COVER SHEET

A 2 0 0 1 1 7 5 9 5
S.E.C. Registration Number

EMPERADOR
INC.
(Company's Full Name)

10F, LIBERTY CENTER, 104
HV DE LA COSTA STREET
SALCEDO VILLAGE MAKATI

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

DINA D. INTING
Contact Person

(632)7092038 to 41
Company Telephone Number

1 2 **3 1**
Month *Day*
Fiscal Year

SEC FORM 20-IS
(Definitive Information Statement)
FORM TYPE

Third Monday of May
Month *Day*
Annual Meeting

Registration of Securities
Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

EMPERADOR INC.
c/o 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

NOTICE AND AGENDA OF THE ANNUAL MEETING OF STOCKHOLDERS

TO ALL STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Emperador Inc. (the "Corporation") will be held on **23 JUNE 2014** at **9:00 a.m.** at the Grand Ballroom, Eastwood Richmonde Hotel, 17 Orchard Road, Eastwood City, Bagumbayan, Quezon City, Philippines, with the following agenda:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Special Meeting of Stockholders held on 27 August 2013
4. Annual Report of Management
5. Amendment of the Articles of Incorporation to change the principal office address of the Corporation
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

Stockholders of record as of 16 May 2014 will be entitled to notice of, and to vote at, the Annual Meeting.

Makati City, Metro Manila, Philippines, May 22, 2014

DOMINIC V. ISBERTO
Corporate Secretary

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

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [√] Definitive Information Statement

2. Name of Registrant as specified in its charter EMPERADOR INC.

3. METRO MANILA, PHILIPPINES
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number A200117595

5. BIR Tax Identification Code 214-815-715-000

6. 10th Floor Liberty Center, 104 H.V. dela Costa Street, Salcedo Village, Makati City 1227
   Address of principal office Postal Code

7. Registrant's telephone number, including area code (632)7092038 to 40

8. June 23, 2014, 9:00 AM, Grand Ballroom, Eastwood Richmonde Hotel, 17 Orchard Road, Eastwood City, Bagumbayan, Quezon City, Metro Manila, Philippines
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders May 30, 2014

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	15,000,000,000

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

    Yes ___√______ No ___

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

    Philippine Stock Exchange Common Shares

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

SAMPLE ONLY
PROXY

The undersigned shareholder(s) of **EMPERADOR INC.** (the "Corporation) hereby appoint/s ____ or in his absence, the Chairman of the Annual Shareholders' Meeting, as proxy of the undersigned shareholder(s) at the Annual Meeting of Shareholders scheduled on 23 June 2014 at 9:00 in the morning at the Grand Ballroom, Eastwood Richmonde Hotel, Orchard Road, Eastwood City, Bagumbayan, Quezon City and/or at any postponement or adjournment thereof, and/or any annual shareholders' meeting of the Company, which appointment shall not exceed five (5) years from date hereof.

The undersigned shareholder(s) hereby direct/s the said proxy to vote all shares on the agenda items set forth below as expressly indicated by marking the same with [√] or [X]:

ITEM NO.	SUBJECT	ACTION		
		FOR	AGAINST	ABSTAIN
3	Approval of the Minutes of the Special Meeting of Stockholders held on 27 August 2014			
5	Amendment of the Articles of Incorporation to change the principal office address of the Corporation			
6	Ratification of acts of the Board of Directors, Board Committees and Management			
7	Appointment of External Auditors			
8	Election of Directors			
	Andrew L. Tan			
	Winston S. Co			
	Katherine L. Tan			
	Kingson U. Sian			
	Kendrick Andrew L. Tan			
	Miguel B. Varela - Independent Director			
	Alejo L. Villanueva, Jr. - Independent Director			

PRINTED NAME OF SHAREHOLDER	SIGNATURE OF SHAREHOLDER/ AUTHORIZED SIGNATORY	NUMBER OF SHARES TO BE REPRESENTED	DATE

This proxy should be received by the Corporate Secretary not later than end of business hours on **13 June 2014**.

This proxy when properly executed will be voted in the manner as directed herein by the shareholder. If no direction is made, the proxy will be voted for the election of all nominees and for the approval of all matters stated above and for such other matters as may properly come before the meeting in the manner described in the information statement.

A shareholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the shareholder attends the meeting in person and expressed his intention to vote in person.

This proxy does not need to be notarized. (Partnerships, Corporations and Associations must attach certified resolutions thereof designating Proxy/Representative and Authorized Signatories.)

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. General Information

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

Date & time: 23 June 2014, 9:00 AM
Place: Grand Ballroom, Eastwood Richmonde Hotel, 17 Orchard Road, Eastwood City, Bagumbayan, Quezon City, Philippines
Principal office: 10/F Liberty Center, 104 H.V. dela Costa Street, Salcedo Village, Makati City, Metro Manila, Philippines

Approximate date on which the Information Statement is first to be sent or given: 30 May 2014

The Company is not soliciting proxies. We are not asking for a proxy. Neither are you required to send us a proxy.

Item 2. Dissenter's Right of Appraisal

There are no matters to be acted upon or proposed corporate action in the agenda for the annual meeting of stockholders that may give rise to possible exercise by a dissenting stockholder of its appraisal rights under Title X of the Corporation Code of the Philippines.

Any stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares in the following instances: (1) in case any amendment to the 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; (2) in case the Company decides to invest funds in another corporation or business or for any purpose outside of the primary purpose for which it was organized; (3) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; and (4) in case of merger or consolidation.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action by making a written demand on the Company within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares. A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right. Failure to make the demand within the 30-day period shall be deemed a waiver of the appraisal right. From the time of the demand until either the abandonment of the corporate action in question or the purchase of the dissenting shares by the Company, all rights accruing to the dissenting shares shall be suspended, except the stockholder's right to receive payment of the fair value thereof. If the proposed corporate action is implemented or effected, the Company shall pay to such stockholder, upon surrender of the stock certificate(s) representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If the fair value is not determined within sixty (60) days from the date the corporate action was approved by the stockholders, it will be determined by three (3) disinterested persons (one chosen by the Company, another chosen by the dissenting stockholder and the third to be chosen jointly by the Company and the stockholder). The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made. Upon payment by the Company of the awarded price, the dissenting stockholder shall forthwith transfer his shares to the Company.

No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings.

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

(a) No officer or director at any time since the beginning of the fiscal year, or nominee for election as director, or associate of any of these persons, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office.

(b) No director has informed the Company in writing of his/her intention to oppose any matter to be acted upon at the Annual Stockholders' Meeting (the "Meeting").

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Each of the 15,000,000,000 common shares outstanding as of 16 May 2014 shall be entitled to one vote with respect to all matters to be taken up during the Meeting.

(b) All stockholders of record as of 16 May 2014 are entitled to notice and to vote at the Meeting.

(c) All stockholders have cumulative voting rights in the election of the members of the board of directors of the Company. Cumulative voting entitles each stockholder to cumulate his shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or distribute them on the same principle among as many nominees as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

(d) Security ownership of certain record and beneficial owners and management

(1) Security Ownership of Owners Holding More than Five Percent (5%) of Voting Securities as of 30 April 2014:

TITLE OF CLASS	NAME, ADDRESS OF RECORD OWNER AND RELATIONSHIP WITH ISSUER	NAME OF BENEFICIAL OWNER AND RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NO. OF SHARES HELD	PERCENT
Common	Alliance Global Group, Inc. 7/F, 1880 Eastwood Avenue, Eastwood City CyberPark 188 E. Rodriguez, Jr. Avenue, Bagumbayan Quezon City Parent of the Issuer	Alliance Global Group, Inc.[1]	Filipino	11,700,000,000	78.00%
		Alliance Global Group, Inc., ultimate parent[2]		1,431,764,995	9.55%

Common	PCD Nominee Corporation (Non-Filipino)	Participants of the PCD composed of custodian banks and brokers[3]	Non-Filipino	1,588,256,529	10.59%

[1]Includes shares owned by AGI lodged with PCD Nominee Corporation
[2]AGI beneficially owns shares held by foreign subsidiaries totaling 1,431,764,995 shares representing about 9.55%. The Board of Directors of AGI has voting and investment power over shares of stock held by AGI in Company. AGI authorized the Chairman of the Board of the Company, or in his absence, the Chairman of the Meeting, to vote shares of stock held by AGI in the Company.
[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.

(2) Security ownership of management as of 30 April 2014:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Andrew L. Tan	1 (indirect)	Filipino	0.00%
Common	Winston S. Co	1 (indirect)	Filipino	0.00%
Common	Katherine L. Tan	1 (indirect)	Filipino	0.00%
Common	Kendrick Andrew L. Tan	1 (indirect)	Filipino	0.00%
Common	Kingson U. Sian	1 (indirect)	Filipino	0.00%
Common	Miguel B. Varela	1 (indirect)	Filipino	0.00%
Common	Alejo L. Villanueva, Jr.	1 (indirect)	Filipino	0.00%
Common	Dina D.R. Inting	0	Filipino	0.00%
Common	Dominic V. Isberto	0	Filipino	0.00%
Common	Rolando D. Siatela	0	Filipino	0.00%

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

(4) Changes in control - The Company is not privy to any arrangements which may result in a change in control of the Company.

Item 5. Directors and Executive Officers

Incumbent
The following are the incumbent directors and executive officers of the Company:

Name	Age	Citizenship	Position
Andrew L. Tan	63	Filipino	Chairman
Winston S. Co	55	Filipino	Director
Katherine L. Tan	61	Filipino	Director
Kingson U. Sian	51	Filipino	Director
Kendrick Andrew L. Tan	32	Filipino	Director
Miguel B. Varela	73	Filipino	Independent Director
Alejo L. Villanueva, Jr.	72	Filipino	Independent Director
Dina D.R. Inting	53	Filipino	Chief Finance Officer, Compliance Officer and Corporate Information Officer

Name	Age	Citizenship	Position
Dominic V. Isberto	39	Filipino	Corporate Secretary
Rolando D. Siatela	52	Filipino	Assistant Corporate Secretary

There are seven (7) members of the Company's Board of Directors, two (2) of whom are independent directors. All incumbent directors were elected during the Special Meeting of the Board of Directors held on 28 August 2013 and will hold office for one (1) year and/or until their successors are elected and qualified.

Brief Background of the Directors and Officers

Andrew L. Tan
Chairman of the Board

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 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 Emperador Distillers, Inc., 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., and 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 elected as Director and President on 28 August 2013. He is a Director and President of Emperador Distillers, Inc. since 2003. He has served as Director of Alliance Global Group, Inc. since 1998 where he previously was Vice Chairman of the Board from November 1999 to August 2003 and Chairman from June 1998 to October 1999. 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., McKester Pik-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 elected as Director and Treasurer on 28 August 2013. She has served as Director and Treasurer of Alliance Global Group, Inc. since February 2007. 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 a member of the board of Megaworld Corporation and 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.; and Ms. Tan graduated from St. Scholastica's College with a degree in Nutrition.

Kingson U. Sian
Director

Mr. Sian was elected as Director on 28 August 2013. He has served as President and Chief Operating Officer of Alliance Global Group, Inc. since February 2007. He is currently a member of the Board of Directors of Megaworld Corporation and is its Executive Director and is concurrently President and a Director of Travellers International Hotel Group, Inc.. He is also the President and a Director 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 elected as Director on 28 August 2013. He has served as Corporate Secretary and Executive Director of Emperador Distillers, Inc. since 2007 and its Head of Research & Development. 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 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, Director of AusphilTollways Corporation, Director, NPC Alliance Corporation, Vice Chairman Richmonde Hotel, among others. He is also 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 Vice Chairman of Philippine Dispute Resolution Center, Inc. (PDRCI). He is also the Vice President of the International Labor Organization, Inc., and Vice Chairman 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 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 (honoris causa), 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 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 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 elected as Compliance Officer and Corporate Information Officer on 28 August 2013. She has served as First Vice President for Finance of Alliance Global Group, Inc. since January 1996 and is also its Compliance Officer and Corporate Information Officer. She is currently director of ProgreenAgricorp, 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 elected as Corporate Secretary on 28 August 2013. He is also the Corporate Secretary of Alliance Global Group, Inc. and the Corporate Secretary and Assistant Corporate Information Officer of Global-Estate Resorts, Inc., both publicly-listed companies. 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 Senior Assistant Vice President for Corporate Management 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. 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 elected as Assistant Corporate Secretary on 28 August 2013. He concurrently serves in PSE-listed companies Suntrust Home Developers, Inc. as Corporate Secretary and Corporate Information Officer and in Megaworld Corporation, Global-Estate Resorts, Inc. and Alliance Global Group, Inc. as Assistant Corporate Secretary. 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 is at present an Assistant Vice President for Corporate Management in Megaworld Corporation. 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.

The Nomination Committee and Independent Directors

SRC Rule 38 provides that the nomination and election of independent directors shall be conducted in accordance with the following rules:

1. Nomination of independent directors shall be conducted by the Nomination Committee prior to a stockholders' meeting. All recommendations shall be signed by nominating stockholders and shall bear the conformity of the nominees.
2. The Nomination Committee shall pre-screen the nominees and prepare a final list of candidates.
3. The final list of candidates shall contain the business and/or professional experience of the nominees for independent directors, which list shall be made available to the Commission and to all stockholders

through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Company is required to submit to the Commission. The name of the person or group of persons who recommended the nominees for independent directors shall be identified in such report including any relationship to the nominees.

4. Only nominees whose names appear in the final list of candidates shall be eligible for election as independent directors. No other nominations shall be entertained after the final list of candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting.
5. The conduct of the election of independent directors shall be made in accordance with the standard election procedures of the Company in its By-laws, subject to pertinent laws, rules and regulations of the Commission.
6. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure those independent directors are elected during the stockholders' meeting.
7. In case of failure of election for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

The Company is required to have at least two (2) independent directors in its Board of Directors, who are each independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the Company. An independent director should have at least one (1) share of the Company's common stock, a college graduate or has been engaged or exposed to the business for at least five (5) years, and possesses integrity/probity and assiduousness. Pursuant to SEC Memorandum Circular 9-2011, an Independent Director can serve for five (5) consecutive years to be counted from January 2012, provided that service for a period of at least six (6) months shall be equivalent to one (1) year, regardless of the manner by which his position was relinquished or terminated. After completion of the 5-year service period, an Independent Director shall be ineligible for election as such in the same company unless he has undergone a "cooling off" period of 2 years after which he can be re-elected in the same company and serve for another 5 consecutive years. A person who has served as Independent Director for 10 years in the same company shall be perpetually barred from being elected as an Independent Director in the same company, without prejudice to being elected in other companies outside of the business conglomerate. There shall be no limit in the number of covered companies that a person may be elected as Independent Director, except in business conglomerates where he can be elected to only five (5) companies of the conglomerate, i.e., parent company, subsidiary or affiliate.

Nominees

Directors are elected annually by the stockholders at the annual stockholders' meeting to serve until the election and qualification of their successors. The Nomination Committee composed of Miguel B. Varela as Chairman and Winston S. Co and Kendrick Andrew L. Tan as members accept nominees to the Board of Directors, including nominees for independent directors. The Committee is responsible for screening and qualifying the list of nominees. The following is the complete and final list of nominees for members of the Board of Directors:

1. Andrew L. Tan
2. Winston S. Co
3. Katherine L. Tan
4. Kingson U. Sian
5. Kendrick Andrew L. Tan
6. Miguel B. Varela – Independent Director
7. Alejo L. Villanueva, Jr. - Independent Director

Mr. Kingson U. Sian nominated incumbent independent director Mr. Miguel B. Varela for another term, while Mr. Winston S. Co nominated the other incumbent independent director, Mr. Alejo L. Villanueva, Jr. for another term. Messrs. Sian, Co, Varela, and Villanueva are not related by consanguinity or affinity up to the fourth civil degree.

The above disclosures on the business experience of the named directors, officers, and nominees, all cover the past five (5) years.

Disagreements with the Company
No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

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 Emperador Distillers, Inc.

Involvement in 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.

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 2013 and 2012 (*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

Item 6. Compensation of Directors and Executive Officers

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 2012 and 2013 and the estimated aggregate compensation for 2014. 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	Edwin Jaranilla, Plant Manager				
D	Eleizer S. Joaquin, Vice President for Sales and Marketing				
	Total President and four most highly compensated executive officer	2012 2013 2014	14,235 16,159 18,525		None None None
E	All other officers and named directors as a group	2012 2013 2014	0 0 0		

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 Arrangements

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.

Warrants and Options Outstanding held by Directors or Officers

The Group does not have warrants or options, and as such there are no warrants or options held by the CEO, the named executive officers, and all officers and directors.

Item 7. Independent Public Accountants

Punongbayan & Araullo ("P&A"), upon recommendation by the Audit Committee composed of Alejo L. Villanueva, Jr. as Chairman and Miguel B. Varela and Andrew L. Tan as members, is being recommended to the stockholders for re-election as the Company's principal external auditor for the year 2014. P&A audited the Company's consolidated financial statements for the years 2011, 2012 and 2013. 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 2011 was Mr. Leonardo D. Cuaresma, Jr. and for 2012 and 2013, it is Ms. Mailene S. Bisnar.

Representatives of Punongbayan & Araullo are expected to be present at the Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

External audit fees and services

The combined fees billed by P&A for the audit of the 2012 annual financial statements of EDI and those of its subsidiaries totaled P2,005,000, excluding out-of-pocket expenses. For the audit of the 2013 annual financial statements, the fees billed by P&A to the Company and its subsidiaries totaled P2,682,000, excluding out-of-pocket expenses. The services are those normally provided in connection with statutory and regulatory filings or engagements.

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.

The professional fees of the external auditors of the Company are approved by the Company's Audit Committee after approval by the stockholders of the engagement and prior to the commencement of each audit season.

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.

Information Incorporated by Reference

Financial Statements of the Company and its subsidiaries as of 31 December 2013 and 2012 as well as the Management's Discussion and Analysis of Operations and Financial Condition for the corresponding periods are included in the Company's Management Report and are incorporated herein by reference.

C. OTHER MATTERS

Item 8. Action with Respect to Reports

The minutes of the special meeting of stockholders held on 27 August 2013 will be submitted to the stockholders for approval (a copy is attached hereto). The Minutes will refer to the adoption of stockholder's resolutions pertaining to the following matters: Amendment of the Articles of Incorporation and the By-Laws; grant of authority to the Board of Directors to issue such number of shares of stock out of the authorized capital stock out of the authorized capital stock and increase in authorized capital stock; listing of shares; grant of authority to the Board of Directors to conduct an equity offering; and appointment of External Auditor.

The approval or disapproval of the Minutes will constitute merely an approval or disapproval of the correctness of the minutes but will not constitute an approval or disapproval of the matters referred to in the Minutes.

Item 9. Amendment of Charter, Bylaws, or Other Documents

In a special meeting of the Board of Directors held on April 23, 2014, the Board approved to amend the third Article of its Amended Articles of Incorporation ("AOI") to change the principal office address of the Company FROM 10/F Liberty Center, 104 H.V. dela Costa Street, Salcedo Village, Makati City TO 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City. The amendment is being made to align with the principal office address of AGI, its parent company, and Emperador Distillers, Inc., its significant subsidiary.

As amended, the Third Article of the Company's AOI shall read as follows:

> "THIRD: That the place where the principal office of the corporation is to be established or located is at the 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City."

The resolution of the Board on the amendment of the Third Article of the Articles of Incorporation will be submitted to the stockholders for approval at the Meeting.

Item 10. Other Proposed Action

The stockholders will be asked to ratify all acts and resolutions of the Board of Directors, Board Committees, and of Management adopted and taken during the period up to the date of the Meeting. These include, among others, the appointment of officers in the corporation, opening and maintenance of bank accounts and other bank transactions, approval and issuance of financial statements, subscription to new shares of a subsidiary and sale of shares in a subsidiary, appointment of proxies and nominees, designation of authorized contract signatories and representatives, corporate contracts, and other similar activities of the Company.

Item 11. Voting Procedures

Vote Required

In the election of directors, the seven (7) nominees garnering the highest number of votes will be elected as members of the board of directors, provided that there shall always be elected at least two (2) independent directors in the Company's board of directors.

For all other matters proposed to be acted upon, the vote of a majority of the outstanding capital stock will be required for approval.

Method of Counting of Votes

Each holder of common share will be entitled to one (1) vote with respect to all matters to be taken up during the Meeting; provided, that in the election of directors, each stockholder may vote such number of shares for as many persons as there are directors to be elected or may cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many nominees as he shall see fit; provided further, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

There will be seven (7) persons to be elected to the Company's board of directors, including at least two (2) independent directors. In the event that the number of nominees to the board of directors exceeds the number of board seats, voting shall be done by ballot. However, if the number of nominees to the board of directors does not exceed the number of board seats, voting will be done by a show of hands. Election inspectors duly appointed during the meeting shall be responsible for counting the number of votes, subject to validation by representatives of Punongbayan & Araullo, the Company's external auditors.

The Company undertakes to submit the updated Certification on the Qualifications and Disqualifications of Independent Directors within thirty (30) days after the Meeting.

The Company undertakes to provide without charge to a stockholder a copy of the Annual Report on SEC Form 17-A upon written request addressed to Ms. Dina D. Inting, Corporate Information Officer, at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City, Metro Manila, Philippines.

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Quezon City on 22 May 2014.

EMPERADOR INC.

By:

DINA D.R. INTING
Chief Finance Officer, Corporate Information Officer and Compliance Officer

22 May 2014

MANAGEMENT REPORT
AS REQUIRED BY SRC RULE 20

General Nature and Scope of Business

EMPERADOR INC. (the "Company") is a holding company which through Emperador Distillers, Inc. ("EDI") and its subsidiaries is an integrated manufacturer, distributor, and bottler of brandy and other alcoholic beverages. EDI has established its identity in the alcoholic beverages business with steady growth and production of high quality liquor. EDI has a product portfolio that consists of its own brands as well as licensed products.

The Company was incorporated as Touch Solutions, Inc. (TSI) in the Philippines on November 26, 2001 and listed its shares on December 19, 2011 under the symbol "TSI". It used to operate an information technology (IT) business of providing IT services and products which it disposed in April 2013 by transferring substantially all assets relating to the IT business to a related IT company. On July 31, 2013, the Securities and Exchange Commission ("SEC") approved the change in the Company's primary purpose to that of a holding company. In August 2013, in line with the change in primary purpose, the stockholders of the Company approved, among others, the change in corporate name to "TrillionStars Holdings, Inc." and the increase in capital stock to 20 billion from 100 million shares, which changes were approved by the SEC on September 5, 2013. On September 27, 2013, the SEC approved the change in corporate name from TrillionStars Holdings, Inc. to Emperador Inc. The Company's shares are presently traded on the First Board of the Philippine Stock Exchange (PSE) under the symbol "EMP".

Sometime in August and September 2013, Alliance Global Group, Inc. ("AGI"), the Company, and EDI, a subsidiary of AGI then, entered into a series of transactions whereby AGI acquired 88% ownership interest in the Company and the Company concurrently acquired 100% ownership in EDI from AGI. The Company thus became a subsidiary of AGI while the Company became the sole owner of EDI.

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.

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. EDI also acquired various Spanish vineyard lands as part of its plans to grow and vertically integrate its business.

EDI currently sells two principal brands: 'Emperador' brandy and 'The BaR' flavored alcohol beverages. 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., a wholly owned subsidiary under AGI group.

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

Subsidiaries of EDI

Emperador International Ltd.

Emperador International Ltd. 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.

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 consists of AGI's original flint glass container manufacturing business that was spun off in 1999. 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 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. 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, softdrinks, 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 premium 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. Currently, Emperador Light comprises more than 90% of EDI's sales. 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 97% share of the Philippine brandy market in terms of sales volume (source: Nielsen Retail Index).

EDI has extensive nationwide distribution network that provides it with a distinct competitive advantage. Its distribution network is operated through 20 sales offices strategically located throughout the Philippines while its products are distributed across more than 100,300 outlets, including more than 90,000 sari-sari stores. In addition, EDI employs its own sales and distribution force consisting of approximately 1,100 personnel, approximately 600 of which are employees while the rest are outsourced from third party co-operators, and more than 200 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 recent introduction of Emperador Deluxe, EDI is the first to bring an imported liquor brand produced entirely in Spain that focuses on the Philippine market.

PRODUCTS

Emperador Brandy, the first brandy label, was launched in 1990. In 2006, Generoso Brandy was launched as an extension of Emperador Brandy. 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 2009, "The BaR", a flavored vodka and gin beverage was launched. 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 24 year old age bracket. 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.

Details of EDI's 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 30.0% alcohol volume. Blended and bottled in Spain	700ml	₱150.00-₱170.00	Male consumers ages 30 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	375ml 750ml	₱40.00 ₱80.00	Mass consumers 25 years old and above, traditional brandy drinkers
Generoso Brandy	Light brandy, light gold color, slightly fruity with a hint of oak, sweet taste with 32.5% alcohol volume	700ml	₱65.00	Younger consumers 18 to 24 years old, women
Emperador Light	Light, fruity taste with 27.5% alcohol volume	500ml 750ml 1.0 liter	₱55.00 ₱80.00 ₱105.00	Younger consumers 18 to 24 years old

Brand	Description	Packaging	Indicative Retail Price Range	Target Market
The Bar flavors- Apple Vodka Orange Vodka Strawberry Vodka Lemon and Lime Gin	Light, fruity and very easy to drink. Fruit flavored alcoholic beverage at 25.3% alcohol volume	700ml	₱80.00	Younger consumers 18 to 24 years old, primarily women
The Bar Citrus Tequila	Tequila which incorporates lime and salt in the drink with 35.0% alcohol volume; intended as a "shooter"	700ml	₱120.00	Younger consumers 18 to 24 years old, primarily women
The Bar Cocktails Margarita	Ready-to-serve margarita cocktail with 20.0% alcohol volume	700ml	₱80.00	Younger consumers 18 to 24 years old, primarily women
The Bar Silver	Clear spirit with 35.0% alcohol volume	700ml	₱80.00	Younger consumers 18 to 24 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.

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

Financial Statements

The audited consolidated financial statements, together with Statement of Management's Responsibility and Auditors' Report, and supplementary schedules and the Interim Financial Statements as of 31 March 2014 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.

Management's Discussion and Analysis of Operation

Key Performance Indicators

In Million Pesos	2013	2012	2011	% Growth 2013	% Growth 2012
Revenues	₱ 29,865	₱ 23,594	₱ 17,355	21	36
Net profit	₱ 5,831	₱ 5,000	₱ 2,305	14	117
Total assets	₱ 35,225	₱ 12,833	₱ 8,665	175	48
Total current assets	₱ 30,787	₱ 10,236	₱ 7,270	201	41
Total current liabilities	₱ 4,249	₱ 4,296	₱ 4,105	-1	5
Gross profit margin %	32.48	36.19	26.15	-10	39
Net profit rate %	19.52	21.19	13.28		
Return on investment %	16.55	38.96	26.60		
Current ratio	7.25x	2.38x	1.77x		
Quick ratio	6.37x	1.59x	1.38x		

- 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 OPERATIONSYear Ended December 31, 2013 Compared With Year Ended December 31, 2012

Revenues

Total revenues increased by 26.6% to P29,864.7 million in the year ended December 31, 2013 from P23,594.3 million in the year ended December 31, 2012 primarily due to increase in volume and prices. There was an increase in the Company's selling prices for its products to cushion the effect of the new excise tax which took effect at the start of the year pursuant to R.A. No. 10351. Sales of the Company's products increased from 31.2 million cases to 33.1 million cases in 2013, reflecting an increase of 6.1%. In addition, the Company's introduction of Emperador Deluxe in March 2013 also contributed to the increase in revenues.

Other revenues increased by 60.8% to P1,257.7 million from P782.0 million due to higher foreign currency gains and interest income booked in 2013. Also, there was P292.5 million fair value gain in 2012 that reversed in 2013.

Costs and Expenses

Total costs and expenses increased by 31.0% to P21,959.6 million in the year ended December 31, 2013 from P16,764.9 million in the year ended December 31, 2012 primarily due to the new excise tax on alcoholic beverages. In addition, the acquisition of a production facility from Diageo

Philippines in May 2012 resulted in an increase in depreciation for the year ended December 31, 2013.

Cost of Goods Sold
Cost of goods sold increased by 32.7% to ₱19,316.8 million in the year ended December 31, 2013 from P14,556.2 million in the year ended December 31, 2012 primarily as a result of the new excise tax on alcoholic beverages. The higher sales volume required more new bottles, which are costly than recycled ones.

Gross Profit
As a result, gross profit increased by 12.5% to P9,290.2 million in the year ended December 31, 2013 from P8,256.1 million in the year ended December 31, 2012, reflecting a gross profit margin of 33%.

Selling and distribution expenses
Selling and distribution expenses increased by 5.8% to P2,097.8 million in the year ended December 31, 2013 from P1,983.6 million in the year ended December 31, 2012 primarily due to an increase in outside services, freight and taxes and licenses.

General and administrative expenses
General and administrative expenses increased by 29.1% to P281.9 million in the year ended December 31, 2013 from P218.4 million in the year ended December 31, 2012 primarily due to an increase in salaries and outside services.

Other Charges
Other charges increased to P263.1 million in the year ended December 31, 2013 from P6.7 million in the year ended December 31, 2012 primarily due to fair value losses the Company booked on its forward exchange contracts in 2013. Also included in this account are the accumulated losses of the acquired company (TSI) amounting to P42.0 million at the time of acquisition.

Profit before Tax
As a result of the foregoing, profit before tax increased by 15.7% to P7,905.1 million in the year ended December 31, 2013 from P6,829.4 million in the year ended December 31, 2012.

Tax Expense
Tax expense increased by 13.4% to P2,074.3 million in the year ended December 31, 2013 from P1,829.9 million in the year ended December 31, 2012 primarily as a result of the increased revenues recorded by the Company for the period.

Net Profit
As a result of the foregoing, net profit increased by 16.6% to P5,830.8 million in the year ended December 31, 2013 from P4,999.6 million in the year ended December 31, 2012.

Year Ended December 31, 2012 Compared With Year Ended December 31, 2011

Revenues
Total revenues increased by 36.0% to ₱23,594.3 million in the year ended December 31, 2012 from P17,355.0 million in the year ended December 31, 2011 primarily due to higher sales volumes and generally higher prices during the year. Sales of the Company’s products increased from 23.4 million cases to 31.2 million cases in 2012, reflecting an increase of 33.3%.

Costs and Expenses

Total costs and expenses increased by 18.2% to P16,764.8 million in the year ended December 31, 2012 from P14,184.4 million in the year ended December 31, 2011 primarily due to various costs associated with increasing production.

Cost of Goods Sold

Cost of goods sold increased by 16.0% to ₱14,556.2 million in the year ended December 31, 2012 from P12,550.1 million in the year ended December 31, 2011 primarily due to the Company's higher sales volumes, and was partially offset by cost efficiencies derived from the Company's use of more recycled bottles.

Gross Profit

As a result, gross profit increased by 85.8% to ₱8,256.1 million in year ended December 31, 2012 from P4,444.6 million in the year ended December 31, 2011, reflecting a gross profit margin of 36.2%.

Selling and distribution expenses

Selling and distribution expenses increased by 32.5% to P1,983.6 million in the year ended December 31, 2012 from ₱1,496.8 million in the year ended December 31, 2011 primarily due to higher freight expenses resulting from the Company's increased sales volume, as well as higher merchandising fees, depreciation and fuel charges.

General and administrative expenses

General and administrative expenses increased by 194.5% to P218.4 million in the year ended December 31, 2012 from ₱74.1 million in the year ended December 31, 2011 primarily due to higher tax expenses incurred by the Company resulting from the acquisition of Diageo's production plant.

Profit before Tax

As a result of the foregoing, profit before tax increased by 115.4% to P6,829.4 million in the year ended December 31, 2012 from P3,170.6 million in the year ended December 31, 2011.

Tax Expense

Tax expense increased by 111.4% to ₱1,829.9 million in the year ended December 31, 2012 from ₱865.5 million in the year ended December 31, 2011 in line with the increase in the Company's profit before tax.

Net Profit

As a result of the foregoing, net profit increased by 116.9% to P4,999.6 million in the year ended December 31, 2012 from ₱2,305.1 million in the year ended December 31, 2011.

FINANCIAL CONDITION

Total assets grew by 174.5% to P35,225.4 million from P12,833.5 million as of December 31, 2013 and December 31, 2012, respectively. The Group is strongly liquid with current assets exceeding current liabilities by 7.2 times. Working capital or liquidity was sourced internally from operations and capital stock issuances. Current assets amounted to P30,787.3 million while current liabilities amounted to P4,249.1 million at yearend 2013. The Group has no long-term debt.

Cash and cash equivalents increased significantly by 416.3% or P19,383.7 million in 2013, primarily due to the recent subscriptions in capital stock, both in EMP and EDI level. AGI, in particular, remitted an additional subscription price of P11.2 billion to the Company and fully paid its P7.5 billion subscriptions to EDI shares. The Group ended with P24,040.2 million in its coffers.

Trade and other receivables grew by 51.9% or P1,034.2 million, primarily due to the increase in sales and advances to contractors for the construction of a new distillery plant in Batangas.

Financial instruments are marked to market resulting in fair value loss in 2013 as compared to fair value gain in 2012. These are reported as financial liability of P38.6 million and financial asset of P170.1 million at end-December 2013 and 2012, respectively.

Inventories went up by 5.6% or P188.4 million, because of the inventory at the distillery (acquired in 2013).

Prepayments and other current assets grew by 142.5% or P114.6 million, due to prepaid excise tax on alcohol products and prepaid rent, insurance and security deposits on the new sales offices opened from a year ago.

Property, plant and equipment went up by 86.3% or P1,737.4 million, due to acquisition of the distillery plant from Condis and vineyards in Spain. Also, a bigger warehouse is being constructed in the main bottling plant and new logistics equipments were added during the period. Construction of a new distillery plant is in progress.

Other non-current assets increased by 120.6% or P177.9 million, due to additional deferred input vat.

Trade and other payables decreased by 4.7% or P182.3 million, due to settlement of advances from related parties. Income tax payable increased by 21.8% or P96.6 million, due to higher taxable profit.

The changes in capital accounts, i.e. capital stock, additional paid-in capital, and equity reserves, are shown in the statement of changes in equity. The significant increase is attributed to new subscriptions during the year from AGI and other investors.

Accumulated translation adjustments refer to the resulting difference in the translation of the foreign subsidiary'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.

With P24,040.2 million cash and cash equivalents in its coffers, the Group is ready to embark on its expansion and investment program.

Liquidity and Capital Resources

In 2011, 2012, 2013, the Company's principal sources of liquidity were internally generated funds from its operations. There is also an equity offering in 2013 that further increased cash and cash equivalents to P24,040.2 million as of December 31, 2013 from P4,656.4 million as of December 31, 2012. The Company expects to meet its working capital and investment requirements for the ensuing year primarily from these available funds, in addition to 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.

OTHER MATTERS

Except for what have been noted:

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

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.

Market Price and Dividends on Common Shares

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 May 21, 2014 is Php11.14.

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
2012	High	4.20	3.86	4.20	14.18
	Low	3.30	3.50	3.53	3.83
2013	High	22.00	21.95	16.46	12.50
	Low	7.42	13.94	8.48	8.75
2014	High	12.32			
	Low	11.40			

Shareholders

As of April 30, 2014, the Company has 11 shareholders of record. The following table sets forth the shareholders of the Company with their direct holdings as of April 30, 2014:

Rank	Name of Stockholder	No. Of Shares Subscribed	% OF OWNER SHIP
1	Alliance Global Group, Inc[1].	11,700,000,000	78.00%
2	PCD Nominee Corporation (Non-Filipino)	1,588,256,529	10.59%
3	Dew Dreams International Ltd.[2]	720,000,000	4.80%
4	Shiok Success International Ltd. [2]	711,764,995	4.75%
5	PCD Nominee Corporation (Filipino)	273,472,276	1.82%
6	Immortelle Jolly Global Inc.	3,285,000	0.02%
7	Energise Capital Ltd.	3,200,000	0.02%
8	John T. Lao	20,000	0.0001%

9	Stephen G. Soliven	1,000	0.00001%
10	Julius Victor Emmanuel D. Sanvictores	100	0.000001%
11	Joseph A. Sy and/or Evangeline T. Sy	100	0.000001%
	TOTAL	**15,000,000,000**	**100%**

[1]Includes shares beneficially owned by AGI lodged with PCD Nominee Corporation.
[2]AGI, as ultimate parent, beneficially owns these shares.

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.

EDI declared cash dividends for its shares in the amount of P0.82, P0.80, P0.57, and P0.30 per Share for the years ended December 31, 2010, 2011, 2012, and 2013, 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 Php8.98 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.

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.

Discussion on Compliance with Leading Practice on Corporate Governance

The Company remains focused on ensuring the adoption of systems and practices of good corporate governance in enhancing value for its shareholders.

The Company's By-laws require it to have two independent directors in its Board of Directors while the Manual requires that there must be at least one independent director voting in the Audit Committee, Nomination Committee, and Compensation and Remuneration Committee. To date, the Company has elected two independent directors, Miguel B. Varela and Alejo L. Villanueva, Jr.

To measure the level of compliance with its Manual of Corporate Governance, the Company has established an evaluation system consisting of a self-rating assessment and performance system by management and submission of certifications on the Company's compliance with the provisions of the Manual. Furthermore, to ensure adherence to the adopted leading practices on good corporate governance, the Company has designated a Compliance Officer reporting directly to the Chairman of the Board.

There are no material deviations to date from the Corporation's Manual of Corporate Governance. The Board has no immediate plans to adopt new policies for corporate governance.

The Company undertakes to provide without charge to a stockholder a copy of the Annual Report on SEC Form 17-A upon written request addressed to Ms. Dina D. Inting, Corporate Information Officer, at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City, Metro Manila, Philippines.

Punongbayan & Araullo

An instinct for growth™

Consolidated Financial Statements and Independent Auditors' Report

Emperador Inc. and Subsidiaries

December 31, 2013, 2012 and 2011

EMPERADOR INC.

10/F Liberty Center, 104 H.V. Dela Costa St., Salcedo Village, Makati City
Tel. No. 709-2038 to 41   Fax No. 709-1966

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of *Emperador Inc. (formerly TrillionStars Holdings, Inc., formerly Touch Solutions, Inc.)* is responsible for the preparation and fair presentation of the consolidated financial statements as at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013, 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 12 2014, affiants exhibiting to me their Passport/SSS No., as follows:

Names	PassportNo./SSS No.	Date	Place of Issue
Andrew L. Tan	EB1964603	February 23, 2011 to 2016	Manila
Winston S. Co	EB5747522	June 25, 2012 to 2017	Manila
Dina D.R. Inting	SSS 03-5204775-3		

Doc.No. 151
Page No. 32
Book No. VIII
Series of 2014

MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31, 2015
Appt. No. M-63(2014-2015) Attorney's No. 34562
MCLE Compliance No. IV-0017086/4-16-2013
PTR No. 4232706MC/1-06-2014/Makati City
IBP Lifetime Member Roll No. 05413

Report of Independent Auditors

The Board of Directors and Stockholders
Emperador Inc. and Subsidiaries
(Formerly TrillionStars Holdings, Inc.)
(Formerly Touch Solutions, Inc.)
(A Subsidiary of Alliance Global Group, Inc.)
10th Floor, Liberty Center
104 H.V. dela Costa Street
Salcedo Village, Makati 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, 2013 and 2012, 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, 2013, 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, 2013 and 2012, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 4225004, January 2, 2014, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-2 (until Aug. 8, 2015)
Firm - No. 0002-FR-3 (until Jan. 18, 2015)
BIR AN 08-002511-20-2012 (until May 15, 2015)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

March 26, 2014

EMPERADOR INC. AND SUBSIDIARIES
(Formerly TrillionStars Holdings, Inc.)
(Formerly Touch Solutions, Inc.)
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012
(With Corresponding Figures as of January 1, 2012)
(Amounts in Philippine Pesos)

	Notes	**December 31, 2013**	December 31, 2012* (As Restated – see Note 2)	January 1, 2012* (As Restated – see Note 2)
A S S E T S				
CURRENT ASSETS				
Cash and cash equivalents	5	**P 24,040,194,994**	P 4,656,449,593	P 2,732,835,724
Trade and other receivables - net	6	**3,025,554,060**	1,991,369,147	2,922,270,844
Financial assets at fair value through profit or loss	7	**-**	170,070,472	-
Inventories	8	**3,526,529,441**	3,338,145,804	1,593,268,260
Prepayments and other current assets		**195,019,245**	80,433,437	21,738,922
Total Current Assets		**30,787,297,740**	10,236,468,453	7,270,113,750
NON-CURRENT ASSETS				
Property, plant and equipment - net	9	**3,751,319,910**	2,013,925,725	785,799,636
Trademarks - net	10	**329,058,362**	415,238,652	516,495,929
Deferred tax assets	17	**32,235,360**	20,290,962	7,820,184
Other non-current assets - net	11	**325,450,808**	147,556,760	84,401,456
Total Non-current Assets		**4,438,064,440**	2,597,012,099	1,394,517,205
TOTAL ASSETS		**P 35,225,362,180**	P 12,833,480,552	P 8,664,630,955
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade and other payables	12	**P 3,671,850,463**	P 3,854,169,163	P 3,692,312,992
Income tax payable		**538,586,438**	442,020,490	324,748,196
Financial liability at fair value through profit or loss	7	**38,631,143**	-	87,720,237
Total Current Liabilities		**4,249,068,044**	4,296,189,653	4,104,781,425
NON-CURRENT LIABILITY				
Retirement benefit obligation	16	**87,780,322**	54,124,877	17,510,396
Total Liabilities		**4,336,848,366**	4,350,314,530	4,122,291,821
EQUITY				
Capital stock	19	**15,000,000,000**	61,750,005	55,750,005
Additional paid-in capital		**11,155,461,023**	99,789,060	72,789,060
Equity reserves	2	**-**	5,838,460,935	2,871,460,935
Accumulated translation adjustments		**134,457,168**	(3,531,605)	49,828,913
Revaluation reserves		**(26,249,891)**	(9,471,957)	(4,100,711)
Retained earnings	19	**4,624,845,514**	2,496,169,584	1,496,610,932
Total Equity		**30,888,513,814**	8,483,166,022	4,542,339,134
TOTAL LIABILITIES AND EQUITY		**P 35,225,362,180**	P 12,833,480,552	P 8,664,630,955

See Notes to Consolidated Financial Statements.

* These consolidated financial statements represent continuation of the consolidated financial statements of EDI and its subsidiaries, except for the capital structure (see Note 2).

EMPERADOR INC. AND SUBSIDIARIES
(Formerly TrillionStars Holdings, Inc.)
(Formerly Touch Solutions, Inc.)
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

	Notes	2013	2012* (As Restated – see Note 2)	2011* (As Restated – see Note 2)
REVENUES	13	**P 29,864,744,842**	P 23,594,290,329	P 17,355,038,834
COSTS AND EXPENSES				
Costs of goods sold	14	**19,316,811,485**	14,556,180,244	12,550,113,509
Selling and distribution expenses	15	**2,097,852,769**	1,983,588,161	1,496,761,737
General and administrative expenses	15	**281,884,408**	218,367,356	74,139,563
Other charges	6, 7, 16	**263,092,696**	6,722,845	63,423,770
		21,959,641,358	16,764,858,606	14,184,438,579
PROFIT BEFORE TAX		**7,905,103,484**	6,829,431,723	3,170,600,255
TAX EXPENSE	17	**2,074,293,503**	1,829,878,637	865,479,224
NET PROFIT		**5,830,809,981**	4,999,553,086	2,305,121,031
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will be reclassified subsequently to profit or loss				
Translation gain (loss)		**137,988,773**	(53,360,518)	69,228,863
Items that will not be reclassified subsequently to profit or loss				
Net actuarial loss on retirement benefit obligation	16	**(23,968,477)**	(5,646,782)	-
Tax income on remasurement of retirement benefit obligation	17	**7,190,543**	1,694,035	-
		(16,777,934)	(3,952,747)	-
		121,210,839	(57,313,265)	69,228,863
TOTAL COMPREHENSIVE INCOME		**P 5,952,020,820**	P 4,942,239,821	P 2,374,349,894
Earnings per share	20	**P 0.52**	P 1.92	P 1.07

See Notes to Consolidated Financial Statements.

* These consolidated financial statements represent continuation of the consolidated financial statements of EDI and its subsidiaries, except for the capital structure (see Note 2).

EMPERADOR INC. AND SUBSIDIARIES
(Formerly TrillionStars Holdings, Inc.)
(Formerly Touch Solutions, Inc.)
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

	Notes	2013	2012* (As Restated – see Note 2)	2011* (As Restated – see Note 2)
CAPITAL STOCK	19			
Balance at beginning of year		**P 61,750,005**	P 55,750,005	P 25,750,000
Issuances during the year		**14,938,249,995**	6,000,000	30,000,005
Balance at end of year		**15,000,000,000**	61,750,005	55,750,005
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year		**99,789,060**	72,789,060	-
Issuances during the year		**11,055,671,963**	27,000,000	72,789,060
Balance at end of year		**11,155,461,023**	99,789,060	72,789,060
EQUITY RESERVES	2			
Balance at beginning of year		**5,838,460,935**	2,871,460,935	2,974,250,000
Increase (decrease) during the year		**(5,838,460,935)**	2,967,000,000	(102,789,065)
Balance at end of year		**-**	5,838,460,935	2,871,460,935
ACCUMULATED TRANSLATION ADJUSTMENTS				
Balance at beginning of year		**(3,531,605)**	49,828,913	(19,399,950)
Currency translation adjustments during the year		**137,988,773**	(53,360,518)	69,228,863
Balance at end of year		**134,457,168**	(3,531,605)	49,828,913
REVALUATION RESERVES				
Balance at beginning of year				
As previously stated		**-**	-	-
Effect of adoption of PAS 19 (Revised)	2	**(9,471,957)**	(4,100,711)	(4,100,711)
As restated		**(9,471,957)**	(4,100,711)	(4,100,711)
Recognition of effect of adoption of PAS 19 (Revised) by the acquired subsidiary		**-**	(1,418,499)	-
Actuarial income on retirement benefit obligation for the year, net of tax		**(16,777,934)**	(3,952,747)	-
Balance at end of year		**(26,249,891)**	(9,471,957)	(4,100,711)
RETAINED EARNINGS				
Balance at beginning of year				
As previously stated		**2,495,610,946**	1,496,158,812	791,155,406
Effect of adoption of PAS 19 (Revised)	2	**558,638**	452,120	334,495
As restated		**2,496,169,584**	1,496,610,932	791,489,901
Recognition of effect of adoption of PAS 19 (Revised) by the acquired subsidiary		**-**	5,566	-
Net profit for the year		**5,830,809,981**	4,999,553,086	2,305,121,031
Cash dividends declared during the year	19	**(3,702,134,051)**	(4,000,000,000)	(1,600,000,000)
Balance at end of year		**4,624,845,514**	2,496,169,584	1,496,610,932
TOTAL EQUITY		**P 30,888,513,814**	P 8,483,166,022	P 4,542,339,134

See Notes to Consolidated Financial Statements.

* These consolidated financial statements represent continuation of the consolidated financial statements of EDI and its subsidiaries, except for the capital structure (see Note 2).

EMPERADOR INC. AND SUBSIDIARIES
(Formerly TrillionStars Holdings, Inc.)
(Formerly Touch Solutions, Inc.)
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

	Notes	2013	2012* (As Restated – see Note 2)	2011* (As Restated – see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 7,905,103,484**	P 6,829,431,723	P 3,170,600,255
Adjustments for:				
Depreciation and amortization	9	**312,760,208**	213,973,958	105,125,867
Fair value losses (gains) on financial assets		**212,020,646**	(292,535,659)	57,236,323
Interest income		**(133,053,603)**	(63,206,378)	(77,575,701)
Amortization of trademarks	10	**102,334,204**	101,257,277	101,257,277
Impairment losses		**6,159,219**	4,072,108	5,119,257
Interest expense		**2,899,330**	2,650,737	1,068,190
Loss (gain) on sale of property, plant and equipment		**(1,534,684)**	156,917	-
Operating profit before working capital changes		**8,406,688,804**	6,795,800,683	3,362,831,468
Decrease (increase) in trade and other receivables		**(1,044,801,252)**	808,667,422	(317,734,566)
Decrease (increase) in financial instruments at fair value through profit or loss		**(2,711,523)**	44,484,099	1,711,723,634
Increase in inventories		**(188,383,637)**	(1,642,951,652)	(433,475,081)
Decrease (increase) in prepayments and other current assets		**(320,743,498)**	74,497,747	8,502,057
Decrease (increase) in other non-current assets		**(182,318,700)**	(62,613,481)	32,957,628
Increase (decrease) in trade and other payables		**74,341,384**	(126,694,437)	(1,470,350,535)
Increase in retirement benefit obligation		**6,787,638**	6,555,530	2,967,716
Cash generated from operations		**6,748,859,216**	5,897,745,911	2,897,422,321
Cash paid for income taxes		**(1,872,609,734)**	(1,633,973,304)	(751,763,363)
Net Cash From Operating Activities		**4,876,249,482**	4,263,772,607	2,145,658,958
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of a subsidiary	1	**(13,500,000,000)**	(100,000,000)	-
Acquisitions of property, plant and equipment	9	**(2,051,683,004)**	(1,310,447,798)	(78,892,530)
Interest received		**118,942,570**	63,206,378	77,575,701
Acquisition of trademark	10	**(16,153,914)**	-	-
Proceeds from sale of property, plant and equipment	9	**3,063,295**	2,200,000	-
Net Cash Used in Investing Activities		**(15,445,831,053)**	(1,345,041,420)	(1,316,829)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	19	**(3,702,134,051)**	(4,000,000,000)	(1,600,000,000)
Proceeds from additional capital subscription		**33,655,461,023**	3,000,000,000	-
Net Cash From (Used in) Financing Activities		**29,953,326,972**	(1,000,000,000)	(1,600,000,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**19,383,745,401**	1,918,731,187	544,342,129
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**4,656,449,593**	2,732,835,724	2,188,493,595
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF NEW SUBSIDIARY		**-**	4,882,682	-
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 24,040,194,994**	P 4,656,449,593	P 2,732,835,724

See Notes to Consolidated Financial Statements.

* These consolidated financial statements represent continuation of the consolidated financial statements of EDI and its subsidiaries, except for the capital structure (see Note 2).

EMPERADOR INC. AND SUBSIDIARIES
(Formerly TrillionStars Holdings, Inc.)
(Formerly Touch Solutions, Inc.)
(A Subsidiary of Alliance Global Group, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013, 2012 AND 2011
(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 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 1.4).

On June 19, August 27 and September 5, 2013, the BOD, stockholders and SEC, respectively, approved the increase in authorized capital stock to 20 billion shares from 100 million shares (see Note 19).

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.

The registered principal office of EMP is located at 10th floor, Liberty Center, 104 H.V. dela Costa Street, Salcedo Village, Makati City. The business address of EMP and the registered office of AGI are located at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

1.3 Acquisition of EDI by the Parent Company

On August 28, 2013, the Parent Company acquired 100% ownership interest in EDI from AGI, as a condition to AGI's subscription to EMP shares [see Notes 1.2 and 2.3(c)]. 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 registered office which is also its principal place of business, is located at the 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

EDI currently has two principal brands, namely, Emperador brandy (in three variants, namely Brandy, Light brandy and Deluxe) and The BaR flavored alcoholic beverage (in gin, vodka and tequila). 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 Ownership **2013**	2012
Anglo Watsons Glass, Inc. (AWGI)	(a)	**100%**	100%
The Bar Beverage, Inc. (The Bar)	(b)	**100%**	100%
Emperador International, Ltd. (EIL)	(c)	**100%**	100%

Explanatory Notes:

(a) EDI acquired 100% ownership from AGI in 2012. Since EDI and AWGI are under the common control of AGI, the acquisition was accounted for under the pooling-of-interest method of accounting [see Note 2.3 (b)]. EDI opted not to restate the financial information in the consolidated financial statements for periods prior to the date of the business combination. AWGI is a domestic corporation presently engaged in flint glass container manufacturing and primarily supplies EDI's bottle requirements.

AWGI's registered office is located in 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City. AWGI's glass manufacturing plant is located in Silangan Industrial Estates, Canlubang, Laguna.

(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.

The Bar's registered office is located in 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

(c) 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.

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 Skeleton Building, 3076 Drake's Highway, Road Town, Tortola, British Virgin Islands.

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 (collectively referred to as the "Group") represent the continuation of the consolidated financial statements of EDI and its subsidiaries (collectively referred to as the "EDI Group"). The comparative information presented in these consolidated financial statements is that of the EDI Group and not that originally presented in the previous consolidated financial statements of the Parent Company. The comparative information is also adjusted retroactively to reflect the legal capital of the Parent Company [see Note 2.3(c)].

1.4 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 to SSI (see Note 1.2). SSI is engaged in establishing and operating IT services and products. SSI was a wholly owned subsidiary of the Parent Company as of March 31, 2013.

The following are the book value of the assets and liabilities transferred to SSI.

Trade and other receivables	P 38,139,036
Trade and other payables	(25,818,055)
Cash and cash equivalents	11,637,576
Property and equipment	4,215,506
Prepayments and other current assets	1,151,003
Retirement benefit obligation	(675,739)
Net assets	**P 28,649,327**

1.5 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2013 (including the comparatives for the year ended December 31, 2012 and 2011) were authorized for issue by the BOD on March 26, 2014.

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. 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 Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council from the pronouncements issued by the International Accounting Standards Board (IASB).

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 statement of comprehensive income.

The Group presents a third 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 statement of financial position at the beginning on the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

The Group's adoption of PAS 19 (Revised), *Employee Benefits*, resulted in retrospective restatements on certain accounts in the comparative consolidated financial statements for December 31, 2012 and in the corresponding figures as of January 1, 2012 [see Note 2.2(a)(ii)]. Accordingly, the Group presents a third consolidated statement of financial position as of January 1, 2012 without the related notes, except for the disclosures required under PAS 8, *Accounting Polices, Changes in Accounting Estimates and Errors*. Furthermore, certain accounts in the 2012 and 2011 consolidated statements of comprehensive income were reclassified to conform to the current year presentation, which did not result in a material impact on the Group's consolidated financial statements.

(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 New and Amended PFRS

(a) Effective in 2013 that are Relevant to the Group

In 2013, the Group adopted the following new PFRS, revisions, amendments and improvements thereto that are relevant to the Group and effective for consolidated financial statements for the annual period beginning on or after July 1, 2012 or January 1, 2013:

PAS 1 (Amendment)	:	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
PAS 19 (Revised)	:	Employee Benefits

PFRS 7 (Amendment)	:	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
PFRS 10	:	Consolidated Financial Statements
PFRS 12	:	Disclosures of Interests in Other Entities
PAS 27 (Revised)	:	Separate Financial Statements
PFRS 10 and 12 (Amendments)	:	Amendments to PFRS 10 and 12 Transition Guidance to PFRS 10 and 12
PFRS 13	:	Fair Value Measurement
2009-2011 Annual Improvements		
PAS 1 (Amendment)	:	Presentation of Financial Statements – Clarification of the Requirements for Comparative Information
PAS 16 (Amendment)	:	Property, Plant and Equipment – Classification of Servicing Equipment
PAS 32 (Amendment)	:	Financial Instruments – Presentation – Tax Effects of Distribution to Holders of Equity Instruments
PAS 34 (Amendment)	:	Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities

Discussed below are the relevant information about these new, revised and amended standards.

(i) PAS 1 (Amendment), *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* (effective from July 1, 2012). The amendment requires an entity to group items presented in other comprehensive income into those that, in accordance with other PFRS: (a) will not be reclassified subsequently to profit or loss; and, (b) will be reclassified subsequently to profit or loss when specific conditions are met. The amendment has been applied retrospectively; hence, the presentation of other comprehensive income has been modified to reflect the changes. This amendment affected presentation aspect only and had no significant impact on the Group's consolidated statement of financial position and consolidated statement of comprehensive income.

(ii) PAS 19 (Revised), *Employee Benefits* (effective from January 1, 2013). The revised standard made a number of changes to the accounting for employee benefits. The most significant changes relate to defined benefit plan as follows:

- eliminates the corridor approach and requires the recognition of remeasurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;

- changes the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit liability or asset; and,

- enhances disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

The Group has applied PAS 19 (Revised) retrospectively in accordance with its transitional provisions. Consequently, it restated the comparative consolidated financial statements for December 31, 2012 and the corresponding figures as of January 1, 2012. The effect of the restatement on the affected asset, liability and equity components is shown below.

	December 31, 2012		
	As Previously Reported	Effect of Adoption of PAS 19 (Revised)	As Restated
Change in asset and liability:			
Deferred tax asset	P 16,470,969	P 3,819,993	P 20,290,962
Retirement benefit obligation	(41,391,565)	(12,733,312)	(54,124,877)
Net decrease in equity		(P 8,913,319)	
Changes in components of equity:			
Retained earnings	P 2,495,610,946	P 558,638	P 2,496,169,584
Revaluation reserves	-	(9,471,957)	(9,471,957)
Net decrease in equity		(P 8,913,319)	

	January 1, 2012		
	As Previously Reported	Effect of Adoption of PAS 19 (Revised)	As Restated
Change in asset and liability:			
Deferred tax asset	P 6,256,502	P 1,563,682	P 7,820,184
Retirement benefit obligation	(12,298,123)	(5,212,273)	(17,510,396)
Net decrease in equity		(P 3,648,591)	
Changes in components of equity:			
Retained earnings	P 1,496,158,812	P 452,120	P 1,496,610,932
Revaluation reserves	-	(4,100,711)	(4,100,711)
Net decrease in equity		(P 3,648,591)	

The effects of the adoption of PAS 19 (Revised) on the consolidated statements of comprehensive income for the years ended December 31, 2012 and 2011 are shown below.

	2012		
	As Previously Reported	Effect of Adoption of PAS 19 (Revised)	As Restated
Changes in profit or loss:			
Tax expense	(P 1,829,835,371)	(P 43,266)	(P 1,829,878,637)
General and administrative expenses	(221,162,311)	2,794,955	(218,367,356)
Other charges	(4,072,108)	(2,650,737)	(6,722,845)
Net increase in net profit for the year		P 100,952	
Changes in other comprehensive income:			
Remeasurements of post-employment defined benefit plan – net of tax	P -	P 3,952,747	P 3,952,747

The adoption of PAS 19 (Revised) did not result in a change on the amount of other comprehensive income reported in the 2011 consolidated statement of comprehensive income as there were no actuarial gains or losses on remeasurements of retirement benefit obligation during the year.

	2011		
	As Previously Reported	Effect of Adoption of PAS 19 (Revised)	As Restated
Changes in profit or loss:			
Tax expense	(P 865,428,813)	(P 50,411)	(P 865,479,224)
General and administrative expenses	(75,375,789)	1,236,226	(74,139,563)
Other charges	(62,355,580)	(1,068,190)	(63,423,770)
Net increase in net profit for the year		P 117,625	

The adoption of PAS 19 (Revised) did not have a material impact on the Group's statements of cash flows for the years ended December 31, 2012 and 2011.

The adoption of PAS 19 (Revised) did not have a material impact on the Group's basic and diluted earnings per share.

(iii) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2013). The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set-off in accordance with PAS 32, *Financial Instruments: Presentation.* The amendment also requires disclosure of information about recognized financial instruments which are subject to enforceable master netting arrangements or similar agreements, even if they are not set-off in the statement of financial position, including those which do not meet some or all of the offsetting criteria under PAS 32 and amounts related to a financial collateral. These disclosures allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with recognized financial assets and financial liabilities on the entity's statement of financial position. The details and outstanding balances of financial assets and financial liabilities that are subject to offsetting agreements and similar arrangements are disclosed in Note 23.2.

(iii) Consolidation and Disclosures

In 2013, the Company has adopted the following consolidation standards and disclosures that are relevant to the Company:

- PFRS 10, *Consolidated Financial Statements* (effective from January 1, 2013). This standard changes the definition of control focusing on three elements which determine whether the investor has control over the investee such as the: (a) power over the investee, (b) exposure or rights to variable returns from involvement with the investee; and, (c) ability to use such power to affect the returns. This standard also provides additional guidance to assist in determining control when it is difficult to assess, particularly in situation where an investor that owns less than 50% of the voting rights in an investee may demonstrate control to the latter.

- PFRS 12, *Disclosure of Interest in Other Entities* (effective January 1, 2013). This standard integrates and makes consistent the disclosure requirements for entities that have interest in subsidiaries, joint arrangements, associates, special purpose entities and unconsolidated structured entities. In general, this requires more extensive disclosures about the risks to which an entity is exposed from its involvement with structured entities.

- PAS 27 (Revised), *Separate Financial Statements* (effective January 1, 2013). This revised standard now covers the requirements pertaining solely to separate financial statements after the relevant discussions on control and consolidated financial statements have been transferred and included in PFRS 10.

Subsequent to the issuance of these standards, amendments to PFRS 10 and 12 were issued to clarify certain transitional guidance for the first-time application of the standards. The guidance clarifies that an entity is not required to apply PFRS 10 retrospectively in certain circumstances and clarifies the requirements to present adjusted comparatives. The guidance also made changes to PFRS 10 and PFRS 12 which provide similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period. Further, it provides relief by removing the requirement to present comparatives for disclosures relating to unconsolidated structured entities for any period before the first annual period for which PFRS 12 is applied. The Group has evaluated the various facts and circumstances related to its interests in other entities and it has determined that the adoption of the foregoing standards had no material impact on the amounts recognized in theseconsolidated financial statements. Additional information, however, are disclosed in compliance with the requirements of PAS 27 (Revised) with respect to principal place of business and incorporation of the subsidiaries (see Note 1.3).

(iv) PFRS 13, *Fair Value Measurement* (effective from January 1, 2013). This new standard clarifies the definition of fair value and provides guidance and enhanced disclosures about fair value measurements. The requirements under this this standard do not extend the use of fair value accounting but provide guidance on how it should be applied to both financial instrument items and non-financial items for which other PFRSs require or permit fair value measurements, except in certain circumstances. This new standard applies prospectively from annual period beginning January 1, 2013; hence, disclosure requirements need not be presented in the comparative information in the first year of application.

Other than the additional disclosures presented in Note 24, the application of this new standard had no significant impact on the amounts recognized and disclosed in the consolidated financial statements.

(v) 2009 – 2011 Annual Improvements to PFRS. Annual improvements to PFRS (2009-2011 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following are relevant to the Group:

(a) PAS 1 (Amendment), *Presentation of Financial Statements – Clarification of the Requirements for Comparative Information*. The amendment clarifies that a statement of financial position as at the beginning of the preceding period (third statement of financial position) is required when an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the third statement of financial position. The amendment specifies that other than disclosure of certain specified information in accordance with PAS 8, related notes to the third consolidated statement of financial position are not required to be presented.

Consequent to the Group's adoption of PAS 19 (Revised) in the current year which resulted in retrospective restatement of the prior years' consolidated financial statements, the Group has presented a third consolidated statement of financial position as of January 1, 2012 without the related notes, except for the disclosure requirements of PAS 8.

(b) PAS 16 (Amendment), *Property, Plant and Equipment – Classification of Servicing Equipment.* The amendment addresses a perceived inconsistency in the classification requirements for servicing equipment which resulted in classifying servicing equipment as part of inventory when it is used for more than one period. It clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognized as property, plant and equipment when they meet the definition of property, plant and equipment, otherwise, these are classified as inventory. This amendment has no significant effect on the consolidated financial statements of the Group since it does not have such items which are covered by this amendment.

(c) PAS 32 (Amendment), *Financial Instruments: Presentation – Tax Effect of Distributions to Holders of Equity Instruments.* The amendment clarifies that the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with PAS 12, *Income Taxes*. Accordingly, income tax relating to distributions to holders of an equity instrument is recognized in profit or loss while income tax related to the transaction costs of an equity transaction is recognized in equity. This amendment had no significant impact on the Group's consolidated financial statements as it has been recognizing the effect of distributions to the holders of equity instruments and transaction costs of equity instruments in accordance with PAS 12.

(d) PAS 34 (Amendment), *Interim Financial Reporting and Segment Information for Total Assets and Liabilities* (effective from January 1, 2013). This standard clarifies the requirements on segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in paragraph 23 of IFRS 8, *Operating Segments*. It also clarifies that the total assets and liabilities for a particular reportable segment are required to be disclosed if, and only if: (a) a measure of total assets or of total liabilities (or both) is regularly provided to the chief operating decision maker; and, (b) there has been a material change from those measures disclosed in the last annual financial statements for that reportable segment.

(b) *Effective in 2013 that are not Relevant to the Group*

The Group has not adopted the following new PFRS, amendments and improvement to PFRS, which are mandatory for accounting periods beginning on or after January 1, 2013 as these are not relevant to the Group.

PFRS 1 (Amendment)	:	First-time Adoption of PFRS – Government Loans
PFRS 11	:	Joint Arrangements
PAS 28 (Amendment)	:	Investments in Associates and Joint Ventures
PFRS 11 (Amendment)	:	Amendments to PFRS 11 – Transition Guidance to PFRS 11

Philippine Interpretation International Financial Reporting Interpretations Committee 20	:	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements PFRS 1 (Amendment)	:	First-time Adoption of PFRS – Repeated Application of PFRS 1 and Borrowing Costs

(c) Effective Subsequent to 2013 but not Adopted Early

There are new PFRS and amendments, annual improvements and interpretation to existing standards that are effective for periods subsequent to 2013. Management has initially determined the following pronouncements, which the Group will apply in accordance with their transitional provisions, to be relevant to its financial statements:

(i) PAS 19 (Amendment), *Employee Benefits– Defined Benefit Plans – Employee Contributions* (effective from January 1, 2014). 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. Management has initially determined that this amendment will have no impact on the Group's consolidated financial statements.

(ii) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2014). The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that a right of set-off is required to be legally enforceable, in the normal course of business; in the event of default; and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies the principle behind net settlement and provided characteristics of a gross settlement system that would satisfy the criterion for net settlement. The Group does not expect this amendment to have a significant impact on its consolidated financial statements.

(iii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets* (effective from January 1, 2014). The amendment clarifies that the requirements for the disclosure of information about the recoverable amount of assets or cash-generating units is limited only to the recoverable amount of impaired assets that is based on fair value less cost of disposal. It also introduces an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less cost of disposal is determined using a present value technique. Management will reflect in its subsequent years' financial statements the changes arising from this relief on disclosure requirements, if the impact of the amendment will be applicable.

(iv) PFRS 9, *Financial Instruments: Classification and Measurement*. This is the first part of a new standard on financial instruments that will replace PAS 39, *Financial Instruments: Recognition and Measurement*, in its entirety. The first phase of the standard was issued in November 2009 and October 2010 and contains new requirements and guidance for the classification, measurement and recognition of financial assets and financial liabilities. It requires financial assets to be classified into two measurement categories: amortized cost or fair value. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows that represent solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt instruments and equity instruments are measured at fair value. In addition, PFRS 9 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, does 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 main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to the liability's credit risk is recognized in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

In November 2013, the IASB has published amendments to International Financial Reporting Standard (IFRS) 9 that contain new chapter and 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. The amendment also now 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 in profit or loss. It also includes the removal of the January 1, 2015 mandatory effective date of IFRS 9.

To date, the remaining chapter of IFRS/PFRS 9 dealing with impairment methodology is still being completed. Further, the IASB is currently discussing some limited modifications to address certain application issues regarding classification of financial assets and to provide other considerations in determining business model.

The Group does not expect to implement and adopt PFRS 9 until its effective date. In addition, management is currently assessing the impact of PFRS 9 on the 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.

(v) PFRS 10, 12 and PAS 27 (Amendments) - *Investment Entities* (effective from January 1, 2014). The amendments define the term "investment entities," provide supporting guidance, and require investment entities to measure investments in the form of controlling interest in another entity, at fair value through profit or loss.

Management does not anticipate this amendment to have a material impact on the Group's financial statements.

(vi) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS, which are effective for annual period beginning on or after July 1, 2014. Among those improvements, the following amendments are relevant to the Group but management does not expect a material impact on the Group's financial statements:

Annual Improvements to PFRS (2010-2012 Cycle)

(a) PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets*. 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.

(b) PAS 24 (Amendment), *Related Party Disclosures*. 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 requires and 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 should and not the amounts of compensation paid or payable by the key management entity to its employees or directors.

(c) PFRS 3 (Amendment), *Business Combinations* (effective July 1, 2014). Requires contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

(d) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment, through a revision only in the basis of conclusion of PFRS 13, clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9 and PAS 39 related to discounting of financial instruments, did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

Annual Improvements to PFRS (2011-2013 Cycle)

(a) PFRS 3 (Amendment), *Business Combinations* (effective July 1, 2014). Clarifies that PFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

(b) PFRS 13 (Amendment), *Fair Value Measurement*. 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 or PFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32.

The Group has not adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.3 Basis of Consolidation of Investment in Subsidiaries

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries as enumerated in Note 1.3, 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.

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.

(a) 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 noncontrolling 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 acquire 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 noncontrolling interest in the acquire, either at fair value or at the noncontrolling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any noncontrolling 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.

(b) *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.

The acquisition of AWGI by EDI was accounted for using the pooling-of-interest method (see Note 1.3).

(c) *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).

In accounting for such transaction, the comparative information presented in these consolidated financial statements is, therefore, that of the EDI Group and not that originally presented in the previous financial statements of the legal parent (accounting acquiree, in this case, the Parent Company). The comparative information is also adjusted retroactively to reflect the legal capital of the Parent Company in each of the years presented.

Prior to 2013, as allowed under existing accounting standards, EDI had not presented its consolidated financial statements because it was a wholly-owned subsidiary of AGI, which presents consolidated financial statements available for public use that comply with PFRS.

The 2012 consolidated financial statements,which represent the consolidated financial statements of the EDI Group, except for the capital structure, reflect:

- The assets and liabilities of EDI Group, which are recognized and measured at their pre-acquisition carrying amounts;

- The retained earnings and other equity balances, which primarily pertain to accumulated translation adjustments, of the EDI Group before the business acquisition (i.e., not those of the Parent Company);

- The capital stock and additional paid-in capital (APIC), which represent the legal capital of the Parent Company;

- The total equity, which is equivalent to that of the EDI Group;

- The excess of the net assets of the EDI Group over the sum of the legal capital of the Parent Company and the consolidated retained earnings and other equity account of the EDI Group, which is presented as Equity reserves; and,

- The net profit for all the periods presented, which reflects that of the EDI Group.

2.4 Segment Reporting

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

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

Presently, the Group's only significant operating segment is related to its manufacturing and trading operations; hence, no segment reporting is presented.

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity investments and available-for-sale 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.

The financial asset categories currently relevant to the Group are loans and receivables and financial assets at FVTPL. A more detailed description of these financial assets is as follows:

(a) 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 the 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.

(b) *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 maturities greater than 12 months after the end of the 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 and Trade and Other Receivables (except for Advances to Suppliers) and Refundable security deposit (presented as part of Other Non-current Assets) in the consolidated statement of financial position. Cash and cash equivalents include 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 receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

All income and expenses, including impairment loss, 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.

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange-quoted market bid prices at the close of business on the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

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.

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 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 statements 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 years
Land improvement	10 years
Machinery and equipment	10 years
Tools and other equipment	2 to 10 years
Transportation equipment	5 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 Trademarks

Trademarks acquired and used in the production 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 the asset at the time of its acquisition. Capitalized costs are amortized on a straight-line basis over the estimated useful life of ten years. 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.

(b) *Financial Liabilities at Amortized Cost*

This category pertains to financial liabilities that are not held for trading or not designated as FVTPL upon inception of the liability. This includes trade and other payables [except output value-added tax (VAT) and other tax-related payables] 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 Financial Instruments

Financial assets and liabilities are offset and the resulting net amount 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.

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, *Provisions, Contingent Liabilities and Contingent Assets*, 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 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.

Cost and expenses are recognized in the consolidated statement of comprehensive income upon utilization of goods or services or at the date they are incurred.

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, trademarks 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) Defined Benefit Plan

The Group has not established a formal post-employment plan. However, it complies with the requirements of Republic Act (RA) No. 7641, *The Retirement Pay Law*, in providing for post-employment benefit to qualified employees. It has accrued the estimated cost of post-employment benefit under a defined benefit plan using the projected unit credit method covering all regular and full-time employees.

RA No. 7641 is a 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 liability recognized in the statement of financial position for defined benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets, if any. 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 a zero coupon government bond as published by Philippine Dealing and 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) are reflected immediately in the 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.

(b) *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 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

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 and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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.

2.20 Related Party Relationships and Transactions

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; 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.

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

2.21 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.

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(c)].

Accumulated translation adjustments represent the translation adjustments resulting from the conversion of foreign currency denominated financial statements of certain subsidiary into the Group's presentation currency (see Note 22.1).

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

Retained earnings represent all current and 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.

2.22 Earnings Per Share

Basic earnings per share (EPS) is determined by dividing the net profit for the year attributable to common shareholders 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 computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. The Group does not have dilutive potential shares outstanding that would require disclosure of diluted earnings per share in the consolidated statement of comprehensive income.

In applying the reverse acquisition method [see Note 2.3 (c)], the determination of the weighted average number of ordinary shares outstanding considers the following:

(a) the number of ordinary shares outstanding from the beginning of that period to the acquisition date is computed on the basis of the weighted average number of ordinary shares of the legal acquiree outstanding during the period multiplied by the exchange ratio established in the business combination; and,

(b) the number of ordinary shares outstanding from the acquisition date to the end of that period is the actual number of ordinary shares of the legal acquirer outstanding during the period.

The basic EPS for each comparative period before the acquisition date presented in the consolidated financial statements following a reverse acquisition is calculated by dividing the profit or loss of the legal acquiree attributable to ordinary shareholders in each of those periods by the legal acquiree's historical weighted average number of ordinary shares outstanding multiplied by the exchange ratio established during the acquisition.

2.23 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.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS require management to make judgments and estimates that affect the amounts reported in the 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.

(b) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish 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 Note 21.

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 financial year:

(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 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 apply 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 carrying values of the Group's financial instruments at FVTPL and the amounts of fair value changes recognized during the years on those assets are disclosed in Note 7.

(c) Determining 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. No allowance for inventory decline was recognized in 2013 and 2012 as the carrying amounts of the inventories are lower than their net realizable values (see Note 8).

(d) Estimating Useful Lives of Property, Plant and Equipment and Trademarks

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. 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) Determining 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 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 17.

(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 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 2013 and 2012 based on management's assessment.

(g) Valuation of Post-employment Defined Benefit

The determination of the Company'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 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 16.

4. SEGMENT INFORMATION

Presently, the Group's only significant operating segment is related to its manufacturing and trading of alcoholic beverage products. This is being monitored and strategic decisions are made on the basis of operating results.

Furthermore, the Group's operations are presently concentrated in one location; hence, it has no geographical segment classification. The Group, however, continues to acquire properties for future development in different locations. Sales to any of the Group's major customers did not exceed 10% of the Group's revenues in all of the periods presented.

Since the Group has only one significant operating segment, the items presented in the consolidated financial statements corresponding to assets and liabilities represent virtually the entire segment assets and liabilities.

5. CASH AND CASH EQUIVALENTS

This account includes the following components:

	2013	2012
Cash on hand and in banks	**P 1,948,055,704**	P 777,954,753
Short-term placements	**22,092,139,290**	3,878,494,840
	P24,040,194,994	P 4,656,449,593

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 1.2% to 2.5% in 2013, 3.0% to 3.9% in 2012 and 1.8% to 3.8% in 2011. Interest earned amounted to P128.4 million, P57.8 million and P31.9 million in 2013, 2012 and 2011, respectively, and is presented as part of Other Revenues under Revenues account in the consolidated statements of comprehensive income (see Note 13).

6. TRADE AND OTHER RECEIVABLES – Net

Details of this account are as follows:

	Note	2013	2012
Trade receivables	18.4	**P 2,824,069,959**	P 1,935,365,800
Allowance for impairment		**(18,788,211)**	(12,628,992)
		2,805,281,748	1,922,736,808
Advances to suppliers		**176,940,600**	38,966,698
Advances to officers and employees	18.5	**14,463,297**	10,408,070
Accrued interest receivable		**14,111,033**	-
Other receivables – net of allowance for impairment amounting to P882,669		**14,757,382**	19,257,571
		220,272,312	68,632,339
		P 3,025,554,060	P 1,991,369,147

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

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.

	2013	2012
Balance at beginning of year	**P 13,511,661**	P 8,556,884
Impairment losses	**6,159,219**	4,072,108
Allowance carried from acquired subsidiary	**-**	882,669
Balance at end of year	**P 19,670,880**	P 13,511,661

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

This account pertains to derivative assets and liabilities arising from foreign exchange margins trading spot and forward contracts entered into. The term of these forward contracts is usually one month.

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 loss amounting to P212.2 million in 2013 and P57.2 million in 2011 and fair value gains amounting to P292.5 million in 2012 (see Note 13).

8. INVENTORIES

Inventories as of December 31, 2013 and 2012 are all stated at cost, which is lower than their net realizable values.The details of inventories are shown below.

	Notes	2013	2012
Finished goods	14, 18.1	**P 1,036,441,587**	P 424,547,140
Raw materials	14, 18.1, 18.8	**2,185,068,609**	2,585,740,667
Work-in-process	14	**3,035,664**	7,793,883
Packaging materials	14	**192,687,386**	225,701,215
Machinery spare parts, consumables and factory supplies		**109,296,195**	94,362,899
		P 3,526,529,441	P 3,338,145,804

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 2013 and 2012 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, 2013										
Cost	P 924,583,429	P 28,636,221	P 281,204,398	P 55,633,085	P2,689,582,222	P 237,746,928	P 59,968,801	P 57,756,463	P 464,731,277	P4,799,842,824
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**	**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**
December 31, 2012										
Cost	P 132,830,000	P -	P 179,647,878	P 35,040,732	P2,028,706,159	P 168,565,794	P 51,857,841	P 47,480,439	P 107,203,119	P2,751,331,962
Accumulated depreciation and amortization	-	-	(18,037,070)	(18,370,668)	(545,706,714)	(106,624,376)	(16,915,041)	(31,752,368)	-	(737,406,237)
Net carrying amount	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	P2,013,925,725
January 1, 2012										
Cost	P 58,480,000	P -	P 49,032,394	P 31,657,740	P 799,757,352	P 132,307,672	P 18,275,961	P -	P -	P1,089,511,119
Accumulated depreciation and amortization	-	-	(6,981,119)	(8,620,786)	(238,867,001)	(44,504,359)	(4,738,218)	-	-	(303,711,483)
Net carrying amount	P 58,480,000	P -	P 42,051,275	P 23,036,954	P 560,890,351	P 87,803,313	P 13,537,743	P -	P -	P 785,799,636

A reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of 2013, 2012 and 2011 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, 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	P2,013,925,725
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**
Balance at January 1, 2012, net of accumulated depreciation and amortization	P 58,480,000	P -	P 42,051,275	P 23,036,954	P 560,890,351	P 87,803,313	P 13,537,743	P -	P -	P 785,799,636
Additions as result of acquisition of a subsidiary	-	-	20,986,285	1,318,097	96,819,256	2,780,361	750,918	11,354,249	-	134,009,166
Additions	74,350,000		103,548,583	219,561	949,217,853	34,680,067	32,356,460	8,872,155	107,203,119	1,310,447,798
Disposals	-	-	-	-	-	(2,356,917)	-	-	-	(2,356,917)
Depreciation and amortization charges for the year	-	-	(4,975,335)	(7,904,548)	(123,928,015)	(60,965,406)	(11,702,321)	(4,498,333)	-	(213,973,958)
Balance at December 31, 2012, 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
Balance at January 1, 2011, net of accumulated depreciation and amortization	P 58,480,000	P -	P 30,449,097	P 27,164,333	P 585,070,293	P 97,887,409	P 12,981,841	P -	P -	P 812,032,973
Additions	-	-	13,176,632	-	52,230,720	11,244,596	2,240,582	-	-	78,892,530
Depreciation and amortization charges for the year	-	-	(1,574,454)	(4,127,379)	(76,410,662)	(21,328,692)	(1,684,680)	-	-	(105,125,867)
Balance at December 31, 2011, net of accumulated depreciation and amortization	P 58,480,000	P -	P 42,051,275	P 23,036,954	P 560,890,351	P 87,803,313	P 13,537,743	P -	P -	P 785,799,636

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 18.8). Construction of another distillery plant started during the year. In 2012, the Group began expansion of the main bottling plant in Sta. Rosa, Laguna. The total amount incurred in the aforementioned construction are included in the Construction in Progress account.

The Group, through EIL, acquired in 2013, certain parcels of land in Spain.

Also in 2012, the Group acquired a bottling plant in Biñan, Laguna from Diageo Philippines which now serves as EDI's annex plant, and it consolidated the glass manufacturing plant of AWGI.

The amount of depreciation and amortization is allocated as follows:

	Notes	**2013**	2012	2011
Cost of goods sold	14	**P 268,737,100**	P 130,754,266	P 76,817,753
Selling and distribution	15	**37,712,739**	78,056,333	24,854,105
Administrative expenses	15	**6,310,369**	5,163,359	3,454,009
		P 312,760,208	P 213,973,958	P 105,125,867

10. TRADEMARKS

The Group's trademarks 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".

The remaining useful lives of the trademarks as of December 31 are as follows:

	2013	2012
Emperador Brandy	**3 years**	4 years
Generoso Brandy	**3 years**	4 years
The Bar	**4.5 years**	5.5 years
Emperador Deluxe	**9.5 years**	-

Management believes that the trademarks are not impaired as of December 31, 2013 and 2012 as the Group's products that carry such brands and trademarks are still performing very well in the market.

The net carrying amount of trademarks is as follows:

	Note	2013	2012
Balance at beginning of year		**P 415,238,652**	P 516,495,929
Addition		**16,153,914**	-
Amortization during the year	15	**(102,334,204)**	(101,257,277)
Balance at end of year		**P 329,058,362**	P 415,238,652

11. OTHER NON-CURRENT ASSETS

This account is composed of the following:

	Note	2013	2012
Deferred input VAT		**P 193,375,169**	P 109,507,928
Refundable security deposits - net	18.3	**34,755,535**	38,048,832
Others		**97,320,104**	-
		P 325,450,808	P 147,556,760

The carrying amounts of refundable security deposits, which are carried at amortized cost, are determined as follows:

	Note	2013	2012
Refundable security deposits	18.3	**P 35,195,564**	P 39,016,892
Unamortized discount		**(440,029)**	(968,060)
		P 34,755,535	P 38,048,832

In 2013 and 2012, additional refundable security deposits were paid by the Company to various lessors for new lease agreements covering certain manufacturing facilities and storage tanks for raw materials.

Amortization of the discount amounting P0.5 million for both 2013 and 2012 and P1.8 million in 2011, is presented as part of Other Revenues under the Revenues account in the consolidated statements of comprehensive income (see Note 13).

12. TRADE AND OTHER PAYABLES

The breakdown of this account is as follows:

	Note	2013	2012
Trade payables	18.1, 18.2, 18.3	**P 2,107,970,814**	P 2,099,762,973
Advances from related parties	18.6	**903,742,657**	1,264,150,739
Accrued expenses		**321,910,614**	315,515,416
Output VAT payable		**254,809,111**	89,880,150
Others		**83,417,267**	84,859,885
		P 3,671,850,463	P 3,854,169,163

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, for purchases of machinery and equipment in 2010 (see Note 18.2).

13. REVENUES

The details of revenues are shown below:

	Notes	2013	2012 (As Restated – see Note 2.2)	2011 (As Restated – see Note 2.2)
Sale of goods		**P 28,606,991,751**	P 22,812,319,912	P 16,994,657,222
Other revenues – net	5, 7, 11	**1,257,753,091**	781,970,417	360,381,612
		P 29,864,744,842	P 23,594,290,329	P 17,355,038,834

14. COST OF GOODS SOLD

The details of cost of goods sold for the years ended December 31, 2013, 2012 and 2011 are shown below.

	Notes	**2013**	2012	2011
Finished goods at beginning of year	8	**P 424,547,140**	P 599,931,660	P 702,522,321
Finished goods purchased	18.1	**859,632,805**	840,405,007	484,858,067
Cost of goods manufactured				
Raw and packaging materials at beginning of year	8	**2,811,441,882**	957,845,329	426,640,998
Net raw material purchases during the year	18.1	**17,151,812,901**	14,667,793,163	12,222,217,952
Raw and packaging materials at end of year	8	**(2,377,755,995)**	(2,811,441,882)	(957,845,329)
Raw materials used during the period		**17,585,498,788**	12,814,196,610	11,691,013,621
Work-in-process beginning of year	8	**7,793,883**	-	-
Direct labor	16.1	**49,226,855**	26,014,142	-
Manufacturing overhead				
Fuel and oil		**322,508,207**	132,033,997	10,523,330
Depreciation and amortization	9	**268,737,100**	130,754,266	76,817,753
Communication, light and water		**188,799,279**	95,246,142	7,035,967
Consumables and supplies		**182,647,176**	67,709,346	41,467,118
Outside services		**138,672,761**	47,287,247	37,060,159
Rentals	18.3	**123,768,300**	130,524,233	52,500,000
Repairs and maintenance		**85,297,398**	55,817,360	24,966,976
Labor	16.1	**53,482,707**	33,305,538	17,130,117
Taxes and licenses		**25,056,208**	9,024,316	626,073
Miscellaneous		**40,620,129**	6,271,403	3,523,667
Work-in-process at end of year	8	**(3,035,664)**	(7,793,883)	-
		19,069,073,127	13,540,390,717	11,962,664,781
Finished goods at end of year	8	**(1,036,441,587)**	(424,547,140)	(599,931,660)
		P19,316,811,485	P14,556,180,244	P12,550,113,509

15. OTHER OPERATING EXPENSES

The details of other operating expenses are shown below.

	Notes	2013	2012 (As Restated – see Note 2.2)	2011 (As Restated – see Note 2.2)
Freight and handling		**P 822,268,286**	P 780,722,701	P 448,191,948
Advertising and promotions		**445,362,991**	358,475,420	383,010,803
Salaries and employee benefits	16.1	**164,271,026**	153,294,983	165,451,393
Professional fees and outside services		**151,538,381**	15,648,472	11,164,843
Representation		**147,959,470**	124,674,558	85,016,811
Amortization of trademarks	10	**102,334,204**	101,257,277	101,257,277
Travel and transportation		**86,034,759**	101,353,057	71,759,146
Other services		**77,704,381**	34,017,423	7,013,392
Fuel and oil		**76,251,499**	99,351,894	80,707,688
Meals expense		**61,181,952**	68,140,502	56,537,655
Rentals	18.3	**54,915,983**	49,969,439	44,038,220
Taxes and licenses		**46,221,123**	117,568,286	6,211,087
Depreciation and amortization	9	**44,023,108**	83,219,692	28,308,114
Repairs and maintenance		**32,766,440**	47,909,648	39,382,501
Communication, light and water		**14,530,668**	13,487,937	11,043,801
Supplies		**7,088,504**	6,266,721	4,947,137
Insurance		**5,732,815**	5,153,432	4,472,252
Others		**39,551,587**	41,444,075	22,387,232
		P 2,379,737,177	P 2,201,955,517	P 1,570,901,300

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

	2013	2012 (As Restated – see Note 2.2)	2011 (As Restated – see Note 2.2)
Selling and distribution	**P 2,097,852,769**	P 1,983,588,161	P 1,496,761,737
General and administrative expenses	**281,884,408**	218,367,356	74,139,563
	P 2,379,737,177	P 2,201,955,517	P 1,570,901,300

16. EMPLOYEE BENEFITS

16.1 Salaries and Employee Benefits Expense

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

	Notes	2013	2012 (As Restated – see Note 2.2)	2011 (As Restated – see Note 2.2)
Salaries and wages		**P 232,971,073**	P 185,448,063	P 139,142,345
Social security costs		**14,936,644**	9,257,148	9,094,934
Post-employment defined benefit	16.2	**6,787,638**	6,555,530	2,967,716
Other short-term benefits		**12,285,233**	11,353,922	31,376,515
	14, 15	**P 266,980,588**	P 212,614,663	P 182,581,510

The amount of employee benefits expense is allocated as follows:

	Notes	2013	2012 (As Restated – see Note 2.2)	2011 (As Restated – see Note 2.2)
Selling and distribution	15	**P 131,654,894**	P 127,088,903	P 143,188,023
Costs of goods sold	14	**102,709,562**	59,319,680	17,130,117
Administrative expenses	15	**32,616,132**	26,206,080	22,263,370
		P 266,980,588	P 212,614,663	P 182,581,510

16.2 Post-employment Defined Benefit

(a) Characteristics of the Defined Benefit Plan

The Group has not yet established a formal retirement plan. However, it is required to pay qualified employees retirement benefits under R.A. 7641, which relates to a defined benefit plan. The Group obtains an actuarial valuation report to determine the balance of retirement benefit obligation and the amount of retirement benefit expense in accordance with PAS 19 (Revised) and the provisions of R.A. 7641.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made regularly to update the post-employment benefit costs. All amounts presented in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2013 including the comparative financial statements for December 31, 2012 and the corresponding figures as of January 1, 2012 which has been restated in line with the adoption of PAS 19 (Revised) [see Note 2.2(a)(ii)].

The present value of the retirement benefit obligation amounted to P87.8 million and P54.1 million as at December 31, 2013 and 2012, respectively, and is presented as Retirement Benefit Obligation in the consolidated statements of financial position.

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

	Note		2013		2012 (As Restated – see Note 2.2)		2011 (As Restated – see Note 2.2)
Balance at beginning of year		**P**	**54,124,877**	P	17,510,396	P	13,474,490
Current service cost	16.1		**6,787,638**		6,555,530		2,967,716
Interest expense			**2,899,330**		2,650,737		1,068,190
Remeasurements –							
Actuarial losses (gains) arising from:							
Experience adjustments			**19,414,018**		684,268		-
Changes in financial assumptions			**4,554,459**		7,153,620		-
Changes in demographic assumptions			**-**	(	2,191,106)		-
Additions due to acquired subsidiary			**-**		21,761,432		-
Balance at end of year		**P**	**87,780,322**	P	54,124,877	P	17,510,396

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

		2013		2012 (As Restated – see Note 2.2)		2011 (As Restated – see Note 2.2)
Reported in profit and loss						
Current service cost	**P**	**6,787,638**	P	6,555,530	P	2,967,716
Interest expense		**2,899,330**		2,650,737		1,068,190
	P	**9,686,968**	P	9,206,267	P	4,035,906
Reported in other comprehensive income						
Actuarial losses (gains) arising from:						
Experience adjustments	**P**	**19,414,018**	P	684,268	P	-
Changes in financial assumptions		**4,554,459**		7,153,620		-
Changes in demographic assumptions		**-**	(	2,191,106)		-
	P	**23,968,477**	P	5,646,782	P	-

The amounts of post-employment benefits expense recognized in profit or loss are presented as part of General and Administrative Expenses (for current service cost) and Other Charges (for interest expense) accounts in the consolidated statements of comprehensive income (see Note 15).

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:

	2013	2012	2011
Discount rate	**4.37%-5.10%**	5.02%-5.63%	5.80%-7.93%
Expected rate of salary increase	**4.00%-5.00%**	4.00%-5.00%	4.00%-8.00%

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 a 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.

(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 and 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 and the timing and uncertainty of future cash flows related to the retirement benefit obligation 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 December 31, 2013:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
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 in previous page 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.

(ii) Funding Arrangements and Expected Contributions

At the end of the reporting period, the Group has no formal plan of funding its retirement benefit obligation. While there are no minimum funding requirement in the country, 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:

Within one year	P 19,061,127
More than one to five years	14,398,954
More than five years	49,414,183
	P 82,874,264

The weighted average duration of the retirement benefit obligation at the end of the reporting period is 13 years.

17. TAXES

The components of tax expense (income) as reported inthe consolidated statements of comprehensive income are as follows:

	2013	2012 (As Restated see Note 2.2)	2011 (As Restated see Note 2.2)
Reported in profit or loss			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	**P 2,053,474,821**	P 1,822,857,373	P 863,017,104
Final tax on interest income at 20% and 7.5%	**25,572,537**	11,004,777	5,208,669
Deferred tax income relating to origination of temporary differences	**(4,753,855)**	(3,983,513)	(2,746,549)
	P 2,074,293,503	P 1,829,878,637	P 865,479,224
Reported in other comprehensive income			
Net deferred tax income relating to remeasurement of retirement benefit obligation	**(P 7,190,543)**	(P 1,694,035)	P -

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense is as follows:

	2013	2012 (As Restated – see Note 2.2)	2011 (As Restated – see Note 2.2)
Tax on pretax profit at 30%	**P 2,371,531,045**	P 2,048,829,517	P 951,180,077
Adjustment for income subjected to lower tax rates	**(12,887,979)**	(5,498,234)	(2,604.335)
Additional deduction in claiming optional standard deduction (OSD)	**(35,183,168)**	(20,338,447)	-
Tax effects of:			
Non-taxable income	**(249,484,428)**	(208,782,114)	(83,130,583)
Unrecognized DTA on NOLCO	**318,033**	-	-
Non-deductible expenses	**-**	15,667,915	34,065
	P 2,074,293,503	P 1,829,878,637	P 865,479,224

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 2013, 2012 and 2011.

The deferred tax assets as of December 31 relate to the following:

	2013	2012 (As Restated - see Note 2.2)
Retirement benefit obligation	**P 26,334,096**	P 16,237,463
Allowance for impairment	**5,901,264**	4,053,499
Deferred tax assets	**P 32,235,360**	P 20,290,962

Movements in net deferred tax assets for the years ended December 31 are as follows.

	Profit or Loss			**Other Comprehensive Income**		
	2013	2012 (As Restated - see Note 2.2)	2011 (As Restated - see Note 2.2)	**2013**	2012 (As Restated - see Note 2.2)	2011 (As Restated - see Note 2.2)
Retirement benefit obligation	**P 2,906090**	P 2,761,879	P 1,210,772	**P 7,190,543**	P 1,694,035	P -
Allowance for impairment	**1,847,765**	1,221,634	1,535,777	**-**	-	-
Deferred tax income	**P 4,753,855**	P 3,983,513	P 2,746,549	**P 7,190,543**	P 1,649,035	P -

In 2013, 2012 and 2011, the Group opted to claim itemized deductions in computing its income tax due except for AWGI, which opted to claim OSD in 2013 and 2012.

18. 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 2013, 2012 and 2011 and the related outstanding balances as of December 31, 2013 and2012 are as follows:

Related Party Category	Notes	Amount of Transaction			Outstanding Balance	
		2013	2012	2011	**2013**	2012
Ultimate Parent Company:						
Dividends paid	19.2	**P 3,702,134,051**	P 4,000,000,000	P 1,600,000,000	**P -**	P -
Advances obtained	18.6	**(13,751,812)**	-	-	**-**	13,751,812
Acquisition of AWGI	1.3	**-**	100,000,000	-	**-**	-
Lease of properties	18.3	**8,000,000**	8,000,000	-	**8,965,576**	405,567
Issuance of shares	1.2, 1.3	**13,500,000,000**	-	-	**-**	-
Related Parties Under Common Ownership:						
Purchase of raw materials	18.1	**418,361,736**	7,820,858,350	7,687,228,540	**451,648,340**	789,565,615
Purchase of imported goods	18.1	**146,501,368**	488,803,326	484,858,067	**35,270,647**	119,069,000
Lease of property	18.3	**102,210,918**	124,192,159	65,774,739	**48,130,000**	45,812,082
Advances obtained	18.6	**(346,656,270)**	81,697,696	1,871,549,375	**900,671,942**	1,247,328,212
Advances to a supplier	18.7	**-**	(36,698,391)	(466,372,324)	**-**	36,698,391
Sale of goods	18.4	**26,996,239**	5,150,247	3,638,080	**5,032,459**	4,690,584
Acquisition of machinery and equipment	18.2	**-**	-	-	**191,584,700**	191,584,700
Acquisition of distilling facility	18.8	**897,569,335**	-	-	**-**	-
Issuance of shares	19.1	**1,431,764,995**	-	-	**-**	-
Stockholder –						
Advances obtained	18.6	**-**	-	-	**3,070,715**	3,070,715
Officers and Employees –						
Advances granted	18.5	**4,055,227**	(7,151,058)	(4,073,004)	**14,463,297**	10,408,070

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 2013, 2012 and 2011 for related party receivables.

Transactions with related parties are also discussed below.

18.1 Purchase of Goods

Prior to its acquisition of the distillery plant in 2013, the Group sources its alcohol requirements from Condis (see Note 18.8). The Group imports raw materials such as alcohol, flavorings and other items through Andresons Global, Inc. (AGL). There are also finished goods purchased from Condis and through AGL. These transactions are payable within 30 days. The outstanding balances as of December 31, 2013 and 2012 are shown as part of Trade Payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 12).

18.2 Acquisitions 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 remained unpaid as of December 31, 2013 and 2012 and is shown as part of Trade Payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 12).

18.3 Lease Agreements

The Group has a renewable lease agreement with TEI as the lessor, covering its main manufacturing plant facilities, which is being renewed annually unless mutually terminated by both parties. Also, as part of the lease agreement, the lessor provides skilled workers who remain as employees of the lessor. Total rental expense arising from this lease amounted to P84.0 million, P108.0 million and P52.5 million for the years ended December 31, 2013, 2012 and 2011, respectively, and presented as part of Rentals account under Cost of Goods Sold in the consolidated statements of comprehensive income (see Note 14). As of December 31, 2013 and 2012, unpaid rental relating to this lease agreement amounted to P48.1 million and P45.8 million, respectively, and is presented as part of Trade Payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 12).

The Group has a five-year lease contract with Megaworld Corporation, a related party under common ownership, as the lessor, for the head office space, which will mature in 2014. Total rental expense from this contract for the years ended December 31, 2013, 2012 and 2011 amounted to P18.2 million, P16.2 million and P13.3 million, respectively, and presented as part of Rentals under the Selling and Distribution Expenses and General and Administrative Expenses accounts in the consolidated statements of comprehensive income (see Note 15). There are no unpaid rentals regarding this lease agreement as of December 31, 2013 and 2012.

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 P24.1million and P24.0 million as of December 31, 2013 and 2012, respectively (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 the years ended December 31, 2013 and 2012 were charged to operations under Cost of Goods Sold in the consolidated statements of comprehensive income (see Note 14). 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 12).

18.4 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. These receivables are presented as part of Trade Receivables under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

18.5 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 as of December 31, 2013 and 2012 are 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:

	2013	2012
Balance at beginning of year	**P 10,408,070**	P 17,559,128
Additions	**12,406,678**	9,168,867
Repayments	**(8,351,451)**	(16,319,925)
Balance at end of period	**P 14,463,297**	P 10,408,070

18.6 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, non-interest 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 12).

The movements in the balance of Advances from Related Parties are as follows:

	2013	2012
Balance at beginning of year	**P 1,264,150,739**	P 1,345,848,435
Repayments	**(360,408,082)**	(81,697,696)
Balance at end of year	**P 903,742,657**	P 1,264,150,739

18.7 Advances to a Related Party Supplier

In 2012, the Group made unsecured, noninterest-bearing cash advances to Condis, which is also EDI's supplier. These advances have no definite repayment terms and are due and demandable anytime. These advances were already fully settled as of December 31, 2012.

The movements of these advances in 2012 are as follows:

Balance at beginning of year	P 36,698,391
Additions	29,438,572
Repayments	(66,136,963)
	P -

18.8 Acquisition of Distilling Facilities

In 2013, the Group acquired the distillery facilities of Condis, which include the following assets:

	Notes	
Property, plant and equipment	9	P 756,990,993
Inventories	8	140,578,342
		P 897,569,335

The acquisition was fully settled in cash in 2013.

18.9 Key Management Personnel Compensation

The compensation of key management personnel for employee services is shown below.

	2013	**2012**	2011
Short-term benefits	**P 21,270,635**	P 19,720,287	P 12,168,510
Post-employment defined benefits	**763,869**	728,671	640,448
	P 22,034,504	P 20,448,958	P 12,808,958

19. EQUITY

19.1 Capital Stock

Capital stock consists of:

	Shares		**Amount at P1 Par**	
	2013	2012	**2013**	2012
Common stock – P1 par value				
Authorized no. of shares	**20,000,000,000**	100,000,000	**P 20,000,000,000**	P 100,000,000
Issued:				
Balance at beginning of year	**61,750,005**	55,750,005	**P 61,750,005**	P 55,750,005
Issued during the year	**14,938,249,995**	6,000,000	**14,938,249,995**	6,000,000
Balance at end of year	**15,000,000,000**	61,750,005	**P 15,000,000,000**	P 61,750,005

The BOD of the PSE approved the listing of the commons 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 P5.50 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% 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 charged directly against APIC.

On September 25, 2013, AGI beneficially acquired two 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.

As of December 31, 2013, the quoted closing price per share was P10.70, and there are 181 holders, which include nominees, of the Company's total issued and outstanding shares. The percentage shares of stocks owned by the public is 12.45%.

19.2 Declaration of Dividends

EDI's BOD approved the declaration of cash dividends of P3.7 billion (P0.30 per share) and P4.0 billion (P0.57 per share) on July 5, 2013 and December 7, 2012, respectively, payable to stockholders of record as of July 16, 2013 and December 17, 2012, respectively. The dividends were paid within their respective year of declaration and approval. EDI's parent company as of the aforementioned dividend declarations is AGI for 2013 and 2012.

EMP, on the other hand, has not declared any cash dividends during the year.

20. EARNINGS PER SHARE

Earnings per share were computed as follows:

	2013	2012 (As Restated – see Note 2.2)	2011 (As Restated – see Note 2.2)
Net profit	**P 5,830,809,981**	P 4,999,553,086	P 2,305,121,031
Divided by the weighted average numberof outstanding common shares of EDI	**11,133,917,808**	2,610,000,000	2,160,000,000
	P 0.52	P 1.92	P 1.07

The Group has no potentially dilutive instruments; thus, basic and dilutive earnings per share are the same.

21. COMMITMENTS AND CONTINGENCIES

The Group entered into non-cancellable leases covering certain manufacturing plant facilities, storage tanks and office spaces. The leases are for a period of one and five years, respectively, 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, 2013 and December 31, 2012 are as follows:

	2013	2012
Within one year	**P 56,923,846**	P 72,829,084
After one year but not more than five years	**12,572,691**	63,484,852
	P 69,496,537	P 136,313,936

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.

22. 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 in the succeeding paragraphs.

22.1 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, its functional currency. Exposures to currency exchange rates arise from the Group's foreign currency-denominated transactions, which are primarily denominated in U.S. dollars (USD).

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency denominated financial assets and liabilities (all denominated in USD), translated into Philippine pesos at the closing rate, are as follows:

	2013	2012
Financial assets	**P 3,111,066,586**	P 2,886,211,610
Financial liabilities	**1,738,868,577**	1,645,282,302
	P 1,372,198,009	P 1,240,929,308

The following table illustrates the sensitivity of the Group's profit before tax with respect to changes in Philippine pesos against USD 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.

	2013	2012
Reasonably possible change in rate	**23%**	14%
Effect in profit before tax	**P 315,605,542**	P173,730,103

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, 2013 and 2012, the Group is exposed to changes in market rates through its cash in banks and short-term placements which are 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.

22.2 Credit Risk

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, as summarized below.

	Notes	2013	2012
Cash and cash equivalents	5	**P 24,040,194,994**	P 4,656,449,593
Trade and other receivables – net	6	**2,848,613,460**	1,952,402,449
Refundable security deposits	11	**34,755,535**	38,048,832
Financial assets at FVTPL	7	**-**	170,070,472
		P 26,923,563,989	P 6,816,971,346

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. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

(b) *Trade and Other Receivables*

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure. In determining credit risk, trade and other receivables excludes advances to supplier amounting to P176.9 million and P39.0 million as of December 31, 2013 and 2012, respectively (see Note 6).

The age of trade and other receivables that are past due but unimpaired is as follows:

	2013	2012
Not more than three months	**P 1,164,740,755**	P 783,691,528
More than three months but not more than six months	**186,771,704**	95,037,427
	P 1,351,512,459	P 878,728,955

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.

22.3 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.

The contractual maturities of trade and other payables (except for output VAT payable, and withholding tax payables and advances from suppliers under others) and derivative liabilities reflect the gross cash flows, which approximates the carrying values of the liabilities at the end of each reporting period. As at December 31, 2013 and 2012, the Group's financial liabilities, which have contractual maturities of less than 12 months after the end of the reporting period, are presented below.

	2013		2012	
	Within 6 Months	**6 to 12 Months**	Within 6 Months	6 to 12 Months
Trade and other payables	**P 3,366,111,588**	**P -**	P 3,735,549,836	P -
FVTPL liability	**38,631,143**	**-**	-	-
	P 3,404,742,731	**P -**	P 3,735,549,836	P -

The Group maintains cash to meet its liquidity requirements for up to seven-day periods. Excess cash funds are invested in time deposits.

23. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

23.1 Carrying Amounts and Fair Values of Financial Assets and Financial Liabilities

The carrying amounts and fair values of the categories of financial assets and liabilities presented in the consolidated statements of financial position are shown below.

	Notes	2013		2012	
		Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	5	**P 24,040,194,994**	**P 24,040,194,994**	P 4,656,449,593	P 4,656,449,593
Trade and other receivables	6	**2,848,613,460**	**2,848,613,460**	1,952,402,449	1,952,402,449
Refundable security deposits	11	**34,755,535**	**34,755,535**	38,048,832	38,048,832
FVTPL financial asset	7	**-**	**-**	170,070,472	170,070,472
		P 26,923,563,989	**P26,923,563,989**	P 6,816,971,346	P 6,816,971,346
Financial Liabilities					
Financial liabilities at amortized cost:					
Trade and other payables	12	**P 3,366,111,588**	**P 3,366,111,588**	P 3,735,549,836	P 3,735,549,836
FVTPL liability	7	**38,631,143**	**38,631,143**	-	-
		P 3,404,742,731	**P 3,404,742,731**	P 3,735,549,836	P 3,735,549.836

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 22.

23.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets and financial liabilities with net amounts presented in the statement of financial position are subject to offsetting and similar agreements (see Note 5):

	2013			
	Gross Amount Recognized	Amount Set-Off	Amount of Cash Received	Net Amount Presented*
Financial asset –				
Cash and cash equivalents	**P2,928,836,789**	**P 799,351,000**	**P -**	**P 2,129,485,789**

	2012			
	Gross Amount Recognized	Amount Set-Off	Amount of Cash Received	Net Amount Presented*
Financial asset –				
Cash and cash equivalents	P 2,715,830,433	P 397,841,368	P -	P 2,317,989,065

** The net amount is presented as part of Short-term placements under the Cash and Cash Equivalents account in the consolidated statements of financial position (see Note 5).*

Currently, the Group's other financial assets and liabilities are settled on a gross basis because there is no relevant offsetting arrangement on them as of December 31, 2013. 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.

24. FAIR VALUE MEASUREMENT AND DISCLOSURES

24.1 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:

a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
b) 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,
c) 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.

24.2 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 statements of financial position on a recurring basis as of December 31, 2013 and 2012.

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial liability –				
FVTPL financial liability	P 38,631,143	P -	P -	P 38,631,143
	2012			
	Level 1	Level 2	Level 3	Total
Financial assets –				
FVTPL financial asset	P 170,070,472	P -	P -	P170,070,472

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

As of December 31, 2013 and 2012, the financial instruments included in Level 1 comprise of foreign exchange spots and forward contracts classified as financial instruments at FVTPL (see Note 7).

24.3 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 2013 consolidated statement of financial position but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P24,040,194,994	P -	P -	P 24,040,194,994
Trade and other receivables	-	-	2,848,613,460	2,848,613,460
Refundable security deposits	-	-	34,755,535	34,755,535
	P24,040,194,994	**P -**	**P 2,883,368,995**	**P 26,923,563,989**
Financial liabilities –				
Trade and other payables	**P -**	**P -**	**P 3,366,111,588**	**P 3,366,111,588**

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.

25. 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:

	2013	2012 (As Restated – see Note 2.2)	2011 (As Restated – see Note 2.2)
Total liabilities	**P 4,336,848,366**	P 4,350,314,530	P 4,122,291,821
Total equity	**30,888,513,814**	8,483,166,022	4,542,339,134
Debt-to-equity ratio	**0.14: 1**	0.51: 1	0.91: 1

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.

EMPERADOR INC. AND SUBSIDIARIES
LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2013

* These shedules and supplementary information are not included as these aer not applicable to the Group.

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

The Board of Directors and Stockholders
Emperador Inc. and Subsidiaries
(Formerly TrillionStars Holdings, Inc.)
(Formerly Touch Solutions, Inc.)
(A Subsidiary of Alliance Global Group, Inc.)
10th Floor, Liberty Center
104 H.V. dela Costa Street
Salcedo Village, Makati 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, 2013, on which we have rendered our report dated March 26, 2014. 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 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, is 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. 4225004, January 2, 2014, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-2 (until Aug. 8, 2015)
Firm - No. 0002-FR-3 (until Jan. 18, 2015)
BIR AN 08-002511-20-2012 (until May 15, 2015)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

March 26, 2014

EMPERADOR INC. AND SUBSIDIARIES
Schedule C - Amounts of Receivable/Payable from/to Related Parties which are Eliminated During the Consolidation of Financial Statements
December 31,2013

TERMS & CONDITIONS:

All receivables/payables are unsecured, noninterest-bearing, collectible/payable on demand, unimpaired and generally settled in cash.

				Deductions		Ending balance		
Name and designation of debtor	**Affected accounts**	**Balance at beginning of year**	**Additions**	**Amounts collected**	**Amounts written off**	**Current**	**Non current**	**Balance at the end of the period**
Emperador Distillers, Inc.	Trade and other payables	P 28,756,031	P 1,575,243,864	(P 1,411,927,561)	-	P 192,072,334	-	P 192,072,334
Anglo Watsons Glass, Inc.	Trade and other receivables	28,756,031	1,575,243,864	(1,411,927,561)		192,072,334		192,072,334
Emperador Distiller, Inc.	Trade and other receivables	19,899	9,113,643	(9,115,441)	-	18,101	-	18,101
Anglo Watsons Glass, Inc.	Trade and other payables	19,899	9,113,643	(9,115,441)	-	18,101	-	18,101
Emperador Distiller, Inc.	Subcription payable	1,875,000	-	-	-	-	-	1,875,000
The Bar Beverage, Inc.	Subcription receivable	1,875,000	-	-	-	-	-	1,875,000

Emperador Inc. and Subsidiaries
Schedule D - Intangible Assets - Other Assets
December 31, 2013

Description	*Beginning balance*	*Additions at cost*	*Deduction*			*Ending balance*
			Charged to cost and expenses	*Charged to other accounts*	*Other changes additions (deductions)*	
Intangible Asset						
Trademarks	P 415,238,652	P 16,153,914	(P 102,334,204)	P -	P -	P 329,058,362
	P 415,238,652	P 16,153,914	(P 102,334,204)	P -	P -	P 329,058,362

Emperador Inc. and Subsidiaries
Schedule H - Capital Stock
December 31, 2013

				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	15,000,000,000	-	13,131,764,988	7	1,868,235,005

EMPERADOR INC.
10th floor, Liberty Center, 104 H.V. dela Costa Street
Salcedo Village, Makati City

Schedule I - Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2013

Unappropriated Retained Earnings at Beginning of Year	(P	23,994,254)
Effect of Prior Period Adjustments		-
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted	(P	23,994,254)
Net Profit Realized during the Year		
Net profit per audited financial statements		36,018,136
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	**P**	**12,023,882**

EMPERADOR INC.
SCHEDULE J - FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2013 and 2012

	12/31/13	12/31/12
Current ratio	7.25	2.38
Quick ratio	6.37	1.59
Debt-to-equity ratio	0.14	0.51
Asset -to-equity ratio	1.14	1.51
Net profit margin	19.52%	21.19%
Return on assets	24.27%	46.51%
Return on equity/investment	29.62%	76.77%

LIQUIDITY RATIOS measure the business' ability to pay short-term debt.
Current ratio - computed as current assets divided by current liabilitie
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.
Debt-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
Net profit margin - computed as net profit divided by revenues
Return on assets - net profit divided by average total assets
Return on investment - net profit divided by average total stockholders' equity

EMPERADOR INC. AND SUBSIDIARIES

Schedule I - 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, 2013

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 *(deferred application)*			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments *(deferred application)*			✓
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures *(deferred application)*			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendment to PFRS 10: Transition Guidance	✓		
	Amendment to PFRS 10: Investment Entities* (effective January 1, 2014)			✓
PFRS 11	Joint Arrangements**	✓		
	Amendment to PFRS 11: Transition Guidance**	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendment to PFRS 12: Transition Guidance	✓		
	Amendment to PFRS 12: Investment Entities* (effective January 1, 2014)	✓		
PFRS 13	Fair Value Measurement	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
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	✓		
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	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
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* (effective January 1, 2014)			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
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* *(effective January 1, 2014)*			✓

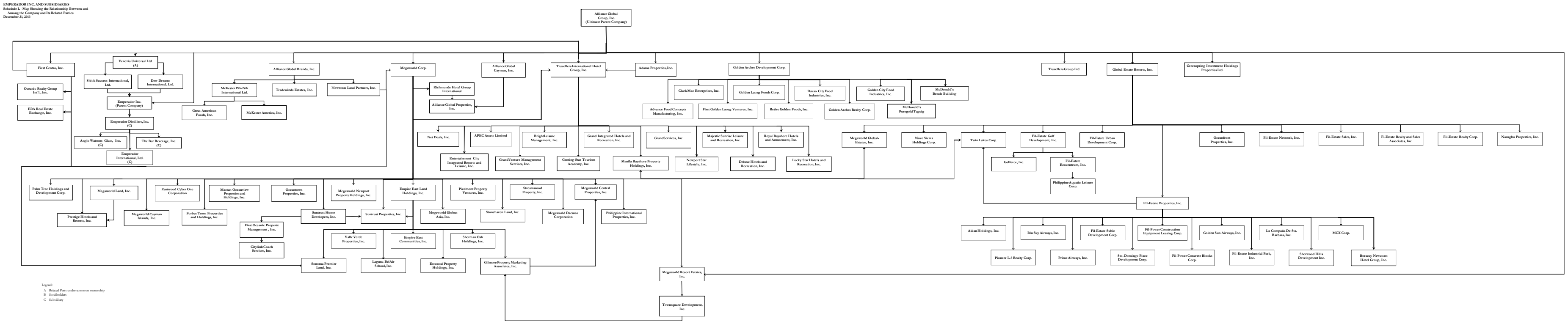
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets* *(effective January 1, 2014)*			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
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* *(effective January 1, 2014)*			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
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**	✓		
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* (effective January 1, 2014)			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
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 2013 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 and Among the Company and Its Related Parties
December 31, 2013



Legend:
A Related Party under common ownership
B Stockholders
C Subsidiary

EMPERADOR INC.
INTERIM FINANCIAL STATEMENTS
AS OF 31 MARCH 2014

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended..........**March 31, 2014**

2. Commission 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. Industry Classification Code: (SEC Use Only)

7. **10th Floor, Liberty Center, 104 H.V. dela Costa Street, Salcedo Village, Makati City 1227**
   Address of issuer's principal office Postal Code

8. Issuer's telephone number, including area code......**632-709-20-38 to -41**

9. **TRILLIONSTARS HOLDINGS, INC., formerly TOUCH SOLUTIONS, INC.**
   Unit 901 Jafer Place, 19 Eisenhower Street, Greenhills, San Juan
   Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding
COMMON	**15,000,000,000**

11. Are any or all of the securities listed on a Stock Exchange? If yes, state the name of such Stock Exchange and the class/es of securities listed therein.

    Yes [✔] No [ ] **PHILIPPINE STOCK EXCHANGE, INC.** **Common Shares**

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 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 [ ]

PART I - FINANCIAL INFORMATION

1. Financial Statements

The following interim financial statements, notes and schedules are submitted as part of this report:

- Consolidated Statements of Financial Position
- Consolidated Statements of Comprehensive Income
- Consolidated Statements of Changes in Equity
- Consolidated Statements of Cash Flows
- Notes to Interim Consolidated Financial Statements
- Schedule of Financial Soundness Indicators
- Aging of Trade and Other Receivables

In 2013, Emperador Inc. ('EMP' or 'the Company') transformed into a holding company. It disposed all its net assets related to its information-technology (IT) business. On August 28, 2013, the Company acquired a wholly-owned subsidiary, Emperador Distillers, Inc. ('EDI'), the Philippines' largest liquor company and the world's largest brandy producer, from Alliance Global Group, Inc. ('AGI' or Ultimate Parent). This is in connection with AGI's entry as the new controlling stockholder, which concurrently acquired 90% interest in the Company on this date. AGI presently owns 87.55%, after it offered and sold a portion of its shares in September to increase EMP's public float. (See Notes 1.2 and 19.1)

The Company's acquisition of EDI is accounted for as a reverse acquisition under Philippine Financial Reporting Standards (PFRS) 3, *Business Combinations.* In a reverse acquisition under the PFRS, EDI was deemed to be the acquirer and EMP to be the acquiree for accounting purposes because based on the substance of the transaction, the legal subsidiary, i.e. EDI, is determined to be the entity that gained control over the legal parent, i.e. EMP. 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 the 'EDI Group'), except for the capital structure which represent that of the Company. The difference between the capital structures of EDI and the Company was shown under the Equity Reserves account in the statements of changes in equity prior to the acquisition date.

The interim consolidated financial statements (ICFS) have been prepared in accordance with PFRSs and Philippine Accounting Standard 34, *Interim Financial Reporting.* The accounting policies and methods of computations used are consistent with those applied in the audited consolidated financial statements of the Group as at and for the year ended December 31, 2013. The ICFS have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expenses.

2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations – First Three Months

The Group ended the first three months of the year with net profit of P1.72 billion, a 19% jump from P1.44 billion a year ago, on the back of strong sales growth.

EDI Group produces and markets its own products under two brand labels which are Emperador brandy (in three variants, namely Brandy, Light brandy and Deluxe) and The BaR flavored alcoholic beverage (in gin, vodka and tequila). Emperador Deluxe Spanish Edition is a premium brandy produced in Spain and introduced locally in March 2013. EDI also imports and distributes locally the E&J Gallo wines from California. According to Drinks International 2013, Emperador Brandy is the number one selling brandy in the world in terms of volume sold, as well as the world's second largest selling spirit brand.

Revenues, which are derived from sale of alcoholic beverages and from other sources such as interest income and valuation gains of financial assets, went up by 17% year-on-year to P7.7 billion from P6.6 billion primarily due to growth in cases sold during the period. Unrealized fair value gains on financial assets, interest income, and sale of scraps beefed up the total revenues.

Costs and expenses, which include cost of goods sold, selling and distribution expenses, and general and administrative expenses, expanded by 15% to P5.5 billion from P4.7 billion a year ago. Cost of goods sold increased 18% primarily because of the higher sales volume. Other operating expenses maintained its level a year ago as it went up by 0.9% only. While freight costs increased as a result of sales growth, advertising and promotions contracted from a year ago when Emperador Deluxe was introduced in the market. General administrative expenses increased this quarter due to full quarter expenses from the distillery plant which was acquired in February 2013.

Income tax expense increased by 24% year-on-year to P510 million from P412 million because of higher taxable income.

The Group, thus, closed the period with net profit of P1.7 billion as compared to P1.4 billion a year ago, an improvement of 19%.

EBITDA, which is computed as profit before tax, depreciation and amortization, amounted to P2.3 billion and P1.9 billion for the three months ended March 31, 2014 and 2013, respectively.

Financial Condition

Total assets grew by 10% to P38.8 billion as of March 31, 2014 from P35.2 billion as of December 31, 2013. The Group is strongly liquid with current assets exceeding current liabilities by 5.0times. Working capital or liquidity was sourced internally from operations. Current assets amounted to P30.5 billion while current liabilities amounted to P6.1 billion at end-March 2014. The Group has no long-term debt.

Cash and cash equivalents were reduced by 10% or P2.5 billion over the three-month period, primarily due to the investment in an associate, Bodega Las Copas, in Spain. The Group ended with P21.5 billion in its coffers.

Trade and other receivables grew by 35.03% or 1.1 billion, primarily due to increase in sales and advances to suppliers/contractors for the construction of a new distillery plant in Batangas. There is also an increase in receivables attributable to protection orders in March, due to the price increase to be implemented starting April 2014.

Financial assets at fair value through profit or loss represent investment in marketable securities which are valued at market price at end of the period. The fair value gain on these assets is included under Revenues.

Inventories went up by 16% or P560 million, due to the higher finished products in preparation for the coming summer months, which is a season of festivities when demand is stronger.

Prepayments and other current assets grew by 115% or P224 million, primarily due to prepaid advertising costs of P170 million.

Investment in an associate refers to the amount paid for the acquisition of 50% equity in Bodega Las Copas in Spain.

Other non-current assets increased by 32% or P104 million, due to additional deferred input vat and deferred costs.

Trade and other payables increased by 39%% or 1.4 billion, due to payables to suppliers and related parties.

Accumulated translation adjustments refer to the resulting difference in the translation of the foreign subsidiary'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.

With P21.5 billion cash and cash equivalents in its coffers, the Group is ready to embark on its expansion and investment program.

Five Key Performance Indicators

	Jan-Mar 2014	Jan-Mar 2013	Growth %
Revenues	7,694	6,603	16.5
Net profit	1,717	1,442	19.1
Net profit rate	22.3%	21.8%	
Return on assets	4.4%	10.1%	
	Mar 31, 2014	Mar 31, 2013	Dec 31, 2013
Current ratio	4.98x	2.53x	7.24x
Quick ratio	4.24x	1.67x	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.
- 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 assets – 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.

Financial Soundness Indicators

Please see submitted schedule.

Other Required Disclosures

As of March 31, 2014, except for what has been noted, there were no other known items – such as trends, demands, commitments, events or uncertainties- affecting assets, liabilities, equity, sales, revenues, net income or cash flows that were unusual because of their nature, size, or incidents, and that will result in or that are reasonably likely to result in the liquidity increasing or decreasing in any material way, or that would have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

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

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 within the year. 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.

Subsequent Event

On May 9, 2014, the Group signed an agreement with United Spirits (Great Britain) Ltd., a wholly owned subsidiary of United Spirits Ltd. (USL) of India, to acquire Whyte & Mackay whiskey business for an enterprise value of 430 million pounds and subject to India's and Britain's regulatory approvals as well as USL's shareholders' approval. The acquisition will put the Group to two fastest growing spirits segments in the world, the brandy and whiskey.

The principal activities of Whyte and Mackay and its subsidiaries are the production, marketing and distribution of Scotch whiskey and other alcoholic drinks. It has a global distribution network in over 50 countries.

EMPERADOR INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
MARCH 31, 2014

	3/31/2014	**12/31/2013**
Current ratio	4.98 : 1.00	7.24 : 1.00
Quick ratio	4.24 : 1.00	6.37 : 1.00
Liabilities-to-equity ratio	0.19 : 1.00	0.14 : 1.00
Asset -to-equity ratio	1.19 : 1.00	1.14 : 1.00
		3/31/2013
Solvency ratio	29.31%	35.59%
Net profit margin	22.31%	21.84%
Return on assets	4.42%	10.15%
Return on equity/investment	5.26%	14.53%

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.

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.
This is not applicable to the Group as it does not have any long-term interest-bearing debt.

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

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

	Notes	March 31, 2014 Unaudited	December 31, 2013 Audited
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	6	**P 21,509,968,552**	P 24,040,194,994
Trade and other receivables - net	7	**4,085,550,118**	3,025,554,060
Financial assets at fair value through profit or loss	8	**436,235,697**	-
Inventories	9	**4,086,993,293**	3,526,529,441
Prepayments and other current assets		**419,131,718**	195,019,245
Total Current Assets		**30,537,879,378**	30,787,297,740
NON-CURRENT ASSETS			
Investment in an associate		**3,703,721,965**	-
Property, plant and equipment - net	10	**3,828,014,647**	3,751,319,910
Trademarks - net	11	**303,340,196**	329,058,362
Deferred tax assets		**32,235,360**	32,235,360
Other non-current assets - net	12	**429,891,530**	325,450,808
Total Non-current Assets		**8,297,203,698**	4,438,064,440
TOTAL ASSETS		**P 38,835,083,076**	P 35,225,362,180
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	13	**P 5,091,511,215**	P 3,671,850,463
Income tax payable		**1,042,614,188**	538,586,438
Financial liability at fair value through through profit or loss	8	**-**	38,631,143
Total Current Liabilities		**6,134,125,403**	4,249,068,044
NON-CURRENT LIABILITY			
Retirement benefit obligation		**87,780,322**	87,780,322
Total Liabilities		**6,221,905,725**	**4,336,848,366**
EQUITY			
Capital stock	19	**15,000,000,000**	15,000,000,000
Additional paid-in capital		**11,155,461,023**	11,155,461,023
Accumulated translation adjustments		**142,398,719**	134,457,168
Revaluation reserves		**(26,249,891)**	(26,249,891)
Retained earnings		**6,341,567,500**	4,624,845,514
Total Equity		**32,613,177,351**	**30,888,513,814**
TOTAL LIABILITIES AND EQUITY		**P 38,835,083,076**	**P 35,225,362,180**

See Notes to Consolidated Financial Statements.

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

	Notes	2014	2013*
		Unaudited	Unaudited
REVENUES	14	**P 7,694,359,931**	P 6,603,061,629
COSTS AND EXPENSES			
Costs of goods sold	15	**4,699,622,642**	3,989,033,305
Selling and distribution expenses	16	**539,445,493**	542,333,288
General and administrative expenses	16	**45,042,932**	6,771,024
Other charges		**183,065,946**	211,474,389
		5,467,177,013	4,749,612,006
PROFIT BEFORE TAX		**2,227,182,918**	1,853,449,623
TAX EXPENSE	17	**510,460,932**	411,657,617
NET PROFIT		**1,716,721,986**	1,441,792,006
OTHER COMPREHENSIVE INCOME (LOSS)			
Translation gain (loss)		**7,941,551**	(5,784,094)
TOTAL COMPREHENSIVE INCOME		**P 1,724,663,537**	P 1,436,007,912
Earnings per share		P 0.11	P 0.27

See Notes to Consolidated Financial Statements.

* These consolidated financial statements represent continuation of the consolidated financial statements of EDI and its subsidiaries, except for the capital structure (see Note 1.2).

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

	Note	2014 Unaudited	2013* Unaudited
CAPITAL STOCK	19		
Balance at beginning and end of period		**P 15,000,000,000**	P 61,750,005
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning and end of period		**11,155,461,023**	99,789,060
EQUITY RESERVES			
Balance at beginning and end of period		**-**	5,838,460,935
ACCUMULATED TRANSLATION ADJUSTMENTS			
Balance at beginning of year		**134,457,168**	(3,531,605)
Currency translation adjustments during the year		**7,941,551**	(5,784,094)
Balance at end of period		**142,398,719**	(9,315,699)
REVALUATION RESERVES			
Balance at beginning of year			
As previously stated		**(26,249,891)**	-
Effect of adoption of PAS 19 (Revised)		**-**	(9,471,957)
As restated at end of period		**(26,249,891)**	(9,471,957)
RETAINED EARNINGS			
Balance at beginning of year			
As previously stated		**4,624,845,514**	2,495,610,946
Effect of adoption of PAS 19 (Revised)		**-**	558,638
As restated		**4,624,845,514**	2,496,169,584
Net profit for the year		**1,716,721,986**	1,441,792,006
Balance at end of year		**6,341,567,500**	3,937,961,590
TOTAL EQUITY		**P 32,613,177,351**	P 9,919,173,934

See Notes to Consolidated Financial Statements.

* These consolidated financial statements represent continuation of the consolidated financial statements of EDI and its subsidiaries, except for the capital structure (see Note 1.2).

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

	Notes	2014 Unaudited	2013* Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**P 2,227,182,918**	P 1,853,449,623
Adjustments for:			
Depreciation and amortization	10	**81,156,746**	59,468,408
Fair value losses (gains) on financial assets	8	**(118,449,454)**	64,855,314
Interest income		**(53,532,533)**	(1,672,550)
Amortization of trademarks	16	**25,718,166**	25,314,318
Loss (gain) on disposal of property, plant and equipment		**(2,682,674)**	-
Operating profit before working capital changes		**2,159,393,169**	2,001,415,113
Decrease (increase) in trade and other receivables		**(1,060,001,286)**	(947,004,942)
Decrease (increase) in financial instruments at fair value through profit or loss		**(356,438,233)**	170,070,472
Increase in inventories		**(560,463,852)**	(124,885,753)
Decrease (increase) in prepayments and other current assets		**(230,545,655)**	(78,896,092)
Decrease (increase) in other non-current assets		**(104,440,722)**	(148,717,142)
Increase (decrease) in trade and other payables		**1,427,628,377**	(539,651,153)
Net Cash From Operating Activities		**1,275,131,798**	332,330,503
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of an associate		**(3,703,721,965)**	-
Acquisitions of property, plant and equipment	10	**(158,464,188)**	(831,383,193)
Interest received		**53,532,533**	1,672,550
Insurance claims on property, plant and equipment		**3,295,380**	-
Net Cash Used in Investing Activities		**(3,805,358,240)**	(829,710,643)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(2,530,226,442)**	(497,380,140)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**24,040,194,994**	4,656,449,593
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 21,509,968,552**	P 4,159,069,453

See Notes to Consolidated Financial Statements.

* These consolidated financial statements represent continuation of the consolidated financial statements of EDI and its subsidiaries, except for the capital structure (see Note 1.2).

EMPERADOR INC. AND SUBSIDIARIES
AGING SCHEDULE OF TRADE AND OTHER RECEIVABLES
MARCH 31, 2014
(Amounts in Thousand Philippine Pesos)

Trade Receivables	
Current	1,848,615
1 to 30 days	522,871
31 to 60 days	72,581
Over 60 days	230,114
Total	2,674,181
Other receivables	1,411,369
Balance at March 31, 2014	**4,085,550**

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014
(With Comparative Figures for December 31, 2013)
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Primary Purpose and Capitalization

Emperador Inc. (EMP or the Parent Company or the Company) had corporate transformation in 2013. From an information technology service provider, it became a holding company and expanded its authorized capital base.

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 information technology-related net assets in April 2013.

On June 19, August 27 and September 5, 2013, the BOD, stockholders and SEC, respectively, approved the increase in authorized capital stock to 20 billion shares from 100 million shares (see Note 19).

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) that it owned. (See Notes 1.2 and 19)

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

The registered principal office of EMP is located at 10th floor, Liberty Center, 104 H.V. dela Costa Street, Salcedo Village, Makati City. The business address of EMP and the registered office of AGI are located at 7th Floor, 1880 Eastwood Avenue, Eastwood CityCyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

1.2 Acquisition of EDI by the Parent Company and its Financial Reporting

On August 28, 2013, the Parent Company acquired 100% ownership interest in EDI from AGI, as a condition to AGI's subscription to EMP shares (see Note 1.1).This acquisition 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 (collectively referred to as the "Group") represent the continuation of the consolidated financial statements of EDI and its subsidiaries (collectively referred to as the "EDI Group"). The comparative information presented in these consolidated financial statements is that of the EDI Group and not that originally presented in the previous consolidated financial statements of the Parent Company. The comparative information is also adjusted retroactively to reflect the legal capital of the Parent Company.

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 registered office which is also its principal place of business is located at the 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

EDI currently has two principal brands, namely, Emperador brandy (in three variants, namely Brandy, Light brandy and Deluxe) and The BaR flavored alcoholic beverage (in gin, vodka and tequila). 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 Ownership 2014	Percentage of Ownership 2013
Anglo Watsons Glass, Inc. (AWGI)	(a)	100%	100%
The Bar Beverage, Inc. (The Bar)	(b)	100%	100%
Emperador International, Ltd. (EIL)	(c)	100%	100%

Explanatory Notes:

(a) AWGI is a domestic corporation presently engaged in flint glass container manufacturing and primarily supplies EDI's bottle requirements.

AWGI's registered office is located in 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City. AWGI's glass manufacturing plant is located in Canlubang Industrial Estates, Canlubang, Laguna.

(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.

The Bar's registered office is located in 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

(c) 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. The Spanish business acquisitions are under its umbrella.

EIL's registered office and principal place of business is at the offices of Portcullis TrustNet (BVI) Limited, which is currently located at PorctcullisTrustNet Chambers, 4thFloor Skeleton Building, 3076 Drake's Highway, Road Town, Tortola, British Virgin Islands.

1.3 Approval of the Interim Consolidated Financial Statements

The interim consolidated financial statements of the Group as of and for the periods ended March 31, 2014(including the comparatives for the periods ended March 31, 2013) were authorized for issue by the BOD on May 12, 2014.

2. BASIS OF PREPARATION OF INTERIM FINANCIAL STATEMENTS

These interim consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with PFRS, and should be read in conjunction with the Group's audited consolidated financial statements as of and for the year ended December 31, 2013.

The significant accounting policies and methods of computations used in the preparation of these interim consolidated financial statements are consistent with those applied in the most recent annual consolidated financial statements as of and for the year ended December 31, 2013, except for the application of adopted standards that became effective on January 1, 2014, as discussed in Note 3.

These interim 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.

3. CHANGES AND UPDATES IN THE GROUP'S ACCOUNTING POLICIES

The following accounting policies become applicable from January 1, 2014 and were used in the preparation of the Group's interim consolidated financial statements:

(i) PAS 19 (Amendment), *Employee Benefits– Defined Benefit Plans – Employee Contributions* (effective from January 1, 2014). 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. Management has determined that this amendment will have no impact on the Group's financial statements.

(ii) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2014). The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that a right of set-off is required to be legally enforceable, in the normal course of business; in the event of default; and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies the principle behind net settlement and provided characteristics of a gross settlement system that would satisfy the criterion for net settlement. The Group does not expect this amendment to have a significant impact on its financial statements.

(iii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets* (effective from January 1, 2014). The amendment clarifies that the requirements for the disclosure of information about the recoverable amount of assets or cash-generating units is limited only to the recoverable amount of impaired assets that is based on fair value less cost of disposal. It also introduces an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less cost of disposal is determined using a present value technique. There is no impact from this amendment in the interim financial statements.

(iv) PFRS 9, *Financial Instruments: Classification and Measurement*. This is the first part of a new standard on financial instruments that will replace PAS 39, *Financial Instruments: Recognition and Measurement*, in its entirety. The first phase of the standard was issued in November 2009 and October 2010 and contains new requirements and guidance for the classification, measurement and recognition of financial assets and financial liabilities. It requires financial assets to be classified into two measurement categories: amortized cost or fair value. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows that represent solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt instruments and equity instruments are measured at fair value. In addition, PFRS 9 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, does 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 main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to the liability's credit risk is recognized in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

In November 2013, the IASB has published amendments to International Financial Reporting Standard (IFRS) 9 that contain new chapter and 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. The amendment also now 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 in profit or loss. It also includes the removal of the January 1, 2015 mandatory effective date of IFRS 9.

To date, the remaining chapter of IFRS/PFRS 9 dealing with impairment methodology is still being completed. Further, the IASB is currently discussing some limited modifications to address certain application issues regarding classification of financial assets and to provide other considerations in determining business model.

The Group does not expect to implement and adopt PFRS 9 until its effective date. In addition, management is currently assessing the impact of PFRS 9 on the 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.

PFRS 10, 12 and PAS 27 (Amendments) - *Investment Entities* (effective from January 1, 2014). The amendments define the term "investment entities," provide supporting guidance, and require investment entities to measure investments in the form of controlling interest in another entity, at fair value through profit or loss. This amendment does not have a material impact on the Group's financial statements.

(v) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS, which are effective for annual period beginning on or after July 1, 2014. Among those improvements, the following amendments are relevant to the Group but have no material impact on the Group's financial statements:

Annual Improvements to PFRS (2010-2012 Cycle)

(a) PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets*. 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.

(b) PAS 24 (Amendment), *Related Party Disclosures*. 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 requires and 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 should and not the amounts of compensation paid or payable by the key management entity to its employees or directors.

(c) PFRS 3 (Amendment), *Business Combinations* (effective July 1, 2014). Requires contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

(d) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment, through a revision only in the basis of conclusion of PFRS 13, clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9 and PAS 39 related to discounting of financial instruments, did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

Annual Improvements to PFRS (2011-2013 Cycle)

(a) PFRS 3 (Amendment), *Business Combination*s (effective July 1, 2014). Clarifies that PFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

(b) PFRS 13 (Amendment), *Fair Value Measurement*. 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 or PFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32.

The Group has not adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's interim consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the interim consolidated financial information and related explanatory 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 those estimates.

The judgments, estimates and assumptions applied in the interim consolidated financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's consolidated financial statements for the year ended December 31, 2013.

4.1 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 as a lessee. 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.

(b) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between 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.

4.2 Key Sources of Estimation and 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 financial year:

(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 allowance account is presented under Note 7.

(b) Determining 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. No allowance for inventory decline was recognized in 2014 and 2013 as the carrying amounts of the inventories are lower than their net realizable values (see Note 9).

(c) Estimating Useful Lives of Property, Plant and Equipment and Trademarks

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. 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.

The carrying amounts of property, plant and equipment and trademarks are presented in Notes 10 and 11, respectively.

(d) Determining 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 will be fully utilized in the coming years.

(e) 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 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 March 2014 and 2013 based on management's assessment.

(f) 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. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the expense and the carrying amount of post-employment obligation in such future periods.

5. SEGMENT INFORMATION

Presently, the Group's only significant operating segment is related to its manufacturing and trading of alcoholic beverage products. This is being monitored and strategic decisions are made on the basis of operating results. Furthermore, the Group's operations are presently concentrated in one location; hence, it has no geographical segment classification. The Group, however, continues to acquire properties for future development in different locations. Sales to any of the Group's major customers did not exceed 10% of the Group's revenues in the periods presented.

Since the Group has only one significant operating segment, the items presented in the interim consolidated financial statements corresponding to assets and liabilities represent virtually the entire segment assets and liabilities.

6. CASH AND CASH EQUIVALENTS

This account includes the following components:

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Cash on hand and in banks	**P 2,604,112,088**	P 1,948,055,704
Short-term placements	**18,905,856,464**	22,092,139,290
	P21,509,968,552	P 24,040,194,994

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 1.3 % to 1.6% and 2.9% to 3.8% for the three months ended March 31, 2014 and 2013, respectively. Interest earned amounted to P53.5 million and P1.7 million for the three months ended March 31, 2014 and 2013, respectively, and is presented as part of Other Revenues under Revenues account in the consolidated statements of comprehensive income(see Note 14).

7. TRADE AND OTHER RECEIVABLES

Details of this account are as follows:

	Note	**March 31, 2014 (Unaudited)**	December 31, 2013 (Audited)
Trade receivables	18.4	**P 2,692,969,233**	P 2,824,069,959
Allowance for impairment		**(18,788,211)**	(18,788,211)
		2,674,181,022	2,805,281,748
Advances to suppliers	22.2	**1,282,621,759**	176,940,600
Advances to officers and employees	18.5	**16,792,481**	14,463,297
Accrued interest receivable			14,111,033
Other receivables – net of allowance for impairment amounting to P882,669		**111,954,856**	14,751,382
		1,411,369,096	220,272,312
		P 4,085,550,118	P 3,025,554,060

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

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.

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Balance at beginning of period	**P 19,670,880**	P 13,511,661
Impairment losses	**-**	6,159,219
Balance at end of period	**P 19,670,880**	P 19,670,880

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

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account pertains to derivative assets and liabilities arising from foreign exchange margins trading spot and forward contracts entered into. The term of these forward contracts is usually one month.

As of March 31, 2014 and December 31, 2013, this account consists of derivative asset and liability which amounted to P436.2 million and P38.6 million, respectively. These derivatives pertain to foreign exchange margins trading forward contracts entered into. The term of these forward contracts is usually one month.

The net changes in fair values of these financial assets are presented in the interim consolidated statements of comprehensive income as part of Other Revenues under the Revenues account (for fair value gains) (see Note 14) or Other Charges (for fair value losses). The Group recognized fair value gains amounting toP118.4 million and fair value loss amounting to P64.9million for the three months ended March 31, 2014 and2013, respectively.

9. INVENTORIES

Inventories as of March 31, 2014 and December 31, 2013 are all stated at cost, which is lower than their net realizable values. The details of inventories are shown as follows:

	Notes	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Finished goods	15, 18.1	**P 1,747,808,305**	P 1,036,441,587
Raw materials	15, 18.1	**2,022,694,886**	2,185,068,609
Work-in-process	15	**3,851,581**	3,035,664
Packaging materials	15	**200,934,618**	192,687,386
Machinery spare parts, consumables and factory supplies		**111,703,903**	109,296,195
		P 4,086,993,293	P 3,526,529,441

10. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property, plant and equipment as of March 31, 2013 and December 31, 2013 are shown below.

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Cost	**P 4,955,949,426**	P4,799,842,824
Accumulated depreciation and amortization	**(1,127,937,779)**	(1,048,522,914)
Net carrying amount	**P 3,828,014,647**	P 3,751.319,910

A reconciliation of the carrying amounts of property, plant and equipment is shown below.

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Balance at beginning of period, net of accumulated depreciation and amortization	**P3,751,319,910**	P 2,013,925,725
Additions during the period	**158,464,188**	2,051,683,004
Disposals during the period	**(612,705)**	(1,528,611)
Depreciation and amortization charges for the period	**(81,156,746)**	(312,760,208)
Balance at the end of the period , net of accumulated depreciation and amortization	**P 3,828,014,647**	P 3,751.319,910

The EDI 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, in 2013 (see Note 18.7); and vineyards in Spain. Construction of another distillery plant started in 2013 and still in progress in 2014.

The amount of depreciation and amortization is allocated as follows:

	Notes	For the Three Months Ended Mar 31, 2014 (Unaudited)	Mar 31, 2013 (Unaudited)
Cost of goods sold	15	**P 72,617,831**	P 49,636,934
Selling and distribution expenses	16	**8,076,128**	9,367,189
Administrative expenses	16	**462,787**	464,285
		P 81,156,746	P 59,468,408

11. TRADEMARKS

The Group's trademarks 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" which was introduced in first quarter of that year.

The remaining useful lives of the trademarks are as follows:

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Emperador Brandy	**2.75 years**	3 years
Generoso Brandy	**2.75 years**	3years
The Bar	**4.25 years**	4.5 years
Emperador Deluxe	**9.25 years**	9.5 years

Management believes that the trademarks are not impaired as of March 31, 2014 and December 31, 2013 asthe Group's products that carry such brands and trademarks are still selling fast.

The net carrying amount of trademarks is as follows:

	Note	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Balance at beginning of period		**P 329,058,062**	P 415,238,652
Addition during the period		**-**	16,153,914
Amortization during the period	16	**(25,718,166)**	(102,334,204)
Balance at end of period		**P 303,340,196**	P 329,058,362

12. OTHER NON-CURRENT ASSETS

This account is composed of the following:

	Note	**March 31, 2014 (Unaudited)**	December 31, 2013 (Audited)
Deferred input VAT		**P 226,585,466**	P 193,375,169
Refundable security deposits - net	18.3	**34,387,465**	34,755,535
Others assets		**168,918,599**	97,320,104
		P 429,891,530	P 325,450,808

13. TRADE AND OTHER PAYABLES

The breakdown of this account is as follows:

	Notes	**March 31, 2014 (Unaudited)**	December 31, 2013 (Audited)
Trade payables	18.1, 18.2, 18.3	**P 3,353,990,903**	P 2, 107,970,814
Advances from related parties	18.6	**1,082,371,823**	903,742,657
Accrued expenses		**284,014,802**	321,910,614
Output VAT payable		**250,791,595**	254,809,111
Others		**120,342,092**	83,417,267
		P5,091,511,215	P 3,671,850,463

Management considers the carrying amounts of trade and other payables to be a reasonable approximation of their fair values due to their short duration.

14. REVENUES

The details of revenues are shown below:

		For the Three Months Ended	
	Notes	**Mar 31, 2014 (Unaudited)**	Mar 31, 2013 (Unaudited)
Sale of goods		**P 7,478,663,762**	P 6,150,735,135
Other revenues - net	6, 8	**215,696,169**	452,326,494
		P 7,694,359,931	P 6,603,061,629

15. COST OF GOODS SOLD

The details of cost of goods sold are shown below:

	Notes	For the Three Months Ended Mar 31, 2014 (Unaudited)	Mar 31, 2013 (Unaudited)
Finished goods at Beginning of period	9	**P 1,036,441,587**	P 424,547,140
Finished goods purchased	18.1	**299,074,855**	113,805,000
Cost of goods manufactured			
Raw and packaging materials At beginning of period	9	**2,377,755,995**	2,811,441,883
Net purchases during the period	18.1	**4,543,589,059**	3,688,219,358
Raw and packaging materials At end of period	9	**(2,223,629,504)**	(2,210,070,461)
Raw materials used during the period		**4,697,715,550**	4,289,590,781
Work-in-process at beginning of period	9	**3,035,664**	7,793,883
Manufacturing overhead			
Fuel and oil		**84,623,714**	76,741,581
Depreciation and amortization	10	**72,617,831**	49,636,934
Communication, light and water		**53,235,979**	39,611,606
Indirect materials		**43,768,704**	-
Outside services		**39,311,748**	16,316,903
Rentals	18.3	**28,739,358**	26,431,198
Labor		**26,073,113**	28,033,666
Repairs and maintenance		**23,099,780**	19,361,177
Consumables and supplies		**16,567,488**	19,330,862
Taxes & Licenses		**13,214,631**	24,205,835
Miscellaneous		**13,762,526**	10,247,682
Work-in-process at end of period	9	**(3,851,581)**	(3,081,346)
		5,111,914,505	4,604,220,762
Finished goods at end of period	9	**(1,747,808,305)**	(1,153,539,597)
		P 4,699,622,642	P 3,989,033,305

16. OTHER OPERATING EXPENSES

The details of other operating expenses are shown below.

	Notes	For the Three Months Ended Mar 31, 2014 (Unaudited)	Mar 31, 2013 (Unaudited)
Freight out		P **240,156,767**	P 229,661,507
Advertising		**98,412,192**	121,563,934
Taxes and licenses		**48,599,015**	14,367,480
Salaries and employee benefits		**40,372,211**	41,034,217
Outside services		**32,812,347**	21,517,768
Amortization of trademarks	11	**25,718,166**	25,314,318
Travel and transportation		**22,704,861**	24,357,438
Fuel and oil		**16,552,978**	13,755,129
Rentals	18.3	**13,575,392**	12,724,887
Depreciation and amortization	10	**8,538,915**	9,831,474
Representation		**6,484,790**	2,448,809
Insurance		**3,893,133**	1,039,910
Utilities		**2,784,498**	1,948,725
Repairs and maintenance		**2,023,009**	8,346,975
Consumables and supplies		**1,264,700**	1,108,999
Miscellaneous		**20,595,449**	20,082,743
		P 584,488,423	P 549,104,313

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

	For the Three Months Ended Mar 31, 2014 (Unaudited)	Mar 31, 2013 (Unaudited)
Selling and distribution	**P 539,445,493**	P 542,333,288
Administrative expenses	**45,042,930**	6,771,025
	P 584,488,423	P 549,104,313

17. TAXES

In 2014 and 2013, the Group opted to claim optional standard deduction in computing its regular corporate income tax except for EDI which opted to use itemized deduction in 2013.

18. 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. Transactions with related parties are also discussed below.

The summary of the Group's transactions with its related parties for the three-month periods ended March 31, 2014 and 2013 and the related outstanding balances as of March 31, 2014 and December 31, 2013 are as follows:

Related Party Category	Notes	Amount of Transaction For the Three months Ended March 31, 2014	Amount of Transaction For the Three months Ended March 31, 2013	Outstanding Balance as of March 31, 2014	Outstanding Balance as of December 31, 2013
Ultimate Parent Company:					
Lease of properties	18.3	P **2,000,000**	P 2,000,000	P **9,105,576**	P **8,965,576**
Related Parties Under Common Ownership:					
Purchase of raw materials	18.1	**13,449,033**	394,046,048	447,127,312	451,648,340
Purchase of imported goods	18.1	**833,612**	45,465,616	**82,768**	35,270,647
Lease of properties	18.3	**19,266,300**	25,132,259	**53,418,500**	48,130,000
Advances obtained (payment made)	18.6	**178,929,166**	(415,888,100)	**1,079,601,108**	900,671,942
Acquisition of machineries and equipment	18.2	**-**	-	**191,584,700**	191,584,700
Acquisition of distilling facility	10,18.7		**897,569,335**	-	
Sale of goods	18.4	**624,122**	9,597,811	**2,788,287**	5,032,459
Stockholder -					
Advances obtained	18.6	**-**	-	**3,070,715**	3,070,715
Officers and Employees -					
Advances granted (payment)	18.5	**2,329,184**	**4,055,277**	**16,792,481**	14,463,297

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 for the three months ended March 31, 2014 and 2013 for related party receivables.

Transactions with related parties are also discussed below.

18.1 Purchase of Goods

Prior to its acquisition of the distillery plant in 2013, the Group sources its alcohol requirements from Condis (see Note 18.7). 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. These transactions are payable within 30 days. The outstanding balances as of March 31, 2014 and December 31, 2013 are shown as part of Trade Payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 13).

18.2 Acquisitions 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 remained unpaid as of March 31, 2014 and December 31, 2013 and is shown as part of Trade Payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 13).

18.3 Lease Agreements

The Group has a renewable lease agreement with TEI as the lessor, covering its main manufacturing plant facilities, which is being renewed annually unless mutually terminated by both parties. Total rental expense arising from this lease amounted to P14.6 million and P21.0 million for the three months ended March 31, 2014 and 2013, respectively, and presented as part of Rentals account under Cost of Goods Sold in the consolidated statements of comprehensive income (see Note 15). As of March 31, 2014 and December 31, 2013, unpaid rental relating to this lease agreement amounted to P53.1 million and P48.1 million, respectively, and is presented as part of Trade Payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 13).

The Group has a five-year lease contract with Megaworld Corporation, a related party under common ownership, as the lessor, for the head office space, which will mature in 2014. Total rental expense from this contract for the three months ended March 31, 2014, 2013 amounted to P4.7million and P4.1 million, respectively, and presented as part of Rentals under the Selling and Distribution Expenses and Cost of Goods Sold accounts in the consolidated statements of comprehensive income (see Notes 15 and 16). There are no unpaid rentals regarding this lease agreement as of March 31, 2014 and December 31, 2013.

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 P17.6 million and P24.1 million as of March 31, 2014 and December 31, 2013, respectively (see Note 12).

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 P2.0 million for the three months ended March 31, 2014 and 2013 were charged to operations under Cost of Goods Sold in the consolidated statements of comprehensive income (see Note 15). 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 13).

18.4 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. These receivables are presented as part of Trade Receivables under Trade and Other Receivables account in the consolidated statements of financial position (see Note 7).

18.5 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 as of March 31, 2014 and December 31,2013 are presented as Advances to Officers and Employees under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 7).

The movements in the balance of Advances to Officers and Employees are as follows:

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Balance at beginning of period	**P 14,463,297**	P 10,408,070
Additions during the period	**2,239,184**	12,406,678
Repayments during the period		(8,351,451)
Balance at end of period	**P 16,792,481**	**P 14,463,297**

18.6 Advances from Related Parties

Certain entities within the AGI Group and other related parties grant cash advances to the EDI Group for its working capital, investment and inventory purchases requirements. These advances are unsecured, non-interest 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 13).

The movements in the balance of Advances from Related Parties are as follows:

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Balance at beginning of period	**P 903,742,657**	P 1,264,150,739
Additions during the period	178,929,166	-
Repayments during the period	-	(360,408,082)
Balance at end of period	**P 1,082,671,823**	**P 903,742,657**

18.7 Acquisition of Distilling Facilities

In 2013, the Group acquired the distillery facilities of Condis, which include the following assets:

	Notes	
Property, plant and equipment	10	P 756,990,993
Inventories	9	140,578,342
		P 897,569,335

19. EQUITY

19.1 Capital Stock

Capital stock consists of:

	Shares		Amount at P1 Par	
	March 31, 2014 (Unaudited)	March 31, 2013 (Unaudited)	**March 31, 2014 (Unaudited)**	March 31, 2013 (Unaudited)
Common stock – P1 par value				
Authorized no. of shares	20,000,000,000	100,000,000	P 20,000,000,000	P 100,000,000
Issued:				
Balance at beginning of period	**15,000,000,000**	**61,750,00**5	15,000,000,000	61,750,005
Issued during the period				
Balance at end of period	**15,000,000,000**	61,750,005	P **15,000,000,000**	P 61,750,005

On June 19, 2013 and August 27, 2013, the Company's BOD and stockholders, 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 with par value of P1.00per share. On September 5, 2013, the Company's application for the increase in authorized common stock was approved by the SEC. (See Notes 1.1)

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 of14.9 billion shares. Under the terms of AGI's subscription, the Company acquired all of EDI shares held by AGI.(See Notes 1.1 and 1.2)

On September 17, 2013, AGI launched an offering of 1.8 billion shares of the Company's shares, which is approximately 12% of the total issued shares. The said offering was priced at P8.98 per share and crossed on September 20, 2013. On September 25, the settlement date, the amount of P11.2 billion out of the net proceeds was directly remitted to the Company as an additional subscription price under the terms of AGI's amended subscription; such amount is recorded as Additional Paid-In Capital (APIC). Costs related to the issuances were deducted from APIC.

On September 25, AGI beneficially acquired two of the Company'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 March 31, 2014.

20. EARNINGS PER SHARE

Earnings per share were computed as follows:

	For the Three Months Ended	
	Mar 31, 2013 (Unaudited)	Mar 31, 2013 (Unaudited)
Net profit	**P 1,716,721,986**	P 1,441,792,006
Divided by the weighted average number of outstanding common shares (*of EDI)	**15,000,000,000**	5,400,000,000*
	P 0.11	P 0.27

The Group has no potentially dilutive instruments; thus, basic and dilutive earnings per share are the same.

21. COMMITMENTS AND CONTINGENCIES

The Group entered into non-cancellable leases covering certain manufacturing plant facilities, storage tanks and office spaces. The leases are for a period of one and five years, respectively, which are renewable thereafter upon mutual agreement of both parties. Several warehouse lease agreements with different lessors were likewise executed in 2014 and 2013 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 March 31, 2014 and December 31, 2013 are as follows:

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Within one year	**P 47,473,476**	P 56,923,846
After one year but not more than five years	**7,298,485**	12,572,691
	P 54,771,961	P 69,496,537

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 interim consolidated financial statements.

22. 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 in the succeeding paragraphs.

22.1 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, its functional currency. Exposures to currency exchange rates arise from the Group's foreign currency-denominated transactions, which are primarily denominated in U.S. dollars (USD).

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency denominated financial assets and liabilities (all denominated in USD), translated into Philippine pesos at the closing rate, are as follows:

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Financial assets	**P 2,980,823,666**	P 3,111,066,586
Financial liabilities	**5,438,994,024**	1,738,868,577
Net assets (liabilities)	**(P 2,548,170,358)**	P 1,372,198,009

The following table illustrates the sensitivity of the Group's profit before tax with respect to changes in Philippine pesos against USD exchange rates. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in 12 months of 2013 at a 68% confidence level.

	March 31, 2014	December 31 2013
Reasonably possible change in rate	**23%**	23%
Effect in profit before tax	**P 587,009,039**	P316,106,273

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 March 31, 2014 and December 31, 2013, the Group is exposed to changes in market rates through its cash in banks and short-term placements which are subject to 30-day re-pricing intervals (see Note 6). 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.

22.2 Credit Risk

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, as summarized below.

	Notes	March 31, 2014 (Unaudited)	December 31,2013 (Audited)
Cash and cash equivalents	6	**P 21,509,968,552**	P 24,040,194,994
Trade and other receivables – net	7	**2,802,928,359**	2,848,613,460
Marketable debt securities		**436,235,697**	-
Refundable security deposits	12	**34,387,465**	34,755,535
		P 24,783,520,073	P 26,923,563,989

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. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500 thousand for every depositor per banking institution.

(b) Trade and Other Receivables

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure. In determining credit risk, trade and other receivables excludes advances to supplier amounting to P1,283 million and P176.9 million as of March 31, 2014 and December 31, 2013, respectively (see Note 7).

The age of trade and other receivables that are past due but unimpaired is as follows:

	Mar 31, 2014	Dec 31, 2013
Not more than 3 months	**P 652,979,822**	P 1,164,740,755
More than 3 months but not more than six months	**172,585,493**	186,771,704
	P 825,565,315	P 1,351,512,459

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.

22.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring cash outflows 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.

The contractual maturities of trade and other payables (except for output vat payable, withholding taxes payable and advances from suppliers under others) and derivative liabilities reflect the gross cash flows, which approximates the carrying values of the liabilities at the end of each reporting period. As at March 31, 2014 and December 31, 2013, the Group's financial liabilities, which have contractual maturities of less than 12 months, are presented below.

	March 31 2014 (Unaudited)		December 31,2013 (Audited)	
	Within 6 Months	**6 to 12 Months**	Within 6 Months	6 to 12 Months
Trade and other payables	**P 4,800,852,415**	-	P 3,366,111,588	P -
FVTPL liability		**-**	38,631,143	-
	P 4,800,852,415	P -	P 3,404,742,731	P -

The Group maintains cash to meet its liquidity requirements for up to seven-day periods. Excess cash funds are invested in time deposits.

23. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts and fair values of the categories of financial assets and liabilities presented in the consolidated statements of financial position are shown below.

	Notes	March 31, 2014 (Unaudited)		December 31, 2013 (Audited)	
		Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	P 21,509,968,552	P 21,509,968,552	P 24,040,194,994	P 24,040,194,994
Trade and other receivables	7	2,802,509,668	2,802,509,668	2,848,613,460	2,848,613,460
Refundable security deposits	12	34,387,465	34,387,465	34,755,535	34,755,535
FVTPL financial asset	8	436,235,697	436,235,697	-	-
		P 24,783,520,073	P 24,783,520,073	P 26,923,563,989	P26,923,563,989
Financial Liabilities					
Financial liabilities at amortized cost:					
Trade and other payables	13	P 4,800,852,415	P 4,800,852,415P	3,366,111,588	P 3,366,111,588
FVTPL liability	8			38,631,143	38,631,143
		P 4,800,852,415	P 4,800,852,415	P 3,404,742,731	P 3,404,742,731

A description of the Group's risk management objectives and policies for financial instruments is provided in Note 22.

24. FAIR VALUE MEASUREMENT AND DISCLOSURES

24.1 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:

a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
b) 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,

c) 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.

24.2 Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Company's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of March 31, 2014 and December 31, 2013:

	March 31, 2014(Unaudited)			
	Level 1	Level 2	Level 3	Total
Financial assets –				
FVTPL financial asset	P 436,235,697	-	-	P436,235,697

	December 31, 2013 (Audited)			
	Level 1	Level 2	Level 3	Total
Financial liability –				
FVTPL financial liability	P 38,631,143	P -	P -	P 38,631,143

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years. As of March 31, 2014 and December 31, 2013, the financial instruments included in Level 1comprise of foreign exchange spots and forward contracts classified as financial instruments at FVTPL (see Note 8).

24.3 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 March 31, 2014 consolidated statement of financial position but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P21,509,968,552	P -	P -	P 21,509,968,552
Trade and other receivables	-	-	2,802,928,359	2,802,928,359
Refundable security deposits	-	-	34,387,465	34,387,465
	P21,509,968,552	P -	P 2,837,315,989	P 24,347,284,376
Financial liabilities –				
Trade and other payables	P -	P -	P 4,800,852,415	P 4,800,852,415

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.

25. 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:

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Total liabilities	**P 6,221,905,725**	P 4,336,848,366
Total equity	**32,613,177,351**	30,888,513,814
Debt-to-equity ratio	**0.19: 1**	0.14: 1

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.

26. SUBSEQUENT EVENT

On May 9, 2014, the Group signed an agreement with United Spirits (Great Britain) Ltd., a wholly owned subsidiary of United Spirits Ltd. (USL) of India, to acquire the Scottish Whyte & Mackay whiskey business for an enterprise value of 430 million pounds. The acquisition will put the Group in two fast growing spirits industries, the brandy and whiskey.

The sale is subject to India's and Britain's regulatory approvals as well as USL's shareholders' approval.

SIGNATURES

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

Issuer: **EMPERADOR INC.**

By:

DINA D.R. INTING
Corporate Information Officer
& Chief Financial Officer
May 13, 2014