,872,668)**	(102,872,668)
Balance at end of year		**P 123,313,026**	P 226,185,694

Management believes that the trademarks are not impaired as of December 31, 2015 and 2014 as the Group's products that carry such brands and trademarks are still performing very well in the market; hence, no impairment is necessary to be recognized in the periods presented.

11. OTHER NON-CURRENT ASSETS

This account is composed of the following:

	Notes	**2015**	2014
Deposit for asset acquisition	1.6	**P 2,848,690,163**	P -
Deferred input VAT		**258,615,169**	330,106,435
Refundable security deposits - net	22.3	**41,422,457**	38,829,045
Others		**8,174,034**	8,163,002
		P 3,156,901,823	P 377,098,482

Deposit for asset acquisition pertains to deposits made by the Group to acquire the brandy and sherry business from Beam Suntory (see Note 1.6).

12. INVESTMENT IN A JOINT VENTURE

On February 2, 2014, GES, a wholly owned subsidiary of EAPI entered into an agreement with Gonzales Byass, S.A. (Gonzalez), for the joint control of Bodegas Las Copas, S.L. (BLC or the jointly controlled entity) for 50% equity interest for each venturer. The 50% participation cost of P3.7 billion is based on the fair valuation of the assets. BLC was incorporated on March 19, 2013. Its registered address is at no. 12, C.P.11403, Jerez de la Frontera (Cadiz), Spain. Its primary business consists of the planting and growing of wine grapes and the exploitation of vineyards, the production, ageing and preparation of wines and vinegars; the production of alcohol; the production, preparation and ageing of brandy, aguardientes, compounds, liquors and in general, all kinds of spirits.

As of December 31, 2015 and 2014, the carrying amount of the investment in joint venture, accounted for under the equity method in these consolidated financial statements, are as follows:

	2015	2014
Acquisition costs:	**P 3,703,721,965**	P 3,703,721,965
Accumulated share in net income:		
Balance at beginning of year	**39,534,826**	-
Share in net income for the year	**130,007,640**	39,534,826
Balance at end of year	**169,542,466**	39,534,826
	P 3,873,264,431	P 3,743,256,791

The equity share in net income is recorded as part of Other revenues under the Revenues account in the consolidated statements of comprehensive income (see Note 17).

The aggregated amounts of assets, liabilities, revenues and net income of the joint venture as of December 31, 2015 and 2014 and for the years then ended are as follows (in thousands):

	Assets	**Liabilities**	**Revenues**	**Net Income**
2015	**P 5,054,709**	**P 1,063,831**	**P 3,315,098**	**P 260,015**
2014	5,641,502	2,002,312	5,447,846	79,070

13. INTEREST-BEARING LOANS AND BORROWINGS

In 2015, the Group obtained short-term foreign currency denominated interest-bearing loans and borrowings amounting to P23.9 billion from international financial institutions. These loans are generally unsecured and bear annual interest ranging from 0.66% to 1.8%. Interest period are agreed upon at the last day of each interest period. Interest expense on these loans for 2015 amounted to P31.7 million and is presented as part of Other Charges in the 2015 consolidated statement of comprehensive income. Accrued interest payable as of December 31, 2015 amounted to P32.6 million and presented as part of Accrued expenses under the Trade and Other Payables account in the 2015 consolidated statement of financial position (see Note 15). The Group complies with the financial covenants on these loans and borrowings.

In 2014, the Group obtained short-term foreign currency denominated interest-bearing loans and borrowings amounting to P23.8 billion from local and international financial institutions. The loans were unsecured which bore annual interest rates ranging from 1.4% to 1.8%. Interest expense for 2015 and 2014 amounted to P85.6 million and P51.4 million, respectively, and are presented as part of Other Charges in the consolidated statements of comprehensive income. Accrued interest payable as of December 31, 2014 amounted to P21.9 million and presented as part of Accrued expenses under the Trade and Other Payables account in the 2014 consolidated statement of financial position (see Note 15). These loans had all been fully paid in the first half of 2015. There were no existing covenants on these loans and borrowings.

14. EQUITY-LINKED DEBT SECURITIES

On November 7, 2014, EMP (Issuer) entered into a subscription agreement with Arran for the issuance of 1.1 billion common shares of EMP at a total subscription price of P12.3 billion and an equity-linked debt securities instrument (ELS) amounting to P5.3 billion (see Notes 22.11 and 23.1). The ELS may be converted into 480.0 million common shares (conversion shares) of EMP.

The shares and the ELS were issued on December 4, 2014. The holder of the ELS may exercise the holder conversion right (HCR) which calls for the conversion of the ELS into all of the conversion shares at any time during the period beginning on the issue date until December 4, 2019. The Issuer may exercise the issuer conversion right (ICR) which calls for the conversion of the ELS into all of the conversion shares at any time during the period beginning on the date that is two years after the issue date until December 4, 2019; provided that the share market price must be greater than P11.0 per share on the date the ICR is exercised. If the holder and the Issuer fail to exercise their conversion rights within said dates and the ELS are not converted into shares, the Issuer has the right to extend the redemption date for the ELS until December 4, 2021. As a result of the extension of the redemption date, the ELS shall be mandatorily converted into the conversion shares if, at any time during the period beginning on December 5, 2019 until December 4, 2021, the share market price of EMP's common share is greater than P11.0.

The ELS bears a fixed annual interest rate of 5.0% and variable interest in an amount equal to the dividends that would be payable on the conversion shares if they were issued prior to the date that any dividend is declared by EMP. The fixed interest is payable either in cash or in new EMP shares (interest shares) on the conversion date, December 4, 2019, or December 4, 2021, as applicable. The variable interest is payable in cash on the date that the Issuer pays such dividends to its shareholders. Interest expense amounted to P341.2 million and P19.8 million in 2015 and 2014, respectively, and presented as part of Other Charges in the consolidated statements of comprehensive income. Interest expense includes the variable interest paid in 2015 amounting to P72.0 million. The related interest payable amounting to P283.5 million and P19.5 million as of December 31, 2015 and 2014, respectively, are presented as Accrued Interest Payable in the consolidated statements of financial position.

The documentary stamp taxes (DST) paid by the Issuer for the issuance of shares amounted to P6.7 million and are charged against APIC; while the capitalized DST paid for the issuance of the ELS amounted to P26.4 million, which is presented net of the outstanding liability. The amortization of DST amounted to P5.2 million in 2015 and P0.3 million in 2014 and presented as part of Other Charges in the consolidated statements of comprehensive income.

There were no related collaterals on the ELS.

15. TRADE AND OTHER PAYABLES

The breakdown of this account is as follows:

	Notes	**2015**	2014
Trade payables	22.1, 22.2, 22.3, 22.8	**P 6,460,787,974**	P 4,978,612,531
Advances from related parties	22.6	**4,672,827,792**	11,210,404,733
Accrued expenses	13	**3,488,704,748**	2,810,763,798
Output VAT payable		**507,067,987**	448,793,411
Others		**37,833,244**	195,244,258
		P 15,167,221,745	P 19,643,818,731

Trade payables arise mostly from purchases of raw materials such as alcohol, molasses, flavorings and other supplies. Also included in the trade payables are amounts due to Tradewind Estates, Inc. (TEI), a related party under common ownership (see Note 1.8), for purchases of machinery and equipment in 2010 (see Note 22.2).

Accrued expenses include the interest payable relating to the interest-bearing loans and borrowings obtained by the Group during the year. The interest payable is expected to be settled upon settlement of the related interest-bearing loans and borrowings (see Note 13).

16. PROVISIONS

The breakdown of this account as of December 31, 2015 and 2014 is as follows:

	Onerous Lease	Dilapidations	Total
Balance at January 1, 2015	P 649,364,390	P 270,105,211	P 919,469,601
Utilized amounts	(99,148,389)	(11,020,331)	(110,168,720)
Reversal of unused amount	(73,300,746)	-	(73,300,746)
Additional provisions	-	58,258,375	58,258,375
Balance at December 31, 2015	**P 476,915,255**	**P 317,343,255**	**P 794,258,510**
Balance at January 1, 2014	P -	P -	P -
Additions from acquired subsidiary	638,998,483	268,059,709	907,058,192
Additional provisions	10,365,907	2,045,502	12,411,409
Balance at December 31, 2014	P 649,364,390	P 270,105,211	P 919,469,601

16.1 Provision for Onerous Lease

WML has existing non-cancellable lease agreements on leasehold properties located in Glasgow and Edinburgh, Scotland, covering manufacturing plant facilities, buildings and parking spaces, which are vacant or subleased at a discount. The provisions take account of current market conditions, expected future vacant periods, expected future sublet benefits and are calculated by discounting expected net cash outflows on a pre-tax basis over the remaining period of the lease, which, as of December 31, 2015 and 2014, is between one and 15 years and one and 14 years, respectively.

Reversal of unused amount in 2015 are presented as part of Other revenues under Revenues account in the 2015 consolidated statement of comprehensive income (see Note 17).

Additional provisions in 2014 are presented as part of Provisions under the General and Administrative Expenses account in the 2014 consolidated statement of comprehensive income (see Note 19). The provision will be reduced at each payment date.

16.2 Provision for Dilapidations

WML is a party to lease agreements for properties located in Glasgow and Edinburgh, Scotland which provide for tenant repairing clauses. The lease agreements require the Group to restore the leased properties to a specified condition at the end of the lease term in 2029. A provision was recognized for the present value of the costs to be incurred for the restoration of the leased properties. Additional provisions for 2015 and 2014 is presented as part of Provisions under the General and Administrative Expenses account in the consolidated statements of comprehensive income (see Note 19).

17. REVENUES

The details of revenues are shown below.

	Notes	**2015**	2014	2013
Sale of goods		**P43,267,918,045**	P 31,458,174,710	P28,606,991,751
Other revenues – net	5, 6, 7, 9, 12, 22.7	**377,158,639**	551,210,935	1,257,753,091
		P 43,645,076,684	P 32,009,385,645	P 29,864,744,842

18. COSTS OF GOODS SOLD

The details of costs of goods sold for the years ended December 31, 2015, 2014 and 2013 are shown below.

	Notes	**2015**	2014	2013
Finished goods at beginning of year	8	**P 2,109,429,719**	P 1,036,441,587	P 424,547,140
Finished goods purchased	22.1	**2,384,152,378**	1,202,416,778	859,632,805
Costs of goods manufactured				
Raw and packaging materials at beginning of year	8	**3,237,689,432**	2,377,755,995	2,811,441,882
Net raw material purchases during the year	22.1	**25,456,308,272**	18,159,533,602	17,151,812,901
Addition due to acquired subsidiary	1.5	**-**	10,688,421,748	-
Raw and packaging materials at end of year	8	**(2,257,901,494)**	(3,237,689,432)	(2,377,755,995)
Raw materials used during the year		**26,436,096,210**	27,988,021,913	17,585,498,788
Balance carried forward		**P30,929,678,307**	P 30,226,880,278	P 18,869,678,733

	Notes	**2015**	2014	2013
Balance brought forward		**P30,929,678,307**	P 30,226,880,278	P 18,869,678,733
Work-in-process beginning of year	8	**9,901,698,258**	3,035,664	7,793,883
Work-in-process acquired during the year		**-**	316,808,140	-
Direct labor	20.1	**355,826,127**	93,864,030	49,226,855
Manufacturing overhead				
Depreciation and amortization	9	**473,317,155**	322,671,428	273,193,221
Labor	20.1	**352,087,287**	114,026,630	71,253,109
Fuel and lubricants		**276,502,232**	432,885,779	390,560,857
Rentals	22.3	**263,111,349**	147,436,893	127,222,844
Outside services	22.8	**243,896,811**	225,434,391	154,489,851
Communication, light and water		**199,722,841**	202,545,524	190,878,831
Repairs and maintenance		**118,267,079**	99,947,875	85,629,818
Consumables and supplies		**90,219,850**	99,277,030	104,633,273
Taxes and licenses		**37,985,924**	35,531,721	25,056,208
Commission		**33,583,497**	4,198,004	-
Insurance		**29,015,520**	18,059,843	8,659,262
Impairment losses	8	**15,631,536**	-	-
Waste disposal		**14,938,896**	23,129,521	16,820,331
Transportation		**14,062,146**	13,284,965	12,196,959
Meals		**13,080,531**	12,087,221	11,097,156
Gasoline and oil		**9,084,216**	13,288,166	10,789,061
Miscellaneous		**38,842,169**	15,871,867	12,022,432
Work-in-process at end of year	8	**(11,494,183,891)**	(9,901,698,258)	(3,035,664)
		986,689,533	(7,708,313,566)	1,548,488,287
Finished goods at end of year	8	**(2,326,981,897)**	(2,109,429,719)	(1,036,441,587)
		P29,589,385,943	P 20,409,136,993	P 19,381,725,433

19. OTHER OPERATING EXPENSES

The details of other operating expenses are shown below.

	Notes	**2015**	2014	2013
Advertising and promotions		**P 1,388,252,577**	P 661,229,806	P 445,362,991
Freight and handling		**888,372,559**	914,947,142	822,268,286
Salaries and employee benefits	20.1	**823,714,569**	302,080,228	146,500,624
Professional fees and outside services		**548,353,765**	426,245,706	135,721,291
Travel and transportation		**179,234,217**	101,249,853	79,119,776
Other services		**152,280,665**	111,888,961	77,704,381
Representation		**139,968,574**	128,966,974	147,959,470
Rentals	22.3	**116,178,960**	70,608,662	51,461,439
Amortization of trademarks	10	**102,872,668**	102,872,668	102,334,204
Fuel and oil		**64,562,374**	70,192,920	75,741,673
Taxes and licenses		**63,810,806**	96,165,503	46,221,123
Depreciation and amortization	9	**63,324,580**	51,884,148	39,566,987
Meals expense		**59,476,344**	57,581,600	56,575,401
Provisions	16	**58,258,375**	12,411,409	-
Repairs and maintenance		**46,097,042**	32,928,870	32,434,020
Supplies		**31,426,274**	13,498,408	6,770,522
Communication, light and water		**28,405,326**	16,551,549	13,066,103
Insurance		**7,339,131**	5,454,213	4,707,088
Trading fees		**1,614,932**	8,247,862	-
Others		**314,304,224**	145,004,020	31,307,850
		P 5,077,847,962	P 3,330,010,502	P 2,314,823,229

These expenses are classified in profit or loss in the consolidated statements of comprehensive income as follows:

	2015	2014	2013
Selling and distribution expenses	**P 3,249,646,048**	P 2,652,209,005	P 2,097,852,769
General and administrative expenses	**1,828,201,914**	677,801,497	216,970,460
	P 5,077,847,962	P 3,330,010,502	P 2,314,823,229

20. EMPLOYEE BENEFITS

20.1 Salaries and Employee Benefits Expense

The expenses recognized for salaries and employee benefits are summarized below.

	Notes	2015	2014	2013
Salaries and wages		**P 951,654,565**	P 280,672,577	P 232,971,073
Post-employment defined contribution		**178,991,900**	18,156,445	-
Social security costs		**144,009,108**	33,020,810	14,936,644
Post-employment defined benefit	20.3	**14,382,872**	42,441,169	6,787,638
Share options	20.2	**4,493,028**	-	-
Other short-term benefits		**238,096,510**	135,679,887	12,285,233
	18, 19	**P 1,531,627,983**	P 509,970,888	P 266,980,588

The amount of salaries and employee benefits expense is allocated as follows:

	Notes	2015	2014	2013
Costs of goods sold	18	**P 707,913,414**	P 207,890,660	P 120,479,964
General and administrative expenses	19	**649,792,651**	154,758,134	14,845,730
Selling and distribution expenses	19	**173,921,918**	147,322,094	131,654,894
		P 1,531,627,983	P 509,970,888	P 266,980,588

In 2015 and 2014, salaries and wages, post-employment benefits and other short-term benefits totaling P473.4 million and P100.8 million, respectively, was capitalized to form part of the work-in-process inventory. Such capitalized amount represents salaries and employee benefits of personnel directly involved in the production of whisky.

20.2 Employee Share Option

Employee share option expense, included as part of Salaries and employee benefits under the General and Administrative Expenses account in the consolidated statements of comprehensive income amounted to P4.5 million in 2015 (nil in 2014 and 2013) while the corresponding cumulative credit to Share Options account amounting to P4.1 million, net of DST amounting to P0.4 million, is presented under the equity section of the consolidated statements of financial position (see Note 23.3).

20.3 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Group maintains a funded, tax-qualified, noncontributory retirement benefit plan which is being administered by a trustee bank that is legally separated from the Group. The post-employment plan covers all regular full-time employees of EDI, AWGI and certain employees of WMG, and provides a retirement benefit ranging from eighty-five percent (85%) to one hundred fifty percent (150%) of plan salary for every year of credited service. Before the amended plan became effective for EDI on January 1, 2014, the normal retirement benefit is an amount equivalent to 22.5 days' pay for every year of credited service.

The normal retirement age is 60 with a minimum of 5 years of credited service. The plan provides for an early retirement at the age of 50 with a minimum of 10 years of credited service and likewise a late retirement age that is not beyond 65, with a minimum of 5 years of credited service both subject to the approval of the Group's BOD.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made regularly to update the post-employment benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation reports obtained from independent actuaries.

The amounts of retirement benefit obligation recognized in the consolidated statements of financial position are determined as follows:

	2015	2014
Present value of the obligation	**P 11,005,614,208**	P 11,586,730,756
Fair value of plan assets	**(10,541,446,500)**	(10,454,636,149)
	P 464,167,708	P 1,132,094,607

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	Notes	**2015**	2014	2013
Balance at beginning of year		**P 11,586,730,756**	P 87,780,322	P 54,124,877
Benefits paid		**(467,788,594)**	(55,266,194)	-
Interest expense		**405,138,473**	76,915,933	2,899,330
Current service costs	20.1	**14,382,872**	7,977,365	6,787,638
Past service costs from plan amendment	20.1	**-**	34,463,804	-
Remeasurements:				
Actuarial losses (gains) arising from:				
Changes in financial assumptions		**(540,878,062)**	728,687,650	4,554,459
Experience adjustments		**182,473**	(17,086,024)	19,414,018
Foreign exchange adjustment		**7,846,290**	-	-
Additions due to acquired subsidiary	1.5	**-**	10,723,257,900	-
Balance at end of year		**P 11,005,614,208**	P 11,586,730,756	P 87,780,322

On August 7, 2014, EDI made an initial plan contribution amounting to P10.0 million to its retirement plan maintained by a trustee bank which was placed in cash and cash equivalents.

The movements in the fair value of plan assets are presented below.

	Note	2015	2014
Balance at beginning of year		**P 10,454,636,149**	P -
Interest income		**368,948,000**	68,156,724
Contributions to the plan		**278,000,000**	31,932,306
Return on plan assets (excluding amounts included in net interest)		**(120,860,500)**	358,967,998
Benefits paid		**(453,418,000)**	(53,165,021)
Foreign exchange adjustment		**14,140,851**	-
Additions due to acquired subsidiary	1.5	**-**	10,048,744,142
Balance at end of year		**P 10,541,446,500**	P 10,454,636,149

The composition and the fair value of plan assets as at December 31, 2015 and 2014 by category and risk characteristics are shown below.

	2015	2014
Quoted equity securities	**P 4,789,493,115**	P 4,753,908,263
Debt securities	**2,228,356,955**	2,212,183,813
Government bonds	**2,197,817,091**	2,181,367,460
Diversified growth fund	**739,275,323**	734,109,377
Property	**541,292,758**	528,805,838
Cash and cash equivalents	**45,211,259**	44,261,398
	P 10,541,446,500	P 10,454,636,149

Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts recognized in profit or loss and other comprehensive income in respect of the retirement benefit obligation are as follows:

	2015	2014	2013
Reported in profit and loss			
Interest expense – net	**P 36,190,473**	P 8,759,209	P 2,899,330
Current service costs	**14,382,872**	42,441,169	6,787,638
	P 50,573,345	P 51,200,378	P 9,686,968
Reported in other comprehensive income			
Actuarial losses (gains) arising from:			
Changes in financial assumptions	**(P 540,878,062)**	P 740,445,578	P 4,554,459
Experience adjustments	**121,042,973**	(381,820,441)	19,414,018
	(P 419,835,089)	P 358,625,137	P 23,968,477

The amounts of post-employment benefits expense recognized in profit or loss are presented as part of General and Administrative Expenses (for current service costs) and Other Charges (for interest expense) accounts in the consolidated statements of comprehensive income. In 2015 and 2014, post-employment benefits expense amounting to P54.1 million and P8.8 million, respectively, was capitalized to form part of the work-in-process inventory. Such capitalized amount represents post-employment benefits of personnel directly involved in the production of whisky.

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the retirement benefit obligation, the following actuarial assumptions were used:

	2015	2014	2013
Discount rate	**3.55%-5.38%**	3.55%-4.75%	4.37%-5.10%
Expected rate of salary increase	**4.00%-5.00%**	4.00%-5.00%	4.00%-5.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working life of an individual retiring at the age of 60 is 23 years for both male and female. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the retirement benefit obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Benefit Obligation

The Group is exposed to actuarial risks such as interest rate risk, longevity risk and salary risk.

(i) Interest Rate Risks

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

(ii) Longevity and Salary Risks

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

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the retirement benefit obligation as of the end of the reporting periods:

	Impact on Retirement Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2015			
Discount rate	**+14.30/-11.60%**	**(P 508,080,000)**	**P 542,880,000**
Salary growth rate	**+13.20%/-11.00%**	**146,160,000**	**(146,160,000)**
Turn-over rate	**- 14.6%**	**361,920,000**	**-**
December 31, 2014			
Discount rate	+14.30/-11.60%	(P 562,913,365)	P 608,116,030
Salary growth rate	+13.20%/-11.00%	176,595,591	(143,161,632)
Turn-over rate	- 14.6%	507,498,807	-
December 31, 2013			
Discount rate	+9.25/-11.25%	(P 5,591,008)	P 6,778,993
Salary growth rate	+10.28%/-8.65%	6,212,881	(5,251,093)
Turn-over rate	- 8.15%	5,111,492	-

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the retirement benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the retirement benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the retirement benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Funding Arrangements and Expected Contributions

As of December 31, 2015 and 2014, the plan is underfunded by P0.5 billion and P1.1 billion, respectively, based on the latest actuarial valuation. While there are no minimum funding requirement in the countries where the Group is operating, the size of the underfunding may pose a cash flow risk in about 13 years' time when a significant number of employees is expected to retire.

The expected maturity of undiscounted expected benefits payments is as follows:

	2015	2014
Within one year	**P 303,015,613**	P 301,829,838
More than one but less than five years	**1,134,567,872**	1,132,415,110
More than five years	**527,318,223**	528,137,119
	P 1,964,901,708	P 1,962,382,067

The weighted average duration of the retirement benefit obligation at the end of the reporting period is 13 years.

21. CURRENT AND DEFERRED TAXES

The components of tax expense (income) as reported in the consolidated statements of comprehensive income are as follows:

	2015	2014	2013
Reported in profit or loss			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	**P 1,698,770,747**	P 1,903,211,139	P 2,053,474,821
Final tax on interest income at 20% and 7.5%	**26,760,146**	26,562,983	25,572,537
Minimum corporate income tax (MCIT) at 2%	**2,033,000**	-	-
Deferred tax income relating to origination and reversal of temporary differences	**(237,781,829)**	(25,602,114)	(4,753,855)
	P 1,489,782,064	P 1,904,172,008	P 2,074,293,503
Reported in other comprehensive income			
Deferred tax expense (income) relating to remeasurements of retirement benefit obligation	**P 69,367,587**	(P 70,563,930)	(P 7,190,543)

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense is as follows:

	2015	2014	2013
Tax on pretax profit at 30%	**P 2,534,951,505**	P 2,432,507,155	P 2,371,531,045
Adjustment for income subjected to different tax rates	**(1,047,847)**	(13,874,741)	(12,887,979)
Additional deduction in claiming optional standard deduction (OSD)	**(558,234,820)**	(488,708,892)	(35,183,168)
Tax effects of:			
Non-taxable income	**(396,976,869)**	(19,928,998)	(249,484,428)
Unrelieved non-trading losses	**(134,317,507)**	(20,444,562)	-
Unrecognized DTA on:			
Provision for interest expense	**80,767,742**	-	-
NOLCO	**(8,710,298)**	32,885,656	318,033
MCIT	**2,033,000**	-	-
Equity in net income of joint venture	**(39,002,292)**	(11,860,448)	-
Non-deductible expenses	**10,319,450**	16,809,717	-
Accelerated capital allowances and other short-term temporary differences	**-**	(13,297,879)	-
Capitalized DST on issuance of ELS	**-**	(7,920,000)	-
DST directly charged against APIC	**-**	(1,995,000)	-
	P 1,489,782,064	P 1,904,172,008	P 2,074,293,503

The Group is subject to the higher of RCIT at 30% of net taxable income or minimum corporate income tax (MCIT) which is at 2% of gross income, as defined under the tax regulations. The Group paid RCIT in 2015, 2014 and 2013 as RCIT was higher in those years.

EMP's foreign subsidiaries are subject to income and other taxes based on the enacted tax laws of the countries and/or jurisdictions where they operate.

The net deferred tax liabilities as of December 31 relate to the following:

	2015	2014
Brand valuation	**(P 1,797,409,000)**	(P 1,994,428,801)
Fair value adjustment	**(363,554,500)**	(426,376,168)
Short-term temporary differences	**142,409,392**	90,927,120
Retirement benefit obligation	**97,375,172**	237,496,520
Contingent liability	**28,703,500**	32,412,695
Allowance for impairment	**8,607,647**	7,579,748
Unamortized past service costs	**854,844**	961,699
Net deferred tax liabilities	**(P 1,883,012,945)**	(P 2,051,427,187)

Movements in net deferred tax liabilities for the years ended December 31 are as follows.

	Profit or Loss			Other Comprehensive Income		
	2015	2014	2013	**2015**	2014	2013
Brand valuation	**(P 197,019,801**	P -	P -	**P -**	P -	P -
Retirement benefit obligation	**70,753,761**	(10,397,151)	(2,906,090)	**(69,367,587)**	70,563,930	7,190,543
Fair value adjustment	**(62,821,668**	(2,821,384)	-	**-**	-	-
Short-term temporary difference	**(51,482,272**	(7,472,182)	-	**-**	-	-
Contingent liability	**3,709,195**	(2,271,214)	-	**-**	-	-
Allowance for impairment	**(1,027,899**	(1,678,484)	(1,847,765)	**-**	-	-
Unamortized past service costs	**106,855**	(961,699)	-	**-**	-	-
Deferred tax income (expense)	**(P 237,781,829)**	(P 25,602,114)	(P 4,753,855)	**(P 69,367,587)**	P 70,563,930	P 7,190,543

In 2015, 2014 and 2013, the Group opted to claim itemized deductions in computing its income tax due except for EDI who opted to claim OSD in 2015 and 2014, and AWGI, for 2015, 2014 and 2013.

22. RELATED PARTY TRANSACTIONS

The Group's related parties include the ultimate parent company, stockholders, officers and employees, and other related parties under common ownership as described below.

The summary of the Group's transactions with its related parties in 2015, 2014 and 2013 and the related outstanding balances as of December 31, 2015 and 2014 are as follows:

Related Party Category	Notes	Amount of Transaction			Outstanding Receivable (Payable)	
		2015	2014	2013	**2015**	2014
Ultimate Parent Company:						
Dividends paid	23.2	**P 1,970,737,499**	P 1,872,000,000	P 3,702,134,051	**P -**	P -
Advances granted (collected)	22.7	**(355,000,000)**	1,910,000,000	-	**1,555,000,000**	1,910,000,000
Lease of properties	22.3	**8,000,000**	8,000,000	8,000,000	**(11,462,366)**	(9,525,576)
Advances obtained	22.6	**-**	-	(13,751,812)	**-**	-
Issuance of shares	1.2, 1.3	**-**	-	13,500,000,000	**-**	-
Related Parties Under Common Ownership:						
Advances paid (obtained)	22.6	**6,537,641,100**	(10,305,469,774)	346,656,270	**(4,668,500,616)**	(11,206,141,716)
Purchase of raw materials	22.1	**3,014,462,087**	4,654,005,633	418,361,736	**(1,200,024,526)**	(1,616,937,584)
Advances granted (collected)	22.7	**(1,960,700,222)**	2,034,499,022	-	**73,798,800**	2,034,499,022
Disposal of financial assets at FVTPL	7	**(1,040,340,021)**	-	-	**-**	-
Purchase of land	22.14	**992,082,400**	-	-	**-**	-
Management services	22.8	**135,000,000**	120,000,000	49,500,000	**(102,975,000)**	(56,100,000)
Lease of property	22.3	**82,457,771**	79,686,189	102,210,918	**(88,221,500)**	(73,054,000)
Sale of goods	22.4	**40,865,368**	9,436,183	26,996,239	**35,027,581**	7,038,742
Purchase of finished goods	22.1	**4,686,357**	3,475,578	146,501,368	**(207,002)**	(160,919)
Issuance of shares	22.11	**-**	-	1,431,764,995	**-**	-
Acquisition of distilling facility	22.9	**-**	-	897,569,335	**-**	-
Acquisition of machinery and equipment	22.2	**-**	-	-	**(191,584,700)**	(191,584,700)
Stockholder:						
Subscription of EMP shares	22.11	**-**	12,320,000,000	-	**-**	-
Issuance of ELS	22.10	**-**	5,280,000,000	-	**(5,280,000,000)**	(5,280,000,000)
Advances paid (obtained)	22.6	**64,159**	1,192,302	-	**(4,327,176)**	(4,263,017)
Officers and Employees –						
Advances granted (collected)	22.5	**10,771,388**	(3,509,426)	4,055,227	**21,491,459**	10,720,071
Key Management Personnel Compensation	22.12	**186,716,324**	30,174,688	22,034,504	**-**	-

The Group's outstanding receivables from and payables to related parties arising from the above transactions are unsecured, noninterest-bearing and payable on demand, unless otherwise stated. No impairment loss was recognized in 2015, 2014 and 2013 for related party receivables.

Transactions with related parties are also discussed below and in the succeeding pages.

22.1 Purchase of Goods

The Group imports raw materials such as alcohol, flavorings and other items through Andresons Global, Inc. (AGL). There are also finished goods purchased through AGL and from Condis (for 2013). Total purchases for 2015, 2014 and 2013 amounted to P39.9 million, P56.6 million and P418.4 million, respectively, whereas total finished goods importations during the years 2015, 2014 and 2013 amounted to P4.7 million, P3.5 million and P146.5 million, respectively. These transactions are payable within 30 days.

The related unpaid purchases of raw materials as of December 31, 2015 and 2014 amounted to P140.4 million and P348.8 million, respectively. The outstanding liability related to the Group's finished goods importations as of December 31, 2015 and 2014 both amounted to P0.2 million. These liabilities are shown as part of Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

The Group imports raw materials from Alcoholera dela Mancha Vinicola, S.L., a wholly owned subsidiary of BLC, now considered a related party under common control. Total purchases for 2015 and 2014 amounted to P2.9 billion and P4.6 billion, respectively (see Notes 8 and 18). The related unpaid purchases as of December 31, 2015 and 2014 amounting to P1.1 billion and P1.3 billion, respectively, are shown as part of Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

22.2 Acquisition of Machinery and Equipment

In 2010, the Group purchased certain machinery and equipment from TEI for P285.4 million. Of the total purchase price, P191.6 million remain unpaid as of December 31, 2015 and 2014 and is shown as part of Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

22.3 Lease Agreements

On January 1, 2014, the Group renewed the lease agreement with TEI as the lessor, for a period of ten years ending on December 31, 2023, covering its main manufacturing plant facilities which include the production building, storage tanks for raw materials, and water treatment area, among others.

Total rental expense arising from the above lease contract amounted to P58.2 million for the years ended December 31, 2015 and 2014 and P84.0 million for the year ended December 31, 2013, and presented as part of Rentals under the Costs of Goods Sold account in the consolidated statements of comprehensive income (see Note 18). As of December 31, 2015 and 2014, unpaid rentals relating to this lease agreement amounted to P88.2 million and P73.1 million, respectively, and is presented as part of Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

The Group has renewed a five-year lease contract with another related party, for the head office space of the Group's sales and bottling division. Total rental expense from this contract for the years ended December 31, 2015, 2014 and 2013 amounted to P24.3 million, P21.5 million and P18.2 million, respectively, and presented as part of Rentals under the Selling and Distribution Expenses, General and Administrative Expenses, and Cost of Goods Sold accounts in the consolidated statements of comprehensive income (see Notes 18 and 19). The outstanding liability from this transaction amounted to P0.3 million as of December 31, 2015 and is shown as Trade payables under the Trade and Other Payables account in the 2015 consolidated statement of financial position (see Note 15). There are no unpaid rentals related to this lease agreement as of December 31, 2014.

In relation to the above lease agreements, the Group paid the lessors refundable security deposits shown as part of Other Non-current Assets in the consolidated statements of financial position with carrying amounts of P21.2 million as of December 31, 2015 and 2014 (see Note 11).

Meanwhile, AWGI leases the glass manufacturing plant located in Laguna from AGI. The amount of rental is mutually agreed annually between AGI and AWGI. Rentals amounting to P8.0 million for each of three years in the period ended December 31, 2015, were charged to operations as part of Rentals under the Costs of Goods Sold account in the consolidated statements of comprehensive income (see Note 18). The outstanding liability from this transaction is shown as Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

22.4 Sale of Goods

The Group sold finished goods to some of its related parties. Goods are sold on the basis of the price lists in force and terms that would be available to non-related parties. The outstanding receivables from these transactions are generally noninterest-bearing, unsecured and settled through cash within three to six months. These receivables are presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

22.5 Advances to Officers and Employees

In the normal course of business, the Group grants noninterest-bearing, unsecured, and payable on demand cash advances to certain officers and employees. The outstanding balance arising from these transactions is presented as Advances to officers and employees under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

The movements in the balance of Advances to Officers and Employees are as follows:

	2015	2014
Balance at beginning of year	**P 10,720,071**	P 14,463,297
Additions	**20,619,238**	43,755,362
Repayments	**(9,847,850)**	(47,498,588)
Balance at end of period	**P 21,491,459**	P 10,720,071

22.6 Advances from Related Parties

Certain entities within the AGI Group and other related parties grant cash advances to the Group for its working capital, investment and inventory purchases requirements. These advances are unsecured, noninterest-bearing and repayable upon demand in cash. These are presented as Advances from related parties under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

The movements in the balance of Advances from related parties are as follows:

	2015	2014
Balance at beginning of year	**P 11,210,404,733**	P 903,742,657
Net additions (repayments)	**(6,537,576,941)**	10,306,662,076
Balance at end of year	**P 4,672,827,792**	P 11,210,404,733

22.7 Advances to Related Parties

In 2014, the Group made unsecured, interest-bearing cash advances to AGI and New Town Land Partners (New Town), a related party under common ownership, for financial and working capital purposes, which are payable in cash upon demand. The outstanding receivable amounting to P1.6 billion and P2.3 billion as of December 31, 2015 and 2014, respectively, and presented as part of Advances to related parties under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6). Interest income earned from these advances amounted to P83.2 million and P34.3 million in 2015 and 2014, respectively, and presented as part of Other revenues under the Revenues account in the consolidated statements of comprehensive income. There were no similar transactions in 2013.

The Group also made an unsecured, noninterest-bearing cash advance to Greenspring Investment Holdings Properties Ltd., a related party under common ownership, for financial support. The outstanding receivable amounting to P1.6 billion as of December 31, 2014, is presented as part of Advances to related parties under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6). The receivable was collected in full in 2015. There were no similar transactions in 2013.

22.8 Management Services

In 2013, EDI entered into a management agreement with TEI, whereby the latter shall provide EDI with consultancy and advisory services in relation to the operation, management and development and maintenance of machineries, as well as the operation, management and maintenance of such machineries. In 2014, EDI entered into another management agreement with Condis in relation to EDI's operation, management and maintenance of its distillery plant. As consideration for the services provided by TEI and Condis, EDI incurs monthly management fees amounting to P4.25 million and P4.5 million, respectively. During the same year, EDI and Condis amended their management agreement thereby increasing the monthly management fees from P4.5 million to P7.0 million effective July 1, 2014. The management agreements shall continue to be in effect until terminated by the contracting parties.

Total management fees incurred in 2015, 2014 and 2013 amounting to P135.0 million, P120.0 million and P49.5 million, respectively, are presented as part of Outside services under the Costs of Goods Sold account in the consolidated statements of comprehensive income (see Note 18). The outstanding liability arising from management fees as of December 31, 2015 and 2014 amounting to P103.0 million and P56.1 million, respectively, is presented as part of Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15). The related liabilities are unsecured and noninterest-bearing.

22.9 Acquisition of Distilling Facilities

In 2013, the Group acquired the distillery facilities of Condis, which include the following assets:

	Note		
Property, plant and equipment	9	P	756,990,993
Inventories			140,578,342
		P	897,569,335

The acquisition was fully settled in cash in 2013. There were no similar transactions in 2015 and 2014.

22.10 Issuance of Equity-linked Debt Securities

In 2014, the Group issued an equity-linked debt securities instrument to a stockholder amounting to P5.3 billion, with outstanding amount presented as Equity-linked Debt Securities in the 2014 consolidated statement of financial position. The ELS may be converted into 480.0 million common shares of EMP with a par value of P1.0 per share. The ELS bears fixed annual interest rate of 5.0% and variable interest in an amount equal to the dividends that would be payable on the conversion shares if they were issued prior to the date that any dividend is declared by EMP (see Note 14).

22.11 Subscription of EMP Shares

In 2013, Shiok Success International Ltd. (SSIL) and Dew Dreams International Ltd. (DDIL), related parties under common ownership as of December 31, 2015 and 2014, have subscribed and fully paid 711.8 million shares and 720.0 million shares, respectively, of EMP with P1.0 par value.

In 2014, Arran subscribed to 1.1 billion common shares of EMP with P1.0 par value. The subscription price amounting to P12.3 billion was fully paid on December 4, 2014 (see Notes 14 and 23.1). The excess of the subscription price over the par value amounting to P11.2 billion was recorded as APIC.

22.12 Key Management Personnel Compensation

The compensation of key management personnel for employee services is shown below.

		2015		2014		2013
Short-term benefits	**P**	**185,587,151**	P	29,256,173	P	21,270,635
Post-employment defined benefits		**1,129,173**		918,515		763,869
	P	**186,716,324**	P	30,174,688	P	22,034,504

22.13 Retirement Plan

The Group's retirement fund for its post-employment defined benefit plan is administered and managed by a trustee bank.

The fair value and the composition of the plan assets as of December 31, 2015 are presented in Note 20.2.

The retirement fund neither provides any guarantee or surety for any obligation of the Group nor its investments covered by any restrictions or liens.

22.14 Purchase of Land

In 2015, the Group purchased certain parcels of land from Empire East Land Holdings, Inc., a related party under common ownership, located in Balayan, Batangas with an area of 169,336 square meters for a total consideration of P1.0 billion, and is included as part of Property, Plant and Equipment in the 2015 consolidated statement of financial position. There was no outstanding liability arising from this transaction as of December 31, 2015.

22.15 Execution of Supplemental Trust Deed

The Group executed a supplement trust deed as part of the requirements of the U.S.$500,000,000 6.50% Guaranteed Notes due 2017 issued by Alliance Global Group Cayman Islands, Inc., a related party under common ownership.

23. EQUITY

23.1 Capital Stock

Capital stock consists of:

	Shares		Amount	
	2015	2014	**2015**	2014
Common stock – P1.0 par value				
Authorized	**20,000,000,000**	20,000,000,000	**P 20,000,000,000**	P 20,000,000,000
Issued:				
Balance at beginning of year	**16,120,000,000**	15,000,000,000	**16,120,000,000**	15,000,000,000
Issued during the year	**-**	1,120,000,000	**-**	1,120,000,000
Balance at end of year	**16,120,000,000**	16,120,000,000	**P 16,120,000,000**	P 16,120,000,000

The BOD of the PSE approved the listing of the common shares of the Company on October 16, 2011.

On December 19, 2011, the Company issued through initial public offering (IPO) an additional 22.0 million shares with an offer price of P4.50 per share. The Company incurred P10.9 million IPO-related costs, P4.2 million of which was charged against APIC and the balance was recognized as part of other operating expenses. Net proceeds from the IPO amounted to P90.8 million.

On December 27, 2012, the Company issued additional 6.0 million shares with an offer price of P5.5 per share through private placement.

On June 19, 2013, August 27, 2013 and September 5, 2013, the Company's BOD, stockholders, and SEC, respectively, approved the increase in authorized capital stock of the Company from P100.0 million divided into 100.0 million shares to P20.0 billion divided into 20.0 billion shares both with par value of P1.00 per share (see Note 1.2). On July 4, 2013, the Company's BOD approved the issuance of 6.5 million shares at par value to two foreign investors. On August 28, 2013, AGI and other investors subscribed to an aggregate of 14.9 billion shares. Under the terms of AGI's subscription, the Company acquired all of EDI shares held by AGI (see Notes 1.2 and 1.3).

On September 17, 2013, AGI launched an offering of 1.8 billion shares of EMP's shares, which is approximately 12.0% of the total issued shares. The said offering was priced at P8.98 per share. On September 25, 2013, the settlement date, the amount of P11.2 billion out of the proceeds was directly remitted to EMP as an additional subscription price from AGI under the terms of AGI's amended agreement; such amount is recorded as APIC in EMP's books. Costs related to the issuances amounting to P176.3 million were deducted from APIC.

On September 25, 2013, AGI beneficially acquired two of EMP's minority corporate shareholders which held a combined 9.55% of the total issued shares. Thus, AGI beneficially owns 87.55% of EMP as of December 31, 2013.

On December 4, 2014, the Company issued additional 1.1 billion common shares with an offer price of P11.0 per share through private placement (see Notes 14 and 22.11). This resulted to a decrease in AGI's ownership from 87.55% to 81.46% as of December 31, 2014. The excess of the subscription price over the par value amounting to P11.2 billion was recorded as APIC.

As of December 31, 2015 and 2014, the quoted closing price per share is P8.95 and P10.4, respectively, and there are 184 and 181 stockholders as of those dates, which include nominee accounts, of the Parent Company's total issued and outstanding shares. The percentage shares of stocks owned by the public are 18.50% and 18.54% as of December 31, 2015 and 2014, respectively.

23.2 Declaration of Dividends

On June 17, 2015 and August 6, 2014, EMP's BOD approved the declaration of cash dividends both amounting to P2.4 billion (P0.15 per share in 2015 and P0.16 per share in 2014) to all stockholders of record as of July 3, 2015 and August 22, 2014, respectively. These were paid on July 28, 2015 and September 9, 2014. The Company did not declare cash dividends in 2013.

EDI's BOD approved the declaration of cash dividends of P3.7 billion (P0.3 per share) on July 5, 2013, payable to stockholders of record as of July 16, 2013, which was AGI for those dates.

23.3 Employee Share Option

On November 7, 2014, the Parent Company's BOD approved an employee share option plan (ESOP) for qualified employees of the Group.

The options shall generally vest on the 60th birthday of the option holder and may be exercised until the date of his/her retirement from the Group provided that the employee has continuously served for 11 years of service after the option offer date. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Parent Company's shares for nine months immediately preceding the date of grant. Pursuant to this ESOP, on November 6, 2015, the Parent Company granted share options to certain key executives of EDI to subscribe to 118.0 million common shares of the Parent Company, at an exercise price of P7.00 per share.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

Average option life	20.23 years
Average share price at grant date	P8.90
Average exercise price at grant date	P7.00
Average fair value at grant date	P4.09
Average standard deviation of share price returns	10.24%
Average dividend yield	1.08%
Average risk-free investment rate	4.89%

The underlying expected volatility was determined by reference to historical prices of the Parent Company's shares over a period of one year.

A total of P4.5 million employee share option expense presented as part of Salaries and employee benefits under the General and Administrative Expenses account was recognized in the 2015 consolidated statement of comprehensive income, with a corresponding credit to Share Options account amounting to P4.1 million, net of DST amounting to P0.4 million.

23.4 Retained Earnings

In 2015, AWGI appropriated portion of its retained earnings amounting to P550.0 million for the rehabilitation of the glass manufacturing plant in 2016.

24. EARNINGS PER SHARE

Earnings per share were computed as follows:

	2015	2014	2013
Consolidated net profit for the year	**P 6,960,056,286**	P 6,204,185,176	P 5,830,809,981
Divided by the weighted average number of outstanding common shares	**16,120,000,000**	15,093,333,333	11,133,917,808
Basic and diluted earnings per share	**P 0.43**	P 0.41	P 0.52

On November 6, 2015, the Group granted share options to certain key executives of EDI to subscribe to 118.0 million common shares of the Parent Company, at an exercise price of P7.00 per share.

On December 4, 2014, the Group issued an ELS instrument amounting to P5.3 billion, convertible to 480.0 million new and fully paid-up shares (see Note 14). In addition to this, it has also issued an investment option that would allow the holder to subscribe to 280.0 million new and fully paid-up shares and an ELS instrument with principal amount of P1.3 billion, convertible to 120.0 million new and fully paid-up shares. The investment option is exercisable during the 13-month period beginning on the date of issuance. As of December 31, 2015 and 2014, the ELS instrument and the investment option have not been converted and exercised, respectively.

The basic and diluted earnings per share are the same because the dilutive effects of the potential common shares from the employee share options have no significant impact in 2015 as they were only issued in November 2015. On the other hand, the potential common shares from the convertible ELS are considered to be antidilutive since their conversion to ordinary shares would increase earnings per share. Thus, the weighted average number of issued and outstanding common shares presented above does not include the effect of the potential common shares from the employee share options and convertible ELS.

25. COMMITMENTS AND CONTINGENCIES

The Group entered into non-cancellable leases covering certain manufacturing plant facilities, storage tanks and office spaces. The leases are for periods ranging from one to 50 years which are renewable thereafter upon mutual agreement of both parties. Several warehouse lease agreements with different lessors were likewise executed in 2013 and 2012 with lease period ranging from one to three years, which are renewable thereafter upon mutual agreement between the parties. The future minimum rentals payable under these operating leases as of December 31, 2015 and 2014 are as follows:

	2015	2014
Within one year	**P 138,060,125**	P 102,767,390
After one year but not more than five years	**328,006,684**	318,080,215
More than five years	**232,800,000**	291,099,806
	P 698,866,809	P 711,947,411

There are other commitments and contingent liabilities that arise in the normal course of the Group's operations which are not reflected in the consolidated financial statements. Management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Group's consolidated financial statements.

26. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from its operating activities. The Group's risk management is coordinated with AGI, in close cooperation with the BOD appointed by AGI, and focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets.

There have been no significant changes in the Group's financial risk management objectives and policies during the period.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

26.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from both its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, U.S. dollars, Euros, and U.K. pounds, which are the entities' functional currencies. Exposures to currency exchange rates arise from the Group's foreign currency-denominated transactions at each entity level. EDI has outstanding interest-bearing loan denominated in U.S. dollars in 2014 and also holds U.S. dollar-denominated cash and cash equivalents as of December 31, 2015 and 2014. To mitigate the Group's exposure to foreign currency risk, non-functional currency cash flows are monitored.

Foreign currency-denominated financial assets and financial liabilities with exposure to foreign currency risk, translated into Philippine pesos at the closing rate, are as follows:

	2015	2014
Financial assets	**P 1,525,900**	P 6,658,928,139
Financial liabilities	**(1,256,461)**	(9,253,110,233)
	P 269,439	(P 2,594,182,094)

The following table illustrates the sensitivity of the Group's profit before tax with respect to changes in Philippine pesos against U.S. dollar exchange rates. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 68% confidence level.

	Reasonably possible change in rate	Effect in profit before tax	Effect in equity
2015	**3.47%**	**P 9,350**	**P 6,545**
2014	3.85%	(P 99,876,011)	(P 69,913,208)

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

(b) Interest Rate Risk

As at December 31, 2015 and 2014, the Group is exposed to changes in market rates through its cash in banks and short-term placements which are generally subject to 30-day re-pricing intervals (see Note 5). Due to the short duration of short-term placements, management believes that interest rate sensitivity and its effect on the net results and equity are not significant. The Group's interest-bearing loans and borrowings are subject to fixed interest rates and are therefore not subject to interest rate risk, except for a one-year loan that is based on EURIBOR. The EURIBOR, however, is currently at a negative rate or zero rate, and the Group does not see a material interest rate risk here in the short-term.

(c) Price Risk

The Group's market price risk arises from its investments carried at fair value recorded under financial assets at FVTPL with risk to earnings or capital arising from changes in stock exchange indices. The Group manages exposures to price risk by monitoring the changes in the market price of the investments to determine the impact on its financial position, and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

For equity securities listed in the Philippines, an average volatility of 28% has been observed during 2014. If quoted price for these securities increased or decreased by that amount, profit before tax would have changed by P289.1 million in 2014, while equity would have changed by the same amount.

The investments in listed equity securities are considered short-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored.

26.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting advances and selling goods to customers including related parties and placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

Generally, the maximum credit risk exposure of financial assets is the total carrying amount of the financial assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	Notes	2015	2014
Cash and cash equivalents	5	**P 29,177,542,237**	P 35,234,629,567
Trade and other receivables – net	6	**13,256,561,568**	12,630,621,370
Refundable security deposits	11	**41,422,457**	38,829,045
		P 42,475,526,262	P 47,904,079,982

The Group's management considers that all the above financial assets that are not impaired as at the end of reporting period under review are of good credit quality.

(a) Cash and Cash Equivalents

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

(b) Trade and Other Receivables

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. In determining credit risk, trade and other receivables exclude advances to suppliers amounting to P336.4 million and P1.3 billion as of December 31, 2015 and 2014, respectively (see Note 6).

The age of trade and other receivables that are past due but unimpaired is as follows:

	2015	2014
Not more than three months	**P 1,720,342,929**	P 4,496,496,622
More than three months but not more than six months	**734,704,966**	489,486,972
	P 2,455,047,895	P 4,985,983,594

The Group has no trade and other receivables that are past due for more than six months.

None of the financial assets are secured by collateral or other credit enhancements, except for cash, as described above.

26.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring cash out flows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 60-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

As at December 31, 2015 and 2014, the Group's financial liabilities are presented below.

	Within 6 Months	6 to 12 Months	1 to 5 Years
December 31, 2015			
Interest-bearing loans and borrowings	P 5,689,201,950	P 18,539,668,551	P -
Trade and other payables	14,630,899,514	-	-
ELS	-	-	6,738,766,650
	P 20,320,101,464	**P 18,539,668,551**	**P 6,738,766,650**
December 31, 2014			
Interest-bearing loans and borrowings	P 23,910,614,733	P -	P -
Trade and other payables	19,174,828,576	-	-
FVTPL liability	233,751,463	-	-
ELS	-	-	6,738,766,650
	P 43,319,194,772	P -	P 6,738,766,650

The Group maintains cash to meet its liquidity requirements for up to seven-day periods. Excess cash funds are invested in short-term placements.

27. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

27.1 Carrying Amounts and Fair Values of Financial Assets and Financial Liabilities

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

		2015		2014	
	Notes	**Carrying Values**	**Fair Values**	Carrying Values	Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	5	**P29,177,542,237**	**P 29,177,542,237**	P 35,234,629,567	P 35,234,629,567
Trade and other receivables - net	6	**13,256,561,568**	**13,256,561,568**	12,630,621,370	12,630,621,370
Refundable security deposits	11	**41,422,457**	**41,422,457**	38,829,045	38,829,045
FVTPL financial assets	7	**2,654,900**	**2,654,900**	1,040,340,021	1,040,340,021
		P 42,478,181,162	**P 42,478,181,162**	P 48,944,420,003	P 48,944,420,003
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	13	**P 23,899,762,792**	**P 23,899,762,792**	P 23,827,219,465	P 23,827,219,465
Trade and other payables	15	**14,630,899,514**	**14,630,899,514**	19,174,828,576	19,174,828,576
ELS	14	**5,259,137,443**	**5,259,137,443**	5,253,911,638	5,253,911,638
Accrued interest payable	14	**283,528,767**	**283,528,767**	19,528,767	19,528,767
FVTPL liability	7	**-**	**-**	233,751,463	233,751,463
		P 44,073,328,516	**P 44,073,328,516**	P 48,509,239,909	P 48,509,239,909

See Notes 2.5 and 2.10 for a description of the accounting policies for each category of financial instruments including the determination of fair values. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 26.

27.2 Offsetting of Financial Assets and Financial Liabilities

Currently, the Group's financial assets and financial liabilities are settled on a gross basis because there is no relevant offsetting arrangement on them as of December 31, 2015 and 2014. In subsequent reporting periods, each party to the financial instruments (particularly those involving related parties) may decide to enter into an offsetting arrangement in the event of default of the other party.

28. FAIR VALUE MEASUREMENT AND DISCLOSURES

28.1 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- 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).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

28.2 Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as of December 31, 2015 and 2014.

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial asset –				
Financial assets at FVTPL	**P -**	**P 2,654,900**	**P -**	**P 2,654,900**
	2014			
	Level 1	Level 2	Level 3	Total
Financial asset –				
Financial assets at FVTPL	P1,040,340,021	P -	P -	P1,040,340,021
Financial liability –				
Financial liabilities at FVTPL	P -	P 233,751,463	P -	P 233,751,463

There were no financial liabilities measured at fair value as of December 31, 2015.

There were no transfers between Levels 1 and 2 in both years.

Described below are the information about how the fair values of the Group's classes of financial assets and financial liabilities were determined.

(a) Derivatives

The financial assets at FVTPL as of December 31, 2015 and the financial liabilities at FVTPL as of December 31, 2014 that are included in Level 2 comprise of foreign exchange spots and forward contracts classified as financial instruments at FVTPL (see Note 7). The fair values of derivative financial instruments that are not quoted in an active market are determined through valuation techniques using the net present value computation (see Note 3.2).

(b) Equity securities

As of December 31, 2014, financial assets included in Level 1 comprise equity securities classified as financial assets at FVTPL (see Note 7). These securities were valued based on their market prices quoted in the PSE at the end of the reporting period.

28.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the 2015 and 2014 consolidated statements of financial position but for which fair value is disclosed.

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Cash and cash equivalents	P 29,177,542,237	P -	P -	P 29,177,542,237
Trade and other receivables	-	-	13,256,561,568	13,256,561,568
Refundable security deposits	-	-	41,422,457	41,422,457
	P 29,177,542,237	**P -**	**P 13,297,984,025**	**P 42,475,526,262**
Financial liabilities:				
Interest-bearing loans and borrowings	P -	P -	P 23,899,762,792	P 23,899,762,792
Trade and other payables	-	-	14,630,899,514	14,630,899,514
ELS	-	-	5,259,137,443	5,259,137,443
Accrued interest payable	-	-	283,528,767	283,528,767
	P -	**P -**	**P 44,073,328,516**	**P 44,073,328,516**

	2014			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 35,234,629,567	P -	P -	P 35,234,629,567
Trade and other receivables	-	-	12,630,621,370	12,630,621,370
Refundable security deposits	-	-	38,829,045	38,829,045
	P 35,234,629,567	P -	P 12,669,450,415	P 47,904,079,982
Financial liabilities:				
Interest-bearing loans and borrowings	P -	P -	P 23,827,219,465	P 23,827,219,465
Trade and other payables	-	-	19,174,828,576	19,174,828,576
ELS	-	-	5,253,911,638	5,253,911,638
Accrued interest payable	-	-	19,528,767	19,528,767
	P -	P -	P 48,275,488,446	P 48,275,488,446

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

29. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the face of the consolidated statements of financial position. Capital at the end of each reporting period is summarized as follows:

	2015	2014
Total liabilities	**P 48,172,981,524**	P 53,656,554,216
Total equity	**50,079,901,034**	45,901,997,251
Debt-to-equity ratio	**0.96 : 1.00**	1.17 : 1.00

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

P&A Grant Thornton

An instinct for growth™

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

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188 E. Rodriguez, Jr. Avenue
Bagumbayan, Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Emperador Inc. and Subsidiaries for the year ended December 31, 2015, on which we have rendered our report dated April 1, 2016. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) are presented for purposes of additional analysis in compliance with the requirements under the Securities Regulation Code Rule No. 68, and are not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information are the responsibility of management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 5321724, January 4, 2016, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 15, 2018)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-20-2015 (until Mar. 18, 2018)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

April 1, 2016

EMPERADOR INC. AND SUBSIDIARIES
LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015

Independent Auditors' Report on the SEC Supplementary Schedules Filed Separately from the Basic Financial Statements

Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68

A. Financial Assets
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)
C. Amounts Receivable and Payable from Related Parties which were Eliminated During the Consolidation of Financial Statements
D. Intangible Assets - Other Assets
E. Long-term Debt
F. Indebtedness to Related Parties (Long-term Loans from Related Companies)
G. Guarantees of Securities of Other Issuers
H. Capital Stock

Others Required Information (SEC Circular 11)

I. Reconciliation of Parent Company Retained Earnings for Dividend Declaration
J. Financial Soundness Indicators
K. Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2015
L. Map Showing the Relationship Between and Among the Company and its Related Entities

EMPERADOR INC. AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2015
(Amounts in Philippine Pesos)

Name of issuing entity and association of each issue (i)	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet*	*Valued based on the market quotation at end of reporting period*	*Income received and accrued*

-nothing to report-

EMPERADOR INC. AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2015
(Amounts in Philippine Pesos)

			Deductions		*Ending Balance*		
Name and designation of debtor	*Balance at beginning of period*	*Additions*	*Amounts paid (collected)*	*Amounts written off*	*Current*	*Not current*	*Balance at end of period*
Advances from Related Parties:	(P 11,210,404,733)	P -	P 6,537,576,941	p -	(P 4,672,827,792)	p -	(P 4,672,827,792)
Advances to Officers and Employees: (under the "Trade and Other Receivables" account)	10,720,071	20,619,238	(9,847,850)	-	21,491,459	-	21,491,459
Advances to Related Parties (under the "Trade and Other Receivables" account)	3,944,499,022	-	(2,315,700,222)	-	1,628,798,800	-	1,628,798,800
Grand Total	**(P 7,255,185,640)**	**P 20,619,238**	**P 4,212,028,869**	**p -**	**(P 3,022,537,533)**	**p -**	**(P 3,022,537,533)**

EMPERADOR INC. AND SUBSIDIARIES
SCHEDULE C - AMOUNTS OF RECEIVABLE/PAYABLE FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2015

TERMS & CONDITIONS:

All receivables/payables are unsecured, noninterest-bearing, collectible/payable on demand, unimpaired and generally settled in cash.

Name and designation of debtor	Affected accounts	Balance at beginning of year	Additions	Deductions: Amounts collected	Deductions: Amounts written off	Ending balance: Current	Ending balance: Non current	Balance at the end of the period
Emperador Distillers, Inc.	Trade and other payables	P 234,927,087	P 1,736,186,343	(P 1,037,889,169)	P -	P 933,224,261	P -	P 933,224,261
Anglo Watsons Glass, Inc.	Trade and other receivables	234,927,087	1,736,186,343	(1,037,889,169)	-	933,224,261	-	933,224,261
Emperador Distillers, Inc.	Trade and other receivables	11,650	7,058,613	(7,050,679)	-	19,584	-	19,584
Anglo Watsons Glass, Inc.	Trade and other payables	11,650	7,058,613	(7,050,679)	-	19,584	-	19,584
Emperador Distillers, Inc.	Subcription payable	1,875,000	-	-	-	1,875,000	-	1,875,000
The Bar Beverage, Inc.	Subcription receivable	1,875,000	-	-	-	1,875,000	-	1,875,000
Emperador Inc.	Trade and other payables	-	111,815,000	-	-	111,815,000	-	111,815,000
Emperador Distillers, Inc.	Trade and other receivables	-	111,815,000	-	-	111,815,000	-	111,815,000
Emperador International, Ltd.	Trade and other receivables	-	242,433,240	-	-	242,433,240	-	242,433,240
Anglo Watsons Glass, Inc.	Trade and other payables	-	242,433,240	-	-	242,433,240	-	242,433,240
Emperador Distillers, Inc.	Subcription payable	-	1,875,000	-	-	1,875,000	-	1,875,000
Cocos Vodka Distillers Philippines, Inc.	Subcription receivable	-	1,875,000	-	-	1,875,000	-	1,875,000

EMPERADOR INC. AND SUBSIDIARIES
Schedule D - Intangible Assets - Other Assets
December 31, 2015

Description	Beginning balance	Additions at cost	Deduction: Charged to cost and expenses	Deduction: Charged to other accounts	Deduction: Other changes additions (deductions)	Ending balance
Intangible Assets						
Trademarks:						
Dalmore	P 5,460,810,486	P -	P -	P -	P -	P 5,460,810,486
Jura	4,511,333,656	-	-	-	-	4,511,333,656
Emperador and Generoso Brandy	208,349,099	-	(100,007,277)	-	-	108,341,822
Emperador Deluxe	13,461,595	-	(1,615,391)	-	-	11,846,204
The BaR	4,375,000	-	(1,250,000)	-	-	3,125,000
Goodwill	7,672,894,304	-	-	-	-	7,672,894,304
	P 17,871,224,140	P -	(P 102,872,668)	P -	P -	P 17,768,351,472

EMPERADOR INC. AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2015
(Amounts in Philippine Pesos)

Title of issue and type of obligation	*Amount authorized by indenture*	*Amount shown under caption"Current portion of long-term debt" in related balance sheet*	*Amount shown under caption"Long-Term Debt" in related balance sheet*
Equity-linked debt securities	P 5,300,000,000	P -	P 5,259,137,443

EMPERADOR INC. AND SUBSIDIARIES
SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2015
(Amounts in Philippine Pesos)

Name of related party	*Balance at beginning of period*	*Balance at end of period*

- nothing to report -

EMPERADOR INC. AND SUBSIDIARIES
SCHEDULE G - GUARANTEE OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2015
(Amounts in Philippine Pesos)

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 of guaranteed and outstanding*	*Amount owned by person for which statement is filed*	*Nature of guarantee*
Alliance Global Group Cayman Islands, Inc.	U.S. $500,000,000 6.50% Guaranteed Notes	$ 500,000,000	-	Supplemental Trust Deed

EMPERADOR INC. AND SUBSIDIARIES
Schedule H - Capital Stock
December 31, 2015

				Number of shares held by		
Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related balance sheet caption*	*Number of shares reserved for options, warrants, conversion and other rights*	*Related parties*	*Directors, officers and employees*	*Others*
Common shares - P1 par value	20,000,000,000	16,120,000,000	598,000,000	11,706,484,993	7	4,413,515,000

EMPERADOR INC.
7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City

Schedule I - Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2015

Unappropriated Retained Earnings at Beginning of Year	P	128,601,248
Net profit per audited financial statements		5,552,770,750
Other Transactions During the Year		
Dividends declared	(	2,418,000,000)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	**P**	**3,263,371,998**

EMPERADOR INC. AND SUBSIDIARIES
SCHEDULE J - FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2015 and 2014

	12/31/15	12/31/14
Current ratio	1.50:1	1.49 : 1
Quick ratio	1.08:1	1.13 : 1
Debt-to-equity ratio	0.96:1	1.17 : 1
Asset -to-equity ratio	1.96:1	2.17 : 1
Net profit margin	15.95%	19.38%
Return on assets	7.08%	9.21%
Return on equity/investment	13.90%	16.16%
Interest coverage ratio	17.27	54.14

LIQUIDITY RATIOS measure the business' ability to pay short-term debt.
Current ratio - computed as current assets divided by current liabilities
Quick ratio - computed a cash, marketable securities, accounts receivable divided by current liabilities.

SOLVENCY RATIOS measure the business' ability to pay all debts, particularly long-term debt.
Solvency ratio - computed as net profit, plus non-cash depreciation and amortization, divided by total liabilities.
Liabilities-to-equity ratio - computed as total liabilities divided by stockholders'equity.

ASSET-TO-EQUITY RATIOS measure financial leverage and long-term solvency. It shows how much of the assets are owned by the company. It is computed as total assets divided by stockholders'equity.

PROFITABILITY RATIOS measure the business' ability to generate earnings.
Net margin - computed as net profit divided by revenues
Return on assets - net profit divided by total assets
Return on equity investment - net profit divided by total stockholders' equity

INTEREST RATE COVERAGE RATIOS measure the business' ability to meet its interest payments.
It is computed as profit before income tax and interest expense ("EBIT") divided by interest.

EMPERADOR INC. AND SUBSIDIARIES

Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendment to PFRS 1: Government Loans	✓		
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *(effective when PFRS 9 is first applied)*			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments (2014)* *(effective January 1, 2018)*			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendment to PFRS 10: Transition Guidance	✓		
	Amendment to PFRS 10: Investment Entities**	✓		
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception* *(effective January 1, 2016)*			✓
PFRS 11	Joint Arrangements	✓		
	Amendment to PFRS 11: Transition Guidance	✓		
	Amendment to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations* *(effective January 1, 2016)*			✓

EMPERADOR INC. AND SUBSIDIARIES

Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendment to PFRS 12: Transition Guidance	✓		
	Amendment to PFRS 12: Investment Entities	✓		
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception* *(effective January 1, 2016)*			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts* *(effective January 1, 2016)*			✓
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Disclosure Initiative* *(effective January 1, 2016)*			✓
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Bearer Plants* *(effective January 1, 2016)*			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization* *(effective January 1, 2016)*			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendment to PAS 27: Investment Entities	✓		
	Amendment to PAS 27: Equity Method in Separate Financial Statements* *(effective January 1, 2016)*			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendment to PAS 28: Investment Entities - Applying the Consolidation Exception* *(effective January 1, 2016)*			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

EMPERADOR INC. AND SUBSIDIARIES

Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization* *(effective January 1, 2016)*			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items**	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting**	✓		
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants* *(effective January 1, 2016)*			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation **	✓		
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		

EMPERADOR INC. AND SUBSIDIARIES

Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs**	✓		

* These standards will be effective for periods subsequent to 2015 and are not early adopted by the Company.

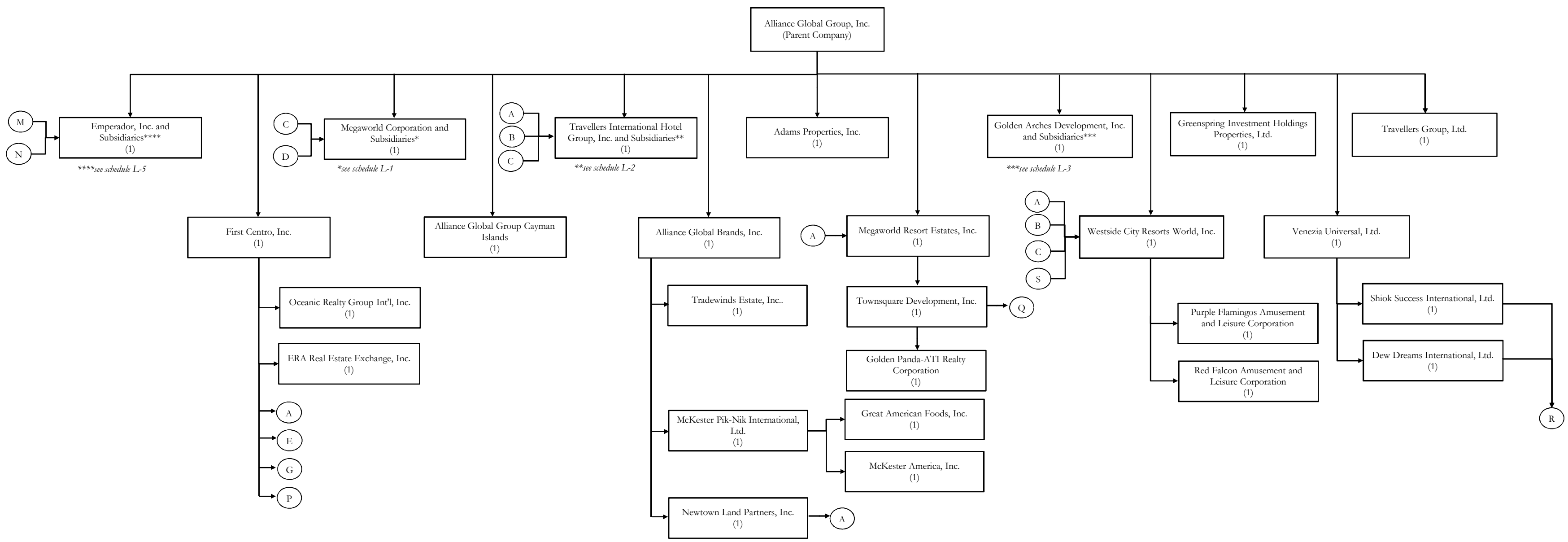
** These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.

EMPERADOR INC. AND SUBSIDIARIES

Schedule L

Map Showing the Relationship Between the Company and its Related Parties

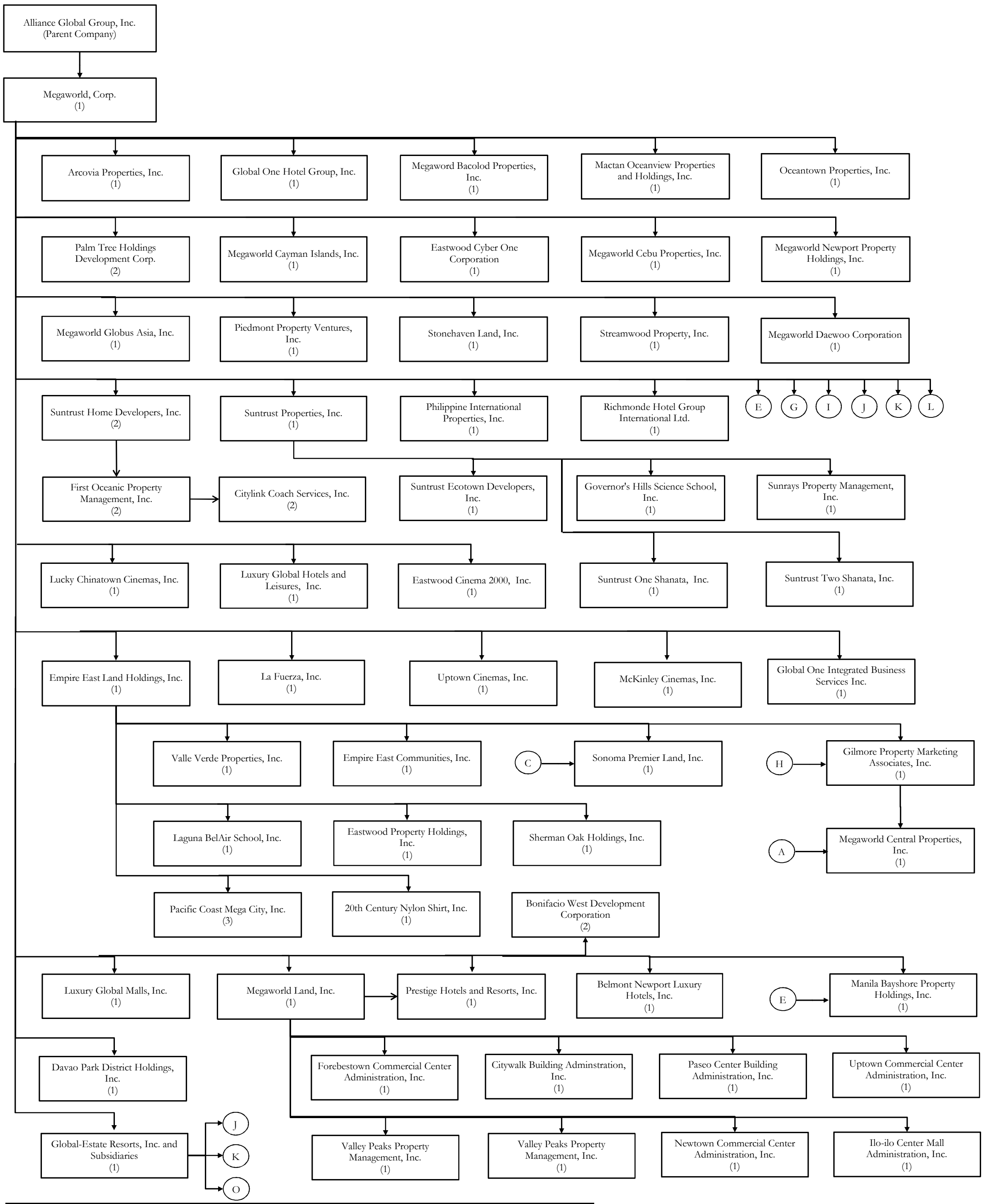
December 31, 2015



Legend

(1)	Subsidiary	A	Megaworld, Corp.	F	Manila Bayshore Property Holdings, Inc.	K	Megaworld Global Estates, Inc.	P	Sonoma Premier Land, Inc.
(2)	Associate	B	Adams Properties, Inc.	G	Westside City Resorts World, Inc.	L	Megaworld Central Properties, Inc.	Q	Gilmore Property Marketing Associates, Inc.
(3)	Jointly Controlled Entity	C	First Centro, Inc.	H	Townsquare Development, Inc.	M	Shiok Success International, Ltd.	R	Emperador Inc.
		D	Newtown Land Partners, Inc.	I	Megaworld Resort Estates, Inc.	N	Dew Dreams International, Ltd.		
		E	Travellers International Hotel Group, Inc.	J	Twin Lakes, Corp.	O	File-Estate Properties, Inc.		

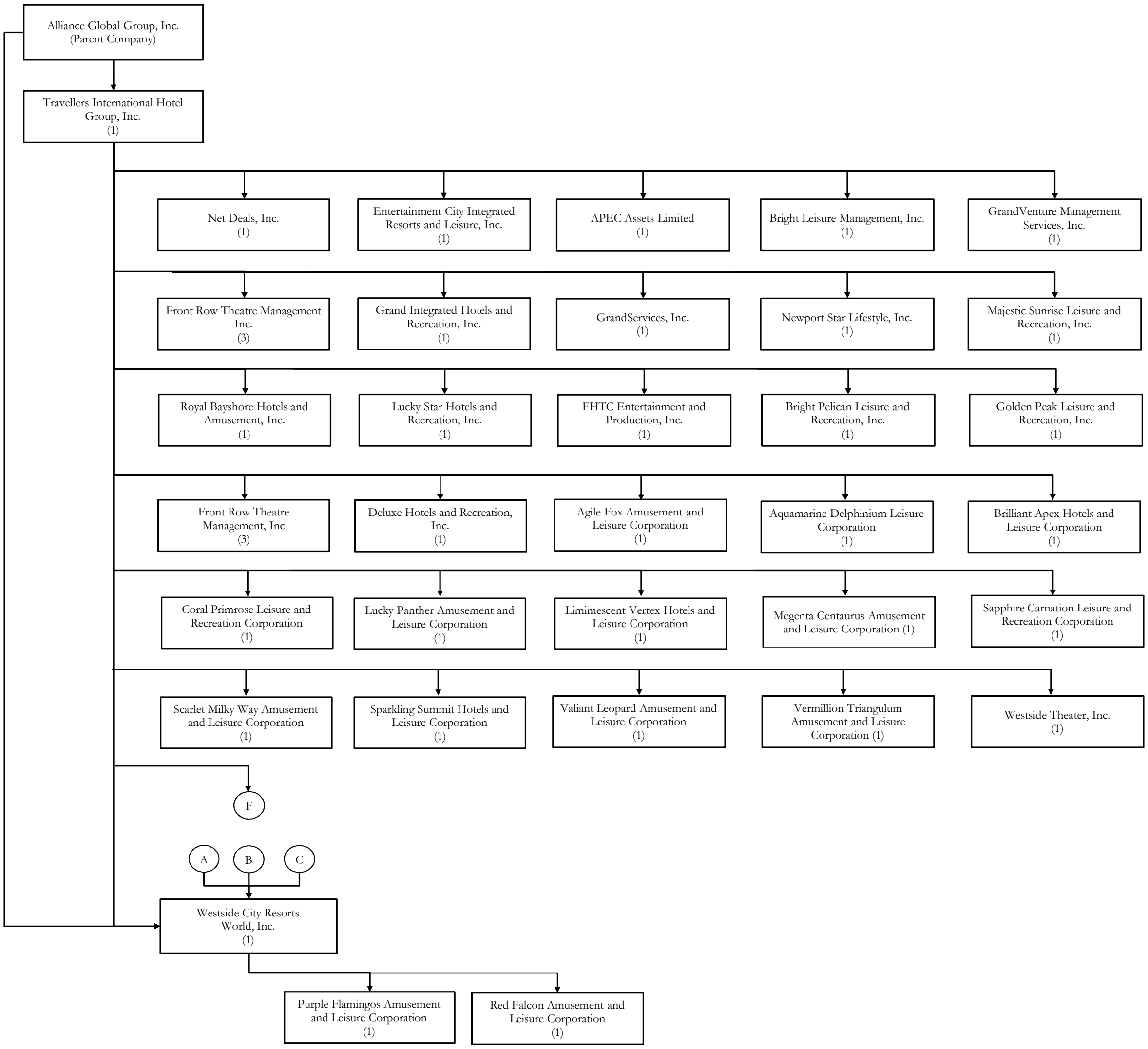
EMPERADOR INC. AND SUBSIDIARIES
Schedule L-1
Map Showing the Relationship Between the Company and its Related Parties
December 31, 2015



Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity
A Megaworld, Corp.
B Adams Properties, Inc.
C First Centro, Inc.
D Newtown Land Partners, Inc.
E Travellers International Hotel Group, Inc.
F Manila Bayshore Property Holdings, Inc.
G Westside City Resorts World, Inc.
H Townsquare Development, Inc.
I Megaworld Resort Estates, Inc.
J Twin Lakes, Corp.
K Megaworld Global Estates, Inc.
L Megaworld Central Properties, Inc.
M Shiok Success International, Ltd.
N Dew Dreams International, Ltd.
O File-Estate Properties, Inc.
P Sonoma Premier Land, Inc.
Q Gilmore Property Marketing Associates, Inc.
R Emperador Inc.
S Megaworld Land Inc's Subsidiaries

EMPERADOR INC. AND SUBSIDIARIES
Schedule L-2
Map Showing the Relationship Between the Company and its Related Parties
December 31, 2015



Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

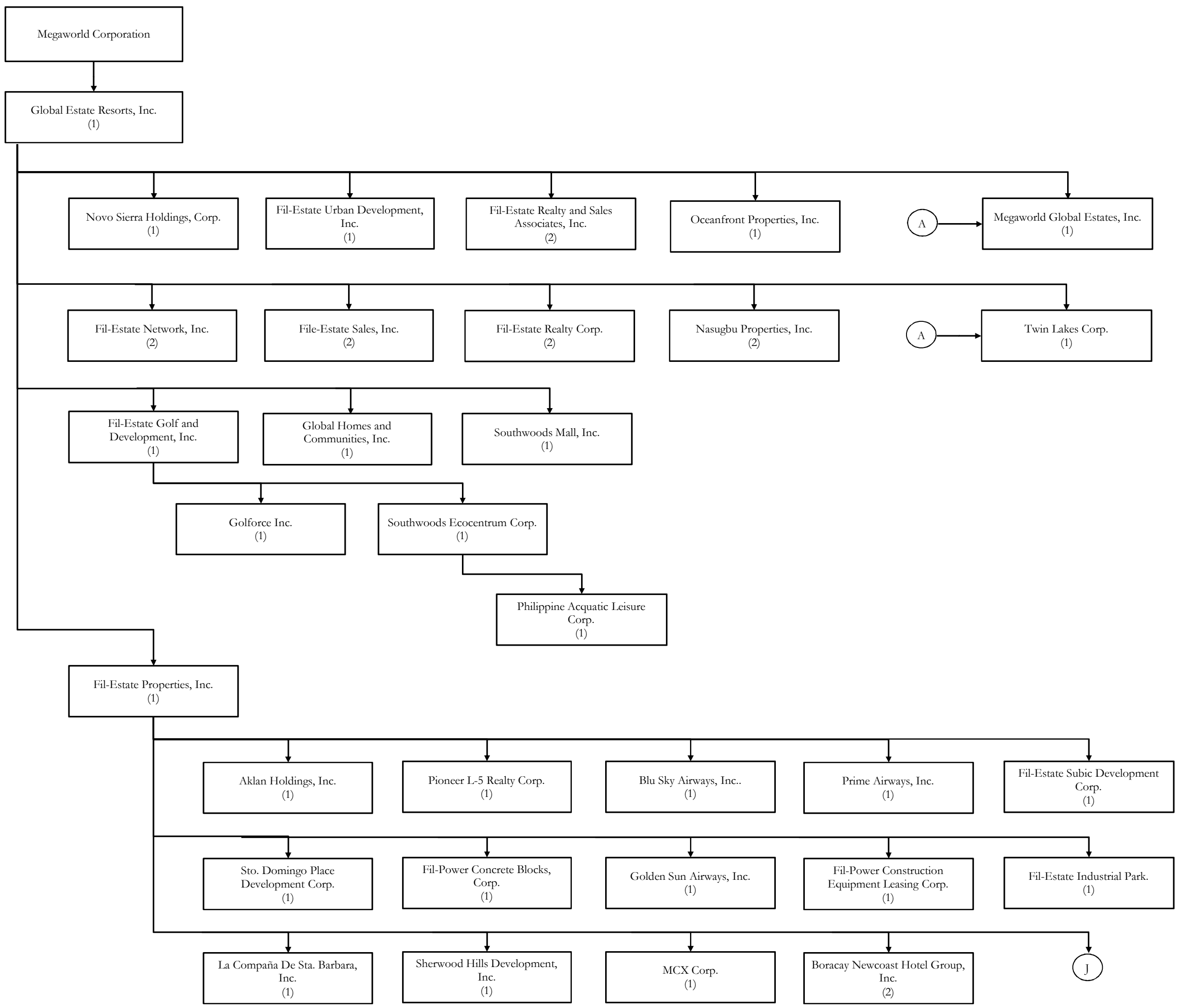
A	Megaworld, Corp.	J	Twin Lakes, Corp.
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

EMPERADOR INC. AND SUBSIDIARIES

Schedule L-4

Map Showing the Relationship Between the Company and its Related Parties

December 31, 2015

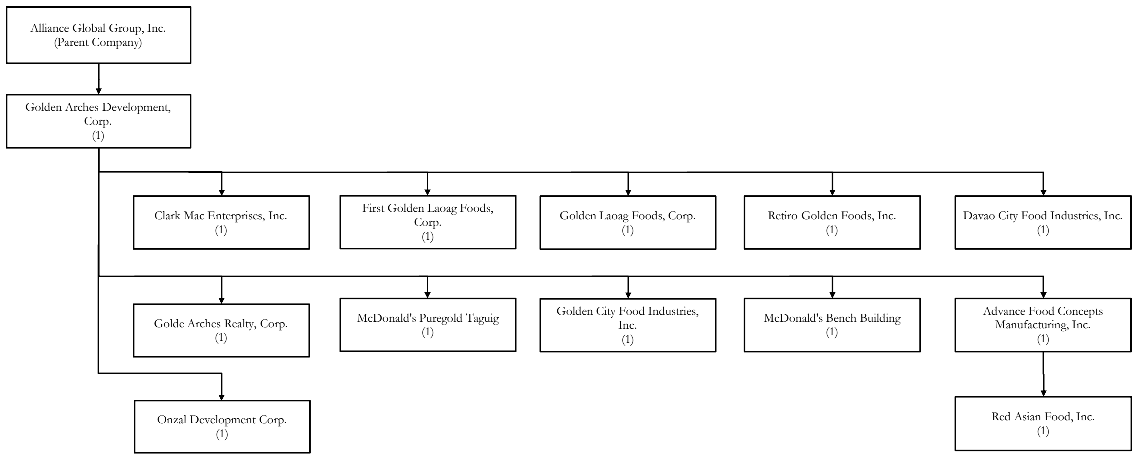


Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld, Corp.	J	Twin Lakes, Corp.
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

EMPERADOR INC. AND SUBSIDIARIES
Schedule L-3
Map Showing the Relationship Between the Company and its Related Parties
December 31, 2015

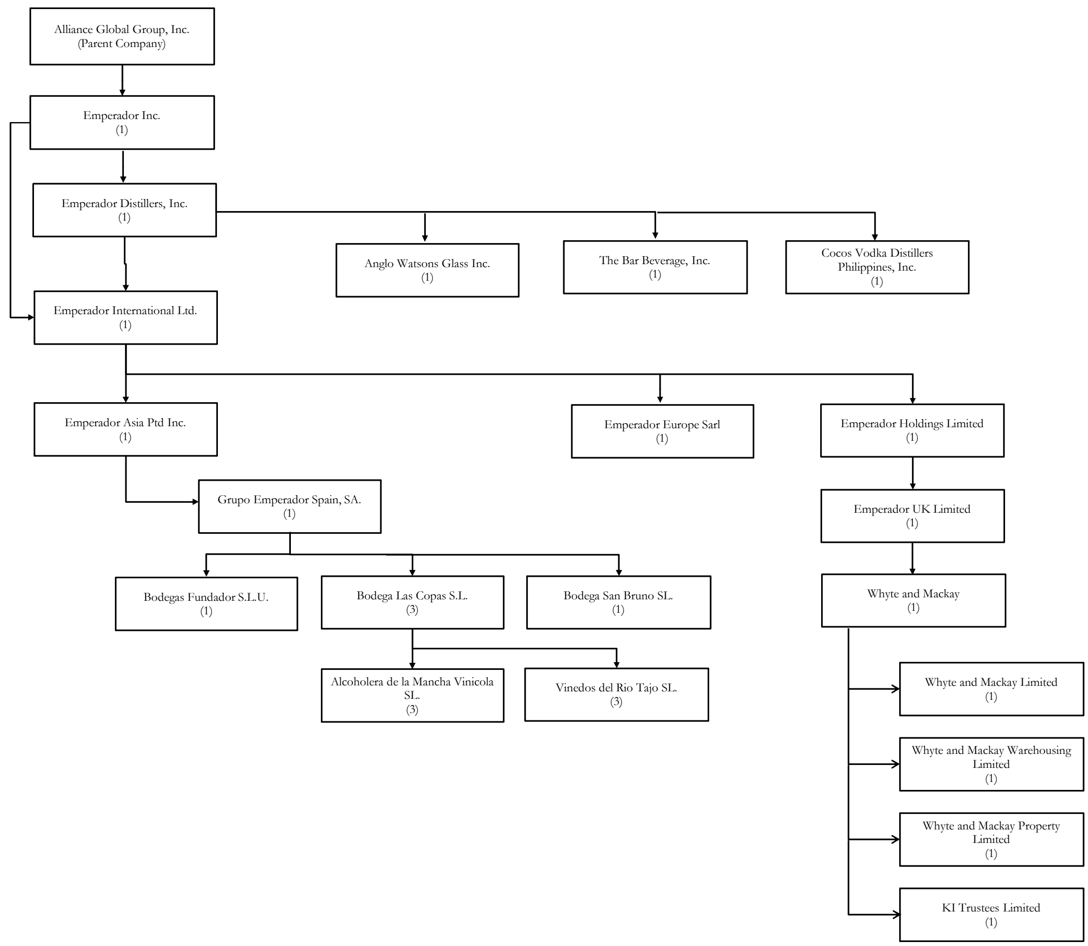


Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld, Corp.	J	Twin Lakes, Corp.
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

EMPERADOR INC. AND SUBSIDIARIES
Schedule L-5
Map Showing the Relationship Between the Company and its Related Parties
December 31, 2015



Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld, Corp.	J	Twin Lakes, Corp.
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

ANNUAL CORPORATE GOVERNANCE REPORT
(SEC FORM–ACGR)
FOR YEAR 2015

EMPERADOR INC.

7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue
Bagumbayan, 1110 Quezon City
Tel. No. 709-2038 to 41   Fax No. 709-1966

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year **2015**

2. Exact Name of Registrant as Specified in its Charter **EMPERADOR INC.**

3. **7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark,**
   188 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City — **1110**
   Address of Principal Office — Postal Code

4. SEC Identification Number **A200117595**

5. (SEC Use Only)
   Industry Classification Code

6. BIR Tax Identification Number **214-815-715-000**

7. **(632) 709-2038 to 40**
   Issuer's Telephone number, including area code

8. **N/A**
   Former name or former address, if changed from the last report

TABLE OF CONTENTS

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	**Seven (7)**
Actual number of Directors for the year	**Seven (7)**

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)[1]	Elected when (Annual /Special Meeting)	No. of years served as director
Andrew L. Tan	ED	N/A	-	28 Aug 2013	**18 May 2015**	Annual Stockholders' Meeting	**2**
Winston S. Co	ED	N/A	-	28 Aug 2013	**18 May 2015**	Annual Stockholders' Meeting	**2**
Katherine L. Tan	ED	N/A	-	28 Aug 2013	**18 May 2015**	Annual Stockholders' Meeting	**2**
Kingson U. Sian	NED	N/A	-	28 Aug 2013	**18 May 2015**	Annual Stockholders' Meeting	**2**
Kendrick Andrew L. Tan	NED	N/A	-	28 Aug 2013	**18 May 2015**	Annual Stockholders' Meeting	**2**
Alejo L. Villanueva, Jr.	ID	N/A	- no relationship	28 Aug 2013	**18 May 2015**	Annual Stockholders' Meeting	**2**
Miguel B. Varela	ID	N/A	- no relationship	28 Aug 2013	**18 May 2015**	Annual Stockholders' Meeting	**2**

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasis the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The Company believes that good corporate governance is a necessary component of what constitutes sound strategic business management. The Company commits to undertake every effort to create awareness within the organization of good corporate governance principles as embodied in its Manual for Corporate Governance.

The Board respects the rights of stockholders as provided in the Corporation Code, such as right to vote on all matters that require their consent or approval, right to inspect, right to information and appraisal right. The Board takes appropriate steps to remove excess or unnecessary costs and other administrative impediments to allow all stockholders meaningful participation in meetings. It likewise ensures that accurate and timely information is made available to stockholders to enable them to make a sound judgment on all matters for their consideration and approval.

[1] Reckoned from the election immediately following January 2, 2012.

(c) How often does the Board review and approve the vision and mission?

The Company periodically reviews the vision and mission of the organization. The review, while not formally done, is incorporated during the Company's annual strategic planning for the coming year's plans and programs.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[2]

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Andrew L. Tan	Alliance Global Group, Inc.	Executive, Chairman
	Emperador Distillers, Inc.	Non-Executive, Chairman
	The Bar Beverage, Inc.	Executive, Chairman
	Emperador International, Ltd.	Non-Executive, Chairman
Winston S. Co	Alliance Global Group, Inc.	Non-Executive
	Emperador Distillers, Inc.	Executive
	Anglo Watsons Glass, Inc.	Non-Executive, Chairman
	The Bar Beverage, Inc.	Non-Executive
Kingson U. Sian	Alliance Global Group, Inc.	Executive
Katherine L. Tan	Alliance Global Group, Inc.	Executive
	Emperador Distillers, Inc.	Executive
Kendrick Andrew L. Tan	Emperador Distillers, Inc.	Executive
	Anglo Watsons Glass, Inc.	Executive
	The Bar Beverage, Inc.	Non-Executive
Alejo L. Villanueva, Jr.	Alliance Global Group, Inc.	Independent

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Andrew L. Tan	Megaworld Corporation	Chairman, Executive
	Global-Estate Resorts, Inc.	Chairman, Executive
	Empire East Land Holdings, Inc.	Chairman, Executive
	Travellers International Hotel Group, Inc.	Non-Executive
Kingson U. Sian	Travellers International Hotel Group, Inc. Megaworld Corporation	Executive Executive
Katherine L. Tan	Megaworld Corporation	Executive
Alejo L. Villanueva, Jr.	Suntrust Home Developers, Inc.	Independent
	Empire East Land Holdings, Inc.	Independent
Miguel B. Varela	Megaworld Corporation	Independent
	Global-Estate Resorts, Inc.	Independent

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

(iii) Relationship within the Company and its Group –

Provide details, as and if applicable of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Andrew L. Tan	Alliance Global Group, Inc.	Chairman and CEO
Katherine L. Tan	Alliance Global Group, Inc.	Director and Treasurer
Winston S. Co	Alliance Global Group, Inc.	Director

Andrew L. Tan and Katherine L. Tan are spouses. Kendrick Andrew L. Tan is their son.

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	N/A	
Non-Executive Director	N/A	
CEO	N/A	

The Company has not set a limit on the number of board seats that its Executive Directors, Non-Executive Directors and CEO may hold in other companies. The Company allows its directors to serve in its subsidiaries and affiliates with oversight functions. For Independent Directors, the Company observes the limitation set forth in SEC Circular Memorandum No. 9 Series of 2011 and has not elected any Independent Director with more than five directorships within the Group.

(c) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Andrew L. Tan	0	1	0.00%
Winston S. Co	0	1	0.00%
Katherine L. Tan	0	1	0.00%
Kingson U. Sian	0	1	0.00%
Kendrick Andrew L. Tan	0	1	0.00%
Alejo L. Villanueva, Jr.	0	1	0.00%
Miguel B. Varela	0	1	0.00%

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes [/] **No** [ ]

Identify the Chair and CEO:

Chairman of the Board	Andrew L. Tan
President and CEO	Winston S. Co

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the President, Management and the directors. Maintain qualitative and timely lines of communication and information between the Board and Management.	General supervision of the business affairs and property of the Company See to it that all orders and resolutions of the Board are carried into effect Perform such duties as may be assigned to him by the Board
Accountabilities	• To the Board and Management	• To the stockholders and the Board
Deliverables	• Agenda of the meetings • Minutes of Stockholders' Meetings • Various regulatory submissions that may require the signature of the Chairman of the Board of Directors.	• Report of the yearly operations of the Company and the state of its affairs to the Board and the stockholders

3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?

The Company's senior officers work closely with the CEO and the President and under the guidance of the Board of Directors to ensure that they are given ample training and experience in running the Company. This approach exposes the senior officers to the day-to-day demands of Company operations.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

The membership of the Board is a combination of executive and non-executive directors (which includes independent directors) in order that no director or small group of directors can dominate the decision-making process. The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board. The Nomination Committee evaluates the nominees for election as directors to ensure that there is diversity of experience and- backgrounds. This is part of the duty of the Nomination Committee when they pre-screen and shortlist the nominees for election as directors.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

The non-executive directors possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board. Additional qualifications include a practical understanding of the business of the Company and membership in a relevant industry, business or professional organization. The Nomination Committee also ensures that there is diversity of experience and backgrounds in the Board.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	**Non-Executive**	**Independent Director**
Role	Involved in operational and day-to-day affairs of the Company	Oversees the performance of Executive directors	Acts as check and balance within the Board. Acts as chairman of the various committees
Accountabilities	To the Board and management to ensure that lines of communication are open	To the stockholders	To the stockholders
Deliverables	Reports to the Board on operational matters of the Company	Review and evaluate executive directors' recommendations	As members of the Audit Committee, performs oversight functions over the financial reporting process, risk management and internal control and internal audit.

Provide the company's definition of "independence" and describe the company's compliance to the definition.

The Company defines "independence" as freedom from any business, family, professional, or other relationship that could, or could reasonably be perceived to, materially interfere with an officer's independent judgment in carrying out responsibilities. The Company complies with this view of independence by ensuring that the independent directors elected not only meet the professional criteria of competence but also are able to freely profess their views on the policies and operations of the Company untainted or unhampered by any relationship or other considerations other than what is best for the Company, its stockholders, and the community where the Company operates.

The Company's Manual of Corporate Governance provides that the Board should be composed of at least two (2) independent directors and the Corporation has complied with this.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Company has adopted the guidelines set by the SEC in the term limits of independent directors. Consistent with SEC Memorandum Circular No. 9, Series of 2011, the Company has a term limit of five (5) years for independent directors. Following a two (2) year rest period, a person who previously served as independent director may seek reelection for another period of five (5) years. The Company adheres to the maximum limit of ten (10) years set by the SEC. Thus, an independent director who has served for a total of 10 years shall no longer be nominated for election as independent director.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
NONE			

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	Nomination is conducted by the Nomination Committee prior to a stockholders' meeting pursuant to the provisions of SRC Rule 38.	Qualifications are provided for in the Company's By-Laws and Manual of Corporate Governance.
(ii) Non-Executive Directors	Same as above	Same as above
(iii) Independent Directors	Same as above	Same as above and SRC Rule 38.
b. Re-appointment		
(i) Executive Directors	Re-appointment is allowed. The procedure is the same as the selection/appointment process above.	The same criteria are imposed for appointment and re-appointment. Qualifications are provided for in the Company's By-Laws and Manual of Corporate Governance.
(ii) Non-Executive Directors	Re-appointment is allowed. The procedure is the same as the selection/appointment process above.	Same as above

Voting Result of the last Annual General Meeting **(in May 18, 2015)**

Name of Director
Andrew L. Tan
Winston S. Co
Katherine L. Tan
Kingson U. Sian
Kendrick Andrew L. Tan
Alejo L. Villanueva, Jr.
Miguel B. Varela

Voting for directors was conducted via viva voce. Considering that there were as many nominees as there were seats to be filled, and upon the confirmation of the inspectors appointed by the Board that there was no indication of dissent among the stockholders, the Chairman requested the Corporate Secretary to cast all votes for the nominees.

6) Orientation and Education Program **(updated as of December 31, 2015)**

(a) Disclose details of the company's orientation program for new directors, if any.

The Company has no specific training program for new directors. New directors are given an orientation on the business of the Company. They are also given access to the Company's directors and officers to address any questions or clarifications that new directors may raise.

(b) State any in-house training and external courses attended by Directors and Senior Management[3] for the past three (3) years:

In compliance with the SEC Memorandum Circular No. 20, Series of 2013, the Company's Directors and Senior Management attended an in-house seminar(s) on Corporate Governance on October 02, November 11 and 14, 2014.

For the year 2015, they attended the same seminar on November 23, November 25, and December 11, 2015.

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

<table>
<tr><th>Name of Director/Officer</th><th>Date of Training</th><th>Program</th><th>Name of Training Institution</th></tr>
<tr><td>Andrew L. Tan</td><td>December 11, 2015</td><td rowspan="7">Corporate Governance</td><td rowspan="8">Risks, Opportunities, Assessment and Management (ROAM) Inc.</td></tr>
<tr><td>Kingson U. Sian</td><td>November 23, 2015</td></tr>
<tr><td>Winston S. Co</td><td>December 11, 2015</td></tr>
<tr><td>Katherine L. Tan</td><td>December 11, 2015</td></tr>
<tr><td>Kendrick Andrew L. Tan</td><td>December 11, 2015</td></tr>
<tr><td>Alejo L. Villanueva, Jr.</td><td>December 11, 2015</td></tr>
<tr><td>Dina D. Inting</td><td>December 11, 2015</td></tr>
<tr><td>Rolando D. Siatela</td><td>November 25, 2015</td><td></td></tr>
<tr><td rowspan="2">Dominic V. Isberto</td><td>November 25, 2015</td><td>Corporate Governance</td><td>Risks, Opportunities, Assessment and Management (ROAM) Inc.</td></tr>
<tr><td>August 13 and 27, September 10 and 24, 2015</td><td>Mandatory Continuing Legal Education Program</td><td>Ateneo De Manila University Law School</td></tr>
</table>

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees (for management and employees applicable to subsidiary in the group):

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	Everyone is duty bound to disclose fully their existing business interests,		

[3] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

	shareholdings, personal activities or relationships that may directly or indirectly conflict with the performance of their intended duties and responsibilities. The Board determines whether each person's business interests, shareholdings, personal activities or relationships result in conflict with the duties and responsibilities in the Company. All employees shall conduct fair business transactions with the Company and ensure that his personal interests do not conflict with the interests of the Company.		
(b) Conduct of Business and Fair Dealings	The Company shall not enter into arrangements with its competitors to arbitrarily set prices of products and other terms of the market/industry. Customers and suppliers should be dealt with fairly.		
(c) Receipt of gifts from third parties	Acceptance of gifts and other favors from customers, suppliers, or any other third party which might compromise one's ability to make objective decisions or which might affect the performance of one's duty is strictly prohibited.		
(d) Compliance with Laws & Regulations	Ensure the Company's faithful compliance with all applicable laws, regulations and best business practices.		
(e) Respect for Trade Secrets/Use of Non-public Information	Keep secure and confidential trade secrets and all non-public information acquired or learned by reason of position. Should not reveal confidential information to unauthorized persons without authority of the Board.		
(f) Use of Company Funds, Assets and Information	Company assets and funds cannot be used for personal benefit or for the benefit of anyone other than the Company. Everyone is discouraged from engaging in personal activities during working hours.		
(g) Employment &Labor Laws & Policies	Ensure the Company's faithful compliance with employment and labor law & policies.	The Company seeks to reasonably assist its and its subsidiaries and affiliates' employee and his family in providing for their economic security.	The Company seeks to reasonably assist its and its subsidiaries and affiliates' employee and his family in providing for their economic security.
(h) Disciplinary action	The Company strictly observes the provisions on disqualification and temporary disqualification of directors as provided in the Company's Manual of Corporate Governance.	Rules and regulations shall be enforced fairly and consistently by the respective subsidiaries and affiliates. Violations shall result in disciplinary actions depending on frequency, seriousness and circumstances of the offense. The employee shall be given the opportunity to present his side.	Rules and regulations shall be enforced fairly and consistently by the respective subsidiaries and affiliates. Violations shall result in disciplinary actions depending on frequency, seriousness and circumstances of the offense. The employee shall be given the opportunity to present his side.
(i) Whistle Blower	Reports of wrongdoing may be made directly to the Chairman for proper disposition to ensure confidentiality of information and protection of the identity of the whistle blower.	For each subsidiary or affiliate, reports of wrongdoing may be made directly to the Chairman or President for proper disposition to ensure confidentiality of information and protection of the identity of the whistle blower.	For each subsidiary or affiliate, reports of wrongdoing may be made directly to the Chairman or President for proper disposition to ensure confidentiality of information and protection of the identity of the whistle blower.
(j) Conflict Resolution	Conflicts are resolved internally as much as possible. It should be resolved in the lowest possible level using procedure that addresses and respects the needs, interests, and rights of the parties involved.		

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

The Company has a compliance officer who monitors compliance of ethics or conduct.

Directors submit annually a list of business and professional affiliating through which provide conflicts-of-interest may be determined. Relative to senior management and employees, the Human Resources Department of each subsidiary and affiliate implements and monitors compliance with the code of ethics or conduct.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; and (c) individuals owning directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual (2.20, Financial Statements and Independent Auditors' Reports).

Except for the material related party transactions described in the notes to the financial statements of the Company for the years 2015, 2014 and 2013, there has been no material transaction during the last two years, nor is there any material transaction currently proposed, to which the Company was or is to be a party, in which any director or executive officer, any nominee for election as director, stockholder of more than ten percent.

<table>
<tr><th>Related Party Transactions</th><th>Policies and Procedures</th></tr>
<tr><td>(1) Parent Company</td><td rowspan="8">The Company adopts a policy of full disclosure with regard to related party transactions. All terms and conditions of related party transactions are reported to the Board of Directors. The Company ensures that the transactions are entered on terms comparable to those available from unrelated third parties. Disclosure of relationship or association is required to be made before entering into transaction. No participation in the approval of the transaction.</td></tr>
<tr><td>(2) Joint Ventures</td></tr>
<tr><td>(3) Subsidiaries</td></tr>
<tr><td>(4) Entities Under Common Control</td></tr>
<tr><td>(5) Substantial Stockholders</td></tr>
<tr><td>(6) Officers including spouse/children/siblings/parents</td></tr>
<tr><td>(7) Directors including spouse/children/siblings/parents</td></tr>
<tr><td>(8) Interlocking director relationship of Board of Directors</td></tr>
</table>

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders – None.
Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	N/A
Name of Officer/s	N/A
Name of Significant Shareholders	N/A

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	The Nomination Committee considers the possibility of conflicting interest in determining the number of directorships that may be held by a director. Independent Directors are required to submit a list of positions/other directorships to determine any conflict. Directors, officers and employees must voluntarily disclose any conflict prior to occurrence of the same.
Group	

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[4] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
Alliance Global Group, Inc.	Business	Parent-Subsidiary relationship
Arran Investment Private Limited	Business	Principal Stockholder

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
N/A		

The Company has no knowledge of persons holding more than five (5) percent of its voting securities under a voting trust or similar agreement.

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
NONE		

The Company has no knowledge of any arrangements among stockholders that may result in a change in control of the Company.

[4]Family relationship up to the fourth civil degree either by consanguinity or affinity.

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	No significant conflicts or differences. Concerns of stockholders are raised, addressed and resolved either thru the Corporate Secretary or Investor Relations Group.
Corporation & Third Parties	Pursue settlement outside court and compromise
Corporation & Regulatory Authorities	Pursue settlement outside court and compromise

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

Meetings of the Board are held at such time and place as the Board may prescribe, but the Board endeavors to meet monthly, or if not possible, quarterly.

2) Attendance of Directors **(updated as of 31 December 2015)**

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Andrew L. Tan	**18 May 2015**	9	9	100%
Member	Winston S. Co	**18 May 2015**	9	9	100%
Member	Katherine L. Tan	**18 May 2015**	9	9	100%
Member	Kingson U. Sian	**18 May 2015**	9	9	100%
Member	Kendrick Andrew L. Tan	**18 May 2015**	9	8	89%
Independent	Miguel B. Varela	**18 May 2015**	9	7	78%
Independent	Alejo L. Villanueva, Jr.	**18 May 2015**	9	9	100%

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?
No.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

The Company follows the quorum requirement in the Corporation Code. Thus, when majority of the directors are present, the Board proceeds with transaction of business.

5) Access to Information

(a) How many days in advance are board papers[5] for board of directors meetings provided to the board?

These are distributed together with the notices in accordance with the Company's By-laws.

(b) Do board members have independent access to Management and the Corporate Secretary?

Yes.

[5] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc.?

Art. IV, Sec. 5 of the By-Laws states that the Corporate Secretary "shall be the custodian of and shall maintain the corporate books and records. He shall be the recorder of the formal actions and transactions of the *Corporation*. He shall have the following specific powers and duties:

a) To record or see the proper recording of the minutes and transactions of all meetings of the directors and the stockholders and to maintain minute books of such meetings in the form and manner required by law;
b) To keep or cause to be kept records showing the details required by law with respect to the stock certificates of the Corporation, including ledgers and transfer books showing all shares of the Corporation issued and transferred;
c) To keep the corporate seal and affix it to all papers and documents requiring a seal, and to attest by his signature all corporate documents requiring the same;
d) To give, or cause to be given, all notices required by law or by these By-Laws,;
e) To certify to such corporate acts, countersign corporate documents o certificates, and make reports or statements as may be required of him by law or regulation;
f) To act as the inspector at the election of directors and, as such, to determine the number of shares of stock outstanding and entitled to vote, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and to receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the results and do such acts as are proper to conduct the election or vote. The Secretary may assign the exercise or performance of any or all of the foregoing duties, powers, and functions to any other person or persons, subject always to his supervision and control.
g) To perform such other duties as are incident to his office or as may be assigned to him by the Board of Directors or the President.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes.

(e) Committee Procedures
Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes [X] No [ ]

Committee	Details of the procedures
Executive	N/A. There is no Executive Committee.
Audit	Upon request made thru the Corporate Secretary, Directors shall be provided with complete, adequate and timely information about the matters to be taken up in their meetings. The Committee is afforded full access to management, personnel and records in the performance of its duties and responsibilities.
Nomination	
Remuneration	
Others (Risk Management)	

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
Obtain external legal counsel or independent professional advisors as may be needed in the performance of its functions	The committee members may obtain external legal counsel or independent professional advisors as may be needed in the performance of its functions

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
N/A		

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

The officers receive fixed salary on a monthly basis from the respective subsidiaries or businesses they principally handle. Hence, no compensation was received from the Company.

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	N/A	N/A
(2) Variable remuneration	N/A	N/A
(3) Per diem allowance	N/A	N/A
(4) Bonus	N/A	N/A
(5) Stock Options and other financial instruments	N/A	N/A
(6) Others (specify)	N/A	N/A

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

The Company's By-Laws stipulates that, except for reasonable per diem, directors, as such, are entitled to receive only such compensation as may be granted to them upon the recommendation of the Compensation and Remuneration Committee and subsequent approval by vote of stockholders representing at least a majority of outstanding capital stock at a regular or special meeting of stockholders. In no case shall the total yearly compensation of directors, as such, exceed 10% of the net income before tax of the Corporation for the preceding year. For both Executive and Non-Executive Directors, levels of remuneration must be sufficient to be able to attract and retain the services of qualified and competent directors. No director should participate in deciding on his remuneration. Pursuant to this provision, no compensation was received by the Directors from the Company except for a reasonable per diem set by the Board.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
	see above	see above	see above
	see above	see above	see above

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Directors do not receive compensation other than per diem.

Remuneration Scheme	Date of Stockholders' Approval
N/A	N/A
N/A	N/A

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	N/A	N/A	N/A
(b) Variable Remuneration	N/A	N/A	N/A
(c) Per diem Allowance	225,000	150,000	450,000
(d) Bonuses	N/A	N/A	N/A
(e) Stock Options and/or other financial instruments	N/A	N/A	N/A
(f) Others (Specify)	N/A	N/A	N/A
Total	N/A	N/A	N/A

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	N/A	N/A	N/A
2) Credit granted	N/A	N/A	N/A
3) Pension Plan/s Contributions	N/A	N/A	N/A
(d) Pension Plans, Obligations incurred	N/A	N/A	N/A
(e) Life Insurance Premium	N/A	N/A	N/A
(f) Hospitalization Plan	N/A	N/A	N/A
(g) Car Plan	N/A	N/A	N/A
(h) Others (Specify)	N/A	N/A	N/A
Total	N/A	N/A	N/A

4) Stock Rights, Options and Warrants

The Company has an Employee Stock Option Plan that has been approved by the Board of Directors on November 07, 2014 and by the stockholders representing more than two-thirds (2/3) of the issued and outstanding capital stock during the Special Stockholders' Meeting on December 15, 2014.

The Company has granted stock options to qualified employees of the Company and its subsidiaries giving them the right to subscribe to a total of 118 million common shares of the Company at the exercise price of Php7.00 per share. The options, which were issued under the Company's Employee Stock Option Plan, shall generally vest on the 60th birthday of the Option Holder provided that he has continuously served for 11 years of service after the Option Offer Date, subject to the terms and conditions of the Plan.

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/ Warrants	Number of Indirect Option/Rights/ Warrants	Number of Equivalent Shares	Total % from Capital Stock
N/A				

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
N/A		

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

The officers receive fixed salary on a monthly basis from the respective subsidiaries or businesses they principally handle. Hence, no compensation was received from the Company.

Name of Officer/Position	Total Remuneration
N/A	N/A

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	N/A						
Audit	1	0	2	Audit Committee Charter	Its oversight function covers financial reporting and disclosures, risk management and internal controls, management and internal audit, and external audit.	Its responsibilities include assisting the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations; providing oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company and over the Company's Internal and External Auditors; reviewing the annual internal audit plan and organize an internal audit department; monitoring and evaluating the adequacy and effectiveness of the internal control system; and coordinating, monitoring, facilitating compliance with laws, rules, and regulations.	It has the power to disallow any non-audit work that will conflict with the duties of the External Auditor or may pose a threat to his independence. It also has the power to call the attendees as required, including having open access to Management and auditors. It has the right to seek additional information as necessary to fulfill its responsibilities.

Nomination	1	1	1		It is responsible for reviewing the structure, size, and composition of the Board and ensuring that both are comprised of the right balance of skills, knowledge, and experience.	Its responsibilities include pre-screening and shortlisting candidates nominated to become a member of the Board and redefining the role, duties, and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance.	It has the power to seek any information that it requires from employees of the Company, all of whom are directed to cooperate with any request it makes. Moreover, it has the power to employ the services of such advisers as it deems necessary to fulfill its responsibilities.
Remuneration	2	0	1		Its function is to establish a formal and transparent procedure for developing a policy on remuneration packages of corporate officer, directors, senior management and other key personnel to ensure that the compensation levels are consistent with the Company's culture, strategy and control environment.	Its responsibilities include determining the amount of remuneration for the Company's directors and officers; ensuring that all incoming officers and directors disclose fully their existing business interests or shareholdings that may directly or indirectly conflict with the performance of their intended duties and responsibilities; reviewing the existing Human Resources Development or Personnel Handbook to strengthen provisions on	It has the power to engage an adviser as it deems necessary to carry out its duties. It has also has unrestricted access to members of management, employees and relevant information.

						conflict of interests, salaries, and benefits policies, promotion, and career advancement directives and compliance of personnel concerned with all statutory requirements.	
Others (specify)	N/A						

2) Committee Members

(a) Executive Committee **–** None. There is no Executive Committee.

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman						
Member (ED)						
Member (NED)						
Member (ID)						
Member						

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Alejo L. Villanueva, Jr. (ID)	**18 May 2015**	1	1	100	1
Member	Miguel B. Varela (ID)	**18 May 2015**	1	1	100	1
Member	Andrew L. Tan	**18 May 2015**	1	1	100	1

Disclose the profile or qualifications of the Audit Committee members.

Alejo L. Villanueva, Jr.

Mr. Villanueva was elected as Independent Director on 28 August 2013. He is concurrently an Independent Director of Alliance Global Group, Inc., Empire East Land Holdings, Inc. and Suntrust Home Developers, Inc. and a Director of First Capital Condominium Corporation, a non-stock non-profit corporation. He is a professional consultant who has more than twenty years of experience in the fields of training and development, public relations, community relations, institutional communication, and policy advocacy, among others. Mr. Villanueva obtained his bachelor's degree in Philosophy from San Beda College, summa cum laude. He has a master's degree in Philosophy from the University of Hawaii under an East-West Center Fellowship. He also took up special studies in the Humanities at Harvard University. He studied Organizational

Behavior at INSEAD in Fontainebleau, France. He taught at the Ateneo Graduate School of Business, the UST Graduate School, and the Asian Institute of Journalism.

Andrew L. Tan

Mr. Tan, was elected as Director and Chairman of the Board on August 28, 2013. He has served as Director of Alliance Global Group, Inc. since 2003 and as its Chairman of the Board and Chief Executive Officer from September 2006 to present and as Vice-Chairman of the Board from August 2003 to September 2006. Mr. Tan concurrently holds the following positions in publicly-listed companies: Chairman of the Board and President of Megaworld Corporation, Chairman of Empire East Land Holdings, Inc. and Global-Estate Resorts, Inc., and Director of Travellers International Hotel Group, Inc. He pioneered the live-work-play-learn model in the real estate development through the Megaworld Corporation's integrated township communities, fueling the growth of the business process outsourcing ("BPO") industry, food and beverage, and quick service restaurants industries. Mr. Tan graduated Magna Cum Laude from the University of the East with a degree of Bachelor of Science in Business Administration.

Miguel B. Varela

Mr. Varela, was elected as Independent Director on 28 August 2013. He is currently an Independent Director of Global-Estate Resorts, Inc. and Megaworld Corporation. He is presently the President of the Philippine Chamber of Commerce and Industry (PCCI) was formerly President and now presently Director of Manila Bulletin Publishing Corporation. He is also Chairman of the Employers' Confederation of the Philippines (ECOP) and Chairman of the Philippine Association of Voluntary Arbitration Foundation (PAVAF), and Vice Chairman of Philippine Dispute Resolution Center, Inc. (PDRCI). He is also the Vice President of the International Labor Organization, Inc., and Corporate Secretary and Trustee, Foundation for Crime Prevention. He is an accredited international arbitrator of the Paris-based International Court of Arbitration. A member of the Philippine Bar, he pursued his Bachelor of Laws in the Ateneo de Manila Law School and his Associate in Liberal Arts from the San Beda College. He is a member of the Philippine Bar Association, a Commissioner of the Consultative Commission on Constitutional Reform and a Lifetime Member of the Philippine Constitution Association (PHILCONSA).

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Alejo L. Villanueva, Jr. (ID)	**18 May 2015**	1	1	100	2
Member	Winston S. Co	**18 May 2015**	1	1	100	2
Member	Kendrick Andrew L. Tan	**18 May 2015**	1	1	100	2

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committe e
Chairman (ID)	Alejo L. Villanueva (ID)	**18 May 2015**	**1**	1	100	2
Member	Andrew L. Tan	**18 May 2015**	**1**	1	100	2
Member	Winston S. Co	**18 May 2015**	**1**	1	100	2

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	N/A					
Member (ED)						
Member (NED)						
Member (ID)						
Member						

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	N/A	
Audit	NONE	
Nomination	NONE	
Remuneration	NONE	
Others (specify)	NONE	

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year

Name of Committee	Work Done	Issues Addressed
Executive	N/A	
Audit	NONE	NONE
Nomination	NONE	NONE
Remuneration	NONE	NONE
Others (specify)	N/A	

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	N/A	
Audit	May adopt a self-rating system to review its performance	Monitor performance of committee
Nomination	May adopt a self-rating system to review its performance	Monitor performance of committee
Remuneration	May adopt a self-rating system to review its performance	Monitor performance of committee
Others (specify)	N/A	

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

The Company's risk management focuses on safeguarding shareholder value to manage unpredictability of risks and minimize potential adverse impact on its operating performance and financial condition.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Company's Board of Directors is directly responsible for risk management and the Management carries our risk management policies approved by the Board. After the Management identifies, evaluates reports and monitors significant risks, and submits appropriate recommendations, the Board approves formal policies for overall risk management, as well as written policies covering specific areas, such as foreign exchange risks, credit risk, and liquidity risk.

(c) Period covered by the review;

The period covered by the review is from January 1, 2015 to December 31, 2015.

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness;

The Risk Committee annually reviews the Company's approaches to risk management and recommends to the Board the changes or improvements to key elements of its processes and procedures. After submission of the Committee's recommendation, the Board then reviews the risk management system. No significant issues were addressed by the Committee in 2015.

(e) Where no review was conducted during the year, an explanation why not.

No significant issues were addressed by the Committee in 2015.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
1. Financial Risks	The Company policy is to ensure that the scheduled principal and interest payments are well within its ability to generate cash from its business operations. It is likewise committed to maintain adequate capital at all times to meet shareholders' expectations, withstand adverse business conditions and take advantage of business opportunities.	The Company's objective is to protect investment in the event there would be significant fluctuations in the exchange rate. On the other hands, the Company's objectives to manage its liquidity are: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; and c) to be able to access funding when needed at the least possible cost.

		The long term strategy is to sustain a healthy debt-to-equity ratio.
2. Operational risks	It is the policy of the Company to be prepared for any event which triggers a material business impact or modifies the existing risk profile.	The Company's objective is to protect investment in the event there would be significant events that would result in material impact to the Company's operations.

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

The Board, thru the Audit Committee, reviews the effectiveness of the Company's, including its subsidiaries and affiliates, risk management system with emphasis on monitoring of existing and emerging risks as well as risk mitigation measures and on identifying risks before these cause significant trouble for the business. Based on the set guidelines, directors are assigned specific subsidiaries, affiliates or business where they monitor compliance of the risk management system. Criteria used for review are compliance with established guidelines and controls and the appropriateness of risk management and risk mitigation measures taken.

Risk Exposure	Risk Management Policy	Objective
1. Hazards and natural or other catastrophes	Have an emergency response plan/action	Allow the different business segments to continue operations even during natural disaster or calamity
2. Regulatory developments	Review of new laws and regulations	Ensure the different business segments are compliant with all laws and regulations
3. Money laundering and cheating at gaming areas	Constant security check and monitoring, check and balance system	Minimize situations when these activities can happen
4. Supply of raw materials and packaging materials	Maintain diverse group of suppliers, get at least 3 quotations from suppliers	Prevent overdependence on a single supplier, ensure the best price possible
5. Consumer taste, trends and preferences	Market study and analysis	Be aware of trends and preferences to develop new products or adapt existing strategy
6. Competition	Market study and analysis; Maintain a diversified earnings base; Constant product innovation	Be aware of trends and preferences to develop new products or adapt existing strategy; Revenue and property diversification
7. Philippine economic/political conditions	Review of business/political situation	Ensure the different business segments can immediately adapt to changes in economic/political conditions and can devise strategies to meet these changes

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
The majority shareholder's voting power in the Company may affect the ability of minority shareholders to influence and determine corporate strategy.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
1. Financial Risk	It monitors potential sources of risk through monitoring of investments and assets, and projected cash flows from operations. The Company also maintains a financial strategy that the scheduled principal and interest payments are well within the Company's ability to generate cash from its business operations.	The Company regularly monitors financial trends. The Company regularly keeps track of its capital position and assesses business conditions to ensure early detection and determination of risks, and its consequent adverse impact. It adopts measures, as may be deemed necessary and appropriate, to mitigate risks.
2. Operational Risks	Review of new laws and regulations	Any operational risks monitored are brought to the attention of the Risk Committee and addressed therein, together with inputs from corporate officers. The findings and recommendations are then brought to the Board for approval. There has been no significant operational risk determined by the Company in its operations in the past year.
3. Philippine economic/political conditions	Review of business/political situation	Ensure the Company can immediately adapt to changes in economic/political conditions and can devise strategies to meet these changes
4. Liquidity	Minimize exposure to financial markets	Actively secure short-to medium-term cash flow

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
1. Hazards and natural or other catastrophes	Have an emergency response plan/action	Allow the different business segments to continue operations even during natural disaster or calamity
2. Regulatory developments	Review of new laws and regulations	Ensure the different business segments are compliant with all laws and regulations
3. Money laundering and cheating at	Constant security check and monitoring, check and balance system	Minimize situations when these activities can happen

gaming areas		
4. Supply of raw materials and packaging materials	Maintain diverse group of suppliers, get at least 3 quotations from suppliers	Prevent overdependence on a single supplier, ensure the best price possible
5. Consumer taste, trends and preferences	Market study and analysis	Be aware of trends and preferences to develop new products or adapt existing strategy
6. Competition	Market study and analysis; Maintain a diversified earnings base; Constant product innovation.	Be aware of trends and preferences to develop new products or adapt existing strategy; Revenue and property diversification
7. Philippine economic/political conditions	Review of business/political situation	Ensure the different business segments can immediately adapt to changes in economic/political conditions and can devise strategies to meet these changes

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Board Audit Committee	Provides oversight over the Company's and its subsidiaries, affiliates and business segments risk management process, financial reporting process and internal audit.	Provides oversight over the Company's and its subsidiaries, affiliates and business segments risk management process, financial reporting process and internal audit.

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

Internal control system pertains to the Company's corporate governance processes with regard to integrity of financial statements and disclosures; effectiveness of internal control systems; independence and performance of internal and external auditors; compliance with accounting standards, legal and regulatory requirements; and evaluation of management's process to assess and manage the risk issues.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

One of the responsibilities of the Board as stated in the Manual of Corporate Governance is to adopt a system of check and balance within the Board, conduct a regular review of the effectiveness of such system to ensure the integrity of the decision-making and reporting processes at all times and perform a continuing review of the Company's internal control system in order to maintain its adequacy and effectiveness.

(c) Period covered by the review;

The period covered by the review is from **January 1, 2015 to December 31, 2015**.

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

The Audit Committee regularly updates the Board on its activities and makes recommendations whenever necessary. The Audit Committee likewise ensures that the Board is aware of matters that may significantly impact the financial condition or the Company's operations.

(e) Where no review was conducted during the year, an explanation why not.

No significant issues were addressed by the Committee in 2015.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

At the Company level, internal audit is handled by the audit committee while each subsidiary and affiliate handles internal audit functions at their level. The directors of the Company have reviewed the effectiveness of the Company's and its subsidiary, affiliates and business segments' internal control system and consider them effective and adequate. For its subsidiary and other business segments, internal controls are reviewed annually and are handled at that level. Any major findings that cannot be resolved at that level are elevated to the Company through the Audit Committee of the Board. For the past year, there has been no matter elevated to the Company level by any subsidiary, affiliate or business segment.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
See above				

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

For the Company, the internal audit function is handled directly by the audit committee. For its subsidiary, affiliate and business segments, these are handled directly at their levels and only major findings that cannot be resolved at that level are elevated to the Company through the Audit Committee of the Board.

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

For the Company, the internal audit function is handled directly by the audit committee. For its subsidiary, affiliate and business segments, these are handled directly at their levels and only major findings that cannot be resolved at that level are elevated to the Company through the Audit Committee of the Board.

(d) Resignation, Re-assignment and Reasons –

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.
NONE

Name of Audit Staff	Reason
N/A	

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

The directors of the Company have reviewed the effectiveness of the Company's and its subsidiary, affiliate and other business segments' internal control system and consider them effective and adequate. For its subsidiary, affiliate and business segment, internal controls are reviewed annually and are handled at that level. Any major findings that cannot be resolved at that level are elevated to the Company through the Audit Committee of the Board. For the past year, there has been no matter elevated to the Company level by any subsidiary, affiliate or business segment.

Progress Against Plans	Not Applicable
Issues[6]	
Findings[7]	
Examination Trends	

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) Preparation of an audit plan inclusive of a timeline and milestones;
2) Conduct of examination based on the plan;
3) Evaluation of the progress in the implementation of the plan;
4) Documentation of issues and findings as a result of the examination;
5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

The directors of the Company have reviewed the effectiveness of the Company's and its subsidiaries, affiliates and business segments internal control system and consider them effective and adequate. For each subsidiary, affiliate and business segment, internal controls are reviewed annually and are handled at that level. Any major findings that cannot be resolved at that level are elevated to the Company through the Audit Committee of the Board. For the past year, there has been no matter elevated to the Company level by any subsidiary, affiliate or business segment.

Policies & Procedures	Implementation
See above	

(g) Mechanism and Safeguards -

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an

[6] "Issues" are compliance matters that arise from adopting different interpretations.
[7] "Findings" are those with concrete basis under the company's policies and rules.

external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
The Audit Committee disallows any non-audit work that will conflict with the duties of the External Auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's annual report. In compliance with the SRC, the engagement of the Company's external auditor does not exceed 5 consecutive years.	None	None	None

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

Chairman and CEO and the Compliance Officer.

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	Part of its core values is to promote good customer relationships among its clients. With this, we try to excel by ensuring the needs of the clients are always provided.	Upgrading of skills and expertise so that people can provide customers with service of the highest quality
Supplier/contractor selection practice	The Company ensures that the suppliers are well-equipped and have sufficient professional experience to provide after-sales support.	Canvassing activities which ensure selection on the basis of quality products that
Environmentally friendly value-chain	The Company strictly adheres with government mandated policies and procedures catering to environment preservation, control, and any related Corporate Social Responsibility.	Selection of suppliers and contractors whose manufacturing procedures assure clients that each item is made in an environment-friendly manner and which produce environmental friendly products
Community interaction	The Company maintains a harmonious relationship with the community and the local	Scholarship program and institution partnerships through sponsorship and donations.

	government leaders in such cases like government and other organizations ocular visit.	
Anti-corruption programmes and procedures?	The Company endeavors to cultivate a culture of integrity that does not tolerate conflict-of-interest and unfair business dealings.	The Company has set up a reporting channel through which violation of the Company or any of its subsidiaries or affiliates culture of integrity may be reported, investigated and acted upon.
Safeguarding creditors' rights	The Company is committed to honoring its obligations financial obligations and loan covenants.	Timely settlement of financial obligations and faithful compliance with loan covenants.

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

Corporate responsibility and sustainability are handled through the Company's subsidiary, Emperador Distillers, Inc.

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

The Company and its subsidiary aims to provide quality and timely health and welfare services to its employees in order to avoid interruption on their jobs and to prevent conditions (physical, mental, or social) that will preclude them from giving their full attention to their work.

(b) Show data relating to health, safety and welfare of its employees.

None available.

(c) State the company's training and development programs for its employees. Show the data.

The Company's subsidiary provides training and development programs to their respective employees.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

None.

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

Employees are encouraged to promptly report concerns about any illegal and unethical behavior. Reports can be made anonymously to the Company's Compliance Officer, Human Resource Department Head, or to any member of the Audit Committee. To enable the Company to verify and act on the report, employees are encouraged to make reports that contain as much information as possible, including the person involved, any witnesses, the location of any other information that would assist in investigating the concerns, and any supporting documentation. All whistle blower reports are handled in a confidential manner and confidentiality will be maintained to the fullest extent possible, consistent with the need to conduct an adequate investigation of the report and to perform subsequent remedial measures.

All reports received are forwarded to the Audit and Risk Committee that will make the preliminary assessment of the issues raised. The Audit Committee will then determine whether there is justification for an investigation and how it should be handled, should one be necessary. Depending on the issues involved, the Audit Committee may, in some cases, decide to delegate responsibility for an investigation to the Compliance Officer or to a legal counsel who will report directly to the Audit Committee.

Prompt and appropriate corrective action will be take in response to any finding of illegal and unethical behavior. If after the investigation, the Audit and Risk Committee concludes that disciplinary measures are necessary, it will recommend such measures to the Board of Directors.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more **(as of December 31, 2015)**

Shareholder	Number of Shares	Percent	Beneficial Owner
Alliance Global Group, Inc.	**13,138,249,988**	**81.5%**	Alliance Global Group, Inc.
PCD Nominee Corporation (Non-Filipino)	**1,304,230,097**	**8.09%**	**The Hongkong And Shanghai Banking Corp. Ltd. (Foreign)**
Arran Investment Private Limited	**1,120,000,000**	**6.95%**	**Arran Investment Private Limited**

***includes shares lodged with PCD Nominee Corporation and shares held by foreign subsidiaries totaling 1,431,764,995**

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Andrew L. Tan	0	1	0.00%
Winston S. Co	0	1	0.00%
Katherine L. Tan	0	1	0.00%
Dominic V. Isberto	0	0	0.00%
Rolando D. Siatela	0	0	0.00%
Dina D. Inting	0	0	0.00%
TOTAL	0	3	0.00%

2) Does the Annual Report disclose the following:

Key risks	YES
Corporate objectives	YES
Financial performance indicators	YES
Non-financial performance indicators	YES
Dividend policy	YES
Details of whistle-blowing policy	
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	YES
Training and/or continuing education programme attended by each director/commissioner	YES
Number of board of directors/commissioners meetings held during the year	YES
Attendance details of each director/commissioner in respect of meetings held	YES
Details of remuneration of the CEO and each member of the board of directors/commissioners	YES

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Punongbayan and Araullo	Php3,530,000.00	0

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

Company Website, Investor Relations, Press Release, Annual Report, Information Statement

5) Date of release of audited financial report: April 15, 2016 (target date)

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	YES
Financial statements/reports (current and prior years)	YES
Materials provided in briefings to analysts and media	YES
Shareholding structure	YES
Group corporate structure	YES
Downloadable annual report	YES
Notice of AGM and/or EGM	YES
Company's constitution (company's by-laws, memorandum and articles of association)	YES

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) Disclosure of RPT

These involve RPT where the Company is a party and excludes RPTs between and among subsidiaries, affiliates, etc.

RPT	Relationship	Nature	Value
N/A			

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

The Company ensures that the transactions are entered on terms comparable to those available from unrelated third parties.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum
Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	Majority of outstanding capital stock

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Ratification by stockholders during the annual stockholders meetings.
Description	The actions of the Company's board of directors and senior management are presented to the stockholders during the annual stockholders meeting. These are ratified by the stockholders during the meeting.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
The rights of the stockholders under the Corporation Code are duly recognized by the Company. No deviations or modifications were implemented by the Company.	

Dividends

Declaration Date	Record Date	Payment Date
June 17, 2015	**July 03, 2015**	**July 28, 2015**

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
Allows active participation of stockholders in meetings	Open Forum, Feedback Mechanism in Company Website, Investor Relations Department which handle stockholders' concerns

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
   a. Amendments to the company's constitution
   b. Authorization of additional shares
   c. Transfer of all or substantially all assets, which in effect results in the sale of the company

The Company complies with the requirements of the Corporation Code that a stockholders' meetings be called to approve the foregoing matters. A vote of stockholders holding at least 2/3 of the Company's outstanding capital stock is required to approve the foregoing matters.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

The Company complies with the requirement under the Securities Regulation Code that notice of an annual or special stockholders' meeting be sent to stockholders not later than 15 business days before the meeting.

a. Date of sending out notices:

Annual Stockholders' Meeting: April 24, 2015

b. Date of the Annual/Special Stockholders' Meeting:

Annual Stockholders' Meeting: May 18, 2015;

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

Question: Good morning Chairman Andrew, President Winston and the members of the Board of Directors, especially my fellow AIM'er, Mike Varela here. Special commends. I'd like to make a comment about two things, about my impression about that glass. I don't know what bottle is used, wherein it's poured in a scotch, rock, glass, covering the world. And your flagship product is Emperador. I would like to think that this is Mackay because it's a scotch glass. And the other one is about the Mule. It's bubbly, and I thought it's vodka? You answer that later. But at any rate, I want to congratulate once again our friend here, Dr. Andrew Tan, who I'd like to congratulate because of two magazines wherein he was featured. The first one is this, you may not know this because there are limited copies. It's only for AIM graduates. We have subscribed to this magazine - Visionary Asean Leader. My article did not come out on time, so it was not here. And the other one you may not know is the maiden copy of Forbes Philippines. It's so surprising that it is a Gokongwei magazine but Dr. Tan was the one featured. And the other one is about the Retailer of the Year. Dr. Andrew Tan and I go a long way back. The same building, PB Com building, the Raffles division was even a distributor of Corning where I was head of the Pacific Islands, and the success of Emperador is because of the vision of Dr. Andrew Tan. How about giving him a big hand please? I was looking at the quotations last Saturday about the stocks, and the range is about 33% and last Friday it's midway, so it's a growth, a big growth for Emperador Distillers. The question I'd like to ask is, in the future, with the growth of Emperador Distillers, are you planning to expand your Anglo Watsons Glass operation? Or are you going to buy bottles elsewhere? Will you make your own bottles with your own requirements, at least in the Philippines?

Presiding Officer: Yes. In fact, we have a CAPEX requirement for Anglo Watsons. We are rehabilitating one of our furnaces next year 2016, and as you have rightly mentioned is that we are introducing the Smirnoff Mule. This is a one way bottle. It is not a recycled bottle. So we will be requiring a lot of this one-way bottle and it is amber in color, so we are thinking of putting up an independent facility, a glass manufacturing facility to produce a one-way amber-colored bottle. Yes, we are in the expansion.

Follow-up: In case, you are not aware of one-way bottle, this is a lightweight bottle, because manufacturing of bottles is very expensive. For example, an amber-colored bottle has to go back many times, six times before you make money on one bottle of beer. But after that, it is all gravy, basically. That's all. I'm Jeremy Quibilan. Thank you.

5. Result of Annual Stockholders' Meeting's Resolutions:

Resolution	Approving	Dissenting	Abstaining
Approval of the Minutes of the Special Meeting of Stockholders held on 23 June 2014 and 15 December 2014	**Stockholders representing more than 2/3 of the Company's outstanding shares**		
Approval of corporate name in the By-Laws	**Stockholders representing more than 2/3 of the Company's outstanding shares**		
Ratification of acts of the Board of Directors, Board Committees, and Management	**Stockholders representing more than 2/3 of the Company's outstanding shares**		
Appointment of External Auditors	**Stockholders representing more than 2/3 of the Company's outstanding shares**		
Election of Directors	**Stockholders representing more than 2/3 of the Company's outstanding shares**		

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

The results of the Annual and Special meeting of stockholders were disclosed to the public via PSE on 18 May 2015.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification: None

Modifications	Reason for Modification
N/A	

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	1. Andrew L. Tan 2. Winston S. Co 3. Katherine L. Tan 4. Kingson U. Sian 5. Kendrick Andrew L. Tan 6. Alejo L. Villanueva, Jr. 7. Miguel B. Varela	**18 May 2015**	Show of hands	800	14,282, 949,308	**88.60%**

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

Yes, the Company's stock and transfer agent.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

YES.

(g) Proxy Voting Policies

The Company does not solicit proxies and does not require a proxy.

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	Must be signed by authorized signatory of the stockholder with accompanying resolutions designating the proxy/representative
Notary	Not required
Submission of Proxy	Must be submitted at least 10 days before the scheduled meeting
Several Proxies	Allowed
Validity of Proxy	Appointment shall not exceed 5 years from date of grant and may be revoked by the stockholders at any time before the right granted is exercised.
Proxies executed abroad	Allowed

Invalidated Proxy	Share/s shall not be counted for quorum
Validation of Proxy	At least 10 days before scheduled meeting
Violation of Proxy	Vote/s shall not be counted

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

The Company complies with the procedure provided in the Corporation Code and the Securities Regulation Code.

Policies	Procedure
The Company shall exercise transparency and fairness in the conduct of the Company's annual and special stockholders' meetings. The stockholders are encouraged to personally attend such meetings.	Pursuant to the By-laws of the Company, notices for regular or special meetings of Stockholders may be sent by the Secretary by personal delivery or by mail at least 2 weeks prior to the date of the meeting to each stockholders of record at his last known post office address or by publication in a newspaper of general circulation. The notice shall state the place, date, and hour of the meeting, and the purpose and purposes for which the meeting is called. In case of special meetings, only matters stated in the notice can be the subject of motions or deliberations at such meeting. However, considering that the Securities Regulation Code requires notices of stockholders' meeting to be sent 15 business days prior to the meeting, the Company adheres to the requirements of the SRC.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	230
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	**May 18, 2015;**
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	**April 25, 2015;**
State whether CD format or hard copies were distributed	**CD format were distributed**
If yes, indicate whether requesting stockholders were provided hard copies	**Requesting stockholders were provided hard copies**

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	YES
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	YES

The auditors to be appointed or re-appointed.	YES
An explanation of the dividend policy, if any dividend is to be declared.	N/A
The amount payable for final dividends.	N/A
Documents required for proxy vote.	YES

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

The Company's Manual of Corporate Governance provides for the protection of minority stockholders' rights in terms of voting, inspection of corporate records, right to information, right to dividends, and the exercise of appraisal rights.

The Manual of Corporate Governance vests in the Board of Directors the duty to promote shareholder rights, remove impediments to exercise of shareholders' rights, and allow possibilities to seek redress for violation of their rights. The Board is also tasked to encourage the shareholders to exercise their voting rights and the solution of collective action problems through appropriate mechanisms. The board shall also be instrumental in removing excessive costs and other administrative or practical impediments to shareholder participation.

Policies	Implementation
Voting rights	All shareholders, including minority shareholders, have the right to elect, remove, and replace directors. They also have the right to vote on certain corporate acts, as provided under the Corporation Code. With the use of cumulative voting, minority shareholders may vote together to ensure the election of a director.
Inspection of Corporate records	All shareholders are allowed to inspect the corporate books and records during office hours. They may also be furnished with annual reports, including financial statements, without cost or restrictions.
Right to information	Aside from the right to be provided with copies of periodic reports upon requests, minority shareholders shall have the right to propose the holding of a meeting. Minority shareholders shall also have access to any and all information relating to matters for which the management is propose the inclusion of matters pertaining to management accountability in the agenda of the stockholders' meeting.
Right to dividends	All stockholders are entitled to receive dividends upon the declaration thereof by the Board of Directors. The Board may also make arrangements with stockholders whereby dividends and other distributions may be reinvested in new shares instead of being paid in cash to stockholders
Appraisal right	Shareholders have the appraisal right or the right to dissent and demand payment of the fair value of their shares as provided under Section 82 of the Corporation Code under any of the following

	circumstances: a. Amendment of articles of incorporation has the effect of changing or restricting the rights of any stockholders 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; b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and c. In case of merger or consolidation

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes. All shareholders have the right to nominate candidates for the board of directors. However, they must conform to the eligibility requirements under the Corporation Code and Manual of Corporate Governance, as well as the guidelines set by the Nomination Committee.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

The Company has an internal vetting process for communication to ensure that all information disseminated is accurate. Communications are also reviewed by the Compliance Officer to ensure that the regulatory requirements of the PSE and SEC are met. Finally, in cases where there may be legal implications or repercussions to the Company, the opinion of the Corporate Secretary is also sought. No specific committee has been assigned to review and approve major company announcements. However, major communications of the Company are reviewed by the President and the CEO.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	To establish and maintain an investor relations program that will keep stockholders informed of important developments in the Company and ensure them that the Company values their investment.
(2) Principles	Accuracy, transparency, and timelines are the core principles that guide the Company's investor relations program
(3) Modes of Communications	Press Releases; Company Website; Investor Presentations
(4) Investors Relations Officer	Kenneth V. Nerecina Tel No. 9088130, Fax. No. 8366001, kvnerecina@emperadordistillers.com

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

The Company takes guidance from the applicable law, the rules and regulations of the Securities and Exchange

Commission and the Philippine Stock Exchange with respect to the approval, pricing and disclosure of acquisitions of corporate control in the capital markets and extraordinary transactions. Acquisitions and other extraordinary transactions are approved by the Board using its sound discretion taking into consideration the best interest of the Company.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

None. The Company may engage an independent appraiser as the need arises.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

These activities are undertaken directly at the subsidiary level. Some of the Company's directors and officers may render some form of community service or social responsibility activity in connection with the activities of the respective subsidiaries and affiliates that they handle.

Initiative	Beneficiary
See above	

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	None	
Board Committees	None	
Individual Directors	Attendance at meetings	Minimum attendance required under Manual of Corporate Governance
CEO/President	None	None

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees.

The Company substantially complied with its Manual of Corporate Governance and did not materially deviate from its provisions.

No sanctions have been imposed on any director, officer or employee on account of non-compliance.

Violations	Sanctions
N/A	

SECRETARY'S CERTIFICATE

I, **DOMINIC V. ISBERTO**, of legal age, Filipino, with office address at 28th Floor, The World Centre, 330 Sen. Gil Puyat Avenue, Makati City, Philippines, after having been sworn in accordance with law, depose and state that:

1. I am the Corporate Secretary of **EMPERADOR INC.,** a corporation duly organized and existing under Philippine laws, with office address at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City, Metro Manila, Philippines (hereafter, the "Corporation").

2. The resolutions approved by the Board of Directors of the Corporation that resulted in the changes and/or updates to the Annual Corporate Governance Report of the Corporation are set out in the attached as Annex "A" hereof.

3. This Certification is issued in compliance with the requirements of SEC Memorandum Circular No. 12 dated 26 May 2014.

Signed this 01 April 2016 at Makati City.

DOMINIC V. ISBERTO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 01 2016 at MAKATI CITY, Philippines, affiant exhibiting to me his Social Security System Identification No. 33-1952824-1.

Doc. No. 332;
Page No. 68;
Book No. 201;
Series of 2016.

NOTARY PUBLIC

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M32
UNTIL DECEMBER 31, 2016
ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. IV-0016333/4-10-2013
IBP O.R No.706762-LIFETIME MEMBER JAN. 29,2007
PTR No. 532-35-05- JAN 04,2016 MAKATI CITY
EXECUTIVE BLDG. CENTER
MAKATI AVE., COR., JUPITER

ANNEX "A"

I. At the Special Meeting of the Board of Directors of the Corporation held on March 23, 2015, the following resolutions were approved:

> "RESOLVED, that the Corporation set its Annual Meeting of Stockholders (the "Annual Meeting") on 18 May 2015, 9:00 a.m., at the Grand Ballroom, Eastwood Richmonde Hotel, 17 Orchard Road, Eastwood City, Bagumbayan, Quezon City, Metro Manila, Philippines, with the following agenda:
>
> 1. Call to Order
> 2. Certification of Notice and Quorum
> 3. Approval of the Minutes of the Annual Meeting of Stockholders held on 23 June 2014 and of the Minutes of the Special Meeting of Stockholders held on 15 December 2014
> 4. Annual Report of Management
> 5. Amendment of Corporate Name in By-Laws
> 6. Ratification of Acts of the Board of Directors, Board Committees, and Management
> 7. Appointment of External Auditors
> 8. Election of Directors
> 9. Other matters
> 10. Adjournment
>
> "RESOLVED, FURTHER, that the Stockholders of record at the close of business on 10 April 2015 are entitled to notice of, and to vote at, the Annual Meeting."

II. The following are the excerpts of the Minutes of Meeting of and resolutions approved during the Annual Stockholders' Meeting held on 18 May 2015:

a. Appointment of External Auditors

The Presiding Officer informed the stockholders that the Board of Directors, upon recommendation of the Audit Committee, has resolved to re-appoint Punongbayan and Araullo as external auditors of the Corporation for the audit of the Corporation's financial statements for the year ending December 31, 2015, and submits for approval the re-appointment of Punongbayan & Araullo as external auditors.

Upon motion made and duly seconded, the stockholders approved the following resolution:

> "RESOLVED, that the Punongbayan and Araullo be appointed as the external auditors of the Corporation for the audit of the Corporation's financial statements for the year ending December 31, 2015."

b. Election of Directors

The Presiding Officer informed the stockholders that, for the current year 2015, the Corporation will be electing seven directors at least two of whom shall be independent directors pursuant to the Securities and Regulation Code and the Corporation's Revised Manual of Corporate Governance.

Mr. TJ Bernabe, on behalf of the Nomination Committee, presented the Final List of Nominees for election as members of the Board of Directors, as follows: Andrew L. Tan, Winston S. Co, Katherine L. Tan, Kendrick Andrew L. Tan, Kingson U. Sian, and Alejo L. Villanueva, Jr. and Miguel B. Varela as the independent directors. Mr. Bernabe likewise reported that the Final List of Nominees for election as directors of the Corporation possess all the required qualifications and none of the disqualifications to hold office as directors of the Corporation.

The Corporate Secretary then informed the Presiding Officer that no further nominations shall be allowed pursuant to the Corporation's By-Laws, as amended.

Thereafter, it was moved and seconded that since there were only seven nominees and there are only seven seats in the Board, all seven nominees were considered elected by acclamation to the Board of Directors for the current year 2015.

III. At the Organizational Meeting of the Board of Directors of the Corporation held on 18 May 205, the following were elected as officers of the Corporation:

Chairman	-	Andrew L. Tan
President and Chief Executive Officer	-	Winston S. Co
Treasurer	-	Katherine L. Tan
Chief Finance Officer, Corporate Information Officer and Compliance Officer	-	Dina D. Inting
Corporate Secretary	-	Dominic V. Isberto
Asst. Corporate Secretary	-	Rolando D. Siatela

Pursuant to the Company's Manual on Corporate Governance and SEC Memorandum Circular No. 06, Series of 2004, the Board constituted the following board committees for the current year:

I. NOMINATION COMMITTEE

a. Alejo L. Villanueva Jr. (Independent Director) - Chairman
b. Winston S. Co
c. Kendrick Andrew L. Tan

II. COMPENSATION AND REMUNERATION COMMITTEE

a. Alejo L. Villanueva Jr. (Independent Director) - Chairman
b. Andrew L. Tan
c. Winston S. Co

III. AUDIT COMMITTEE

a. Alejo L. Villanueva Jr. (Independent Director) - Chairman
b. Miguel B. Varela (Independent Director)
c. Andrew L. Tan

IV. At the Special Meeting of the Board of Directors of the Corporation held on June 17, 2015, the following resolutions were approved:

"RESOLVED, that the Corporation declare a total cash dividend of PESOS: TWO BILLION FOUR HUNDRED EIGHTEEN MILLION (Php2,418,000,000.00) or Php0.15 per share, out of the unrestricted retained earnings of the Corporation;

"RESOLVED, FURTHER that the cash dividends be payable on or before 28 July 2015 to stockholders of record as of 03 July 2015."