A	2	0	0	1	1	7	5	9	5

S.E.C. Registration Number

EMPERADOR INC.

(Company's Full Name)

7/F 1880 EASTWOOD AVENUE, EASTWOOD CITY CYBERPARK, BAGUMBAYAN, QUEZON CITY

(Business Address: No. StreetCity/ Town/ Province)

DINA D.R. INTING

Contact Person

709-2038 to 41

Company Telephone Number

12 **31**

Month Day
Fiscal Year

17-Q

FORM TYPE
(**QUARTERLY REPORT FOR MARCH 31,2016)**

05 **3rd Monday**

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

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, 2016**

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

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

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	**16,120,000,000**

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

The interim consolidated financial statements (ICFS) have been prepared in accordance with PFRSs and Philippine Accounting Standard 34, *Interim Financial Reporting.* As such, they do not include all of the information and disclosures required for full annual consolidated financial statements, and thus should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended December 31, 2015 (ACFS). 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, 2015. 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 quarter of the year with P1.40 billion net profit and P8.97 billion total revenues.

Revenues from the brandy business, i.e. Emperador ex-WMG, expanded by 19% year-on-year. Offshore, Bodegas Fundador contributed its one-month operating results as it was consolidated for the first time beginning March this year. Locally, in addition to slight increase from Emperador Brandy, there were sales attributed to the new products, Andy Player and Smirnoff Mule, which were launched after the first quarter last year. On the other hand, the Scotch whisky business reported a 31% drop in its first quarter revenues, following the termination of the Russian Standard Vodka distributorship at end-2015. Meanwhile, the international markets gained from new territories, especially from USA.

Overall gross profit margin is at 31% for both interim periods.

Other operating expenses were flat at 1% year-on-year, to P990 million from P978 million a year ago. The Scotch whisky segment had reduced expenses, attributable to its phasing of promotional activities and transfer of office. The brandy segment, on the other hand, had increased expenses, particularly in advertising and promotional campaigns of the new products and expenses attributed to Bodegas Fundador.

Other income were slightly lower primarily due to timing of take-up of share in net profit of Spanish joint venture. Other charges were up due to interest expense on bank loans.

Tax expense was down by 30% due to lower taxable income.

EBITDA, which is computed as profit before interest expense, tax, depreciation and amortization, amounted to P1.99 billion and P2.05 billion for the interim period of 2016 and 2015, respectively, representing 22% and 23% margin in the respective interim periods.

Financial Condition

Total assets amounted to P97.48 billion as at March 31, 2016 which is three-quarters of a billion higher than P98.26 billion at December 31, 2015. The Group is strongly liquid with current assets exceeding current liabilities 1.24 times by the end of the interim period. Working capital or liquidity was generally sourced internally from operations. Current assets amounted to P47.48 billion while current liabilities amounted to P38.16 billion at end of interim period.

Cash and cash equivalents dipped by 36% or P10.57 billion over the three-month period with the completion of the Bodegas Fundador acquisition and Tradewind acquisition plus the debt repayments to related parties.

Trade and other receivables fell by 28% or P3.86 billion, primarily due to higher collections from customers and related parties.

Financial instruments at fair value through profit or loss amounted to P120 million at end of interim period as compared to P3 million reported last year-end. This reflects the offshore assets.

Inventories increased 14% or P2.31 billion, primarily from the maturing inventories of Bodegas Fundador and WMG.

Prepayments and other current assets went up by 87% or P288 million mainly due to an increase in creditable withholding taxes and timing of prepayments and subsequent charging to profit or loss of rent, advertising and overheads. Also, office relocation expenses were held in this account until WMG moves to the new office in second quarter.

Property, plant and equipment were up by 41% or P5.79 billion primarily from the acquired assets of Bodegas Fundador and Tradewind.

Intangible assets rose by 46% or P8.10 billion from the four acquired trademarks (Fundador, Terry Centenario, Harveys and Tres Cepas) and goodwill in the acquisition of Bodegas Fundador.

Other non-current assets dropped by 91% or P2.87 billion with the completion of the Bodegas Fundador acquisition. The P2.85 billion deposit paid last year for the acquisition was applied and closed upon completion.

Trade and other payables shrank by 8% or P1.24 billion as maturing accounts got paid as they fall due.

Income tax payable climbed by half or P239 million due to timing of payment, as the annual local taxes are to be settled in April.

Accrued interest payable represents accrual of interest on the equity-linked debt securities, which are not yet due and payable.

Provisions went down by 24% or P188 million from the onerous lease and dilapidations at WMG books, where dilapidation payments were being made for the head office which is now vacated.

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

Retirement benefit obligations escalated by 56% or P258 million from the additions booked by WMG.

Accumulated translation adjustments refer to the difference resulting in the translation of the foreign subsidiaries' financial statements to Philippine pesos. Monetary assets and liabilities are translated at the closing rate and income and expenses at average exchange rates. For the interim period, there was P596 million added to loss from such monetary translations, brought about by the stronger foreign currencies vis-à-vis the Philippine peso.

Revaluation reserves were reduced six-fold or P246 million primarily due to the actuarial loss on retirement benefit obligation booked by WMG.

Five Key Performance Indicators

	Q1 2016	Q1 2015
Revenues	8,967	8,895
Net profit	1,404	1,401
Revenue growth	0.8%	15.6%
Net profit growth	0.3%	-18.4%
Net profit rate	15.7%	15.8%
Return on assets	1.4%	1.6%
	Mar 31, 2016	Dec 31, 2015
Total assets	97,475	98,259
Total current assets	47,478	59,193
Total current liabilities	38,164	39,489
Current ratio	1.24x	1.50x
Quick ratio	0.75x	1.08x

- 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 at March 31, 2016, 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 profit 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.

FINANCIAL REPORTS

For the Three Months Ended March 31, 2016

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2016 AND DECEMBER 31, 2015
(Amounts in Philippine Pesos)

	Notes	Unaudited March 31, 2016	Audited December 31, 2015
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	5	**P 18,609,085,307**	P 29,177,542,237
Trade and other receivables - net	6	**9,729,769,823**	13,592,915,689
Financial assets at fair value through profit or loss		**119,874,048**	2,654,900
Inventories - net	7	**18,401,506,301**	16,089,751,648
Prepayments and other current assets		**617,925,044**	330,175,997
Total Current Assets		**47,478,160,523**	59,193,040,471
NON-CURRENT ASSETS			
Investment in joint venture	11	**3,787,186,716**	3,873,264,431
Property, plant and equipment - net	8	**20,053,920,637**	14,267,074,361
Intangible assets - net	9	**25,868,263,699**	17,768,351,472
Other non-current assets - net	10	**287,826,500**	3,156,901,823
Total Non-current Assets		**49,997,197,552**	39,065,592,087
TOTAL ASSETS		**P 97,475,358,075**	P 98,258,632,558
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	12	P **23,580,473,817**	P 23,899,762,792
Trade and other payables	14	**13,922,806,671**	15,167,221,745
Financial liabilities at fair value through profit or loss		**-**	-
Income tax payable		**661,160,260**	421,891,614
Deposit for future stock subscription		**-**	-
Total Current Liabilities		**38,164,440,748**	39,488,876,151
NON-CURRENT LIABILITY			
Equity-linked debt securities	13	**5,260,310,722**	5,259,137,443
Accrued interest payable	13	**352,638,904**	283,528,767
Provisions		**606,546,204**	794,258,510
Deferred tax liabilities - net		**1,721,968,925**	1,883,012,945
Retirement benefit obligation		**721,706,453**	464,167,708
Total Non-current Liabilities		**8,663,171,208**	8,684,105,373
Total Liabilities		**46,827,611,956**	48,172,981,524
EQUITY			
Equity attributable to owners of the parent company			
Capital stock		**16,120,000,000**	16,120,000,000
Additional paid-in capital		**22,348,856,023**	22,348,856,023
Accumulated translation adjustments		**(2,000,474,648)**	(1,404,255,536)
Revaluation reserves		**(206,082,135)**	40,162,823
Share Options		4,050,748	4,050,748
Retained earnings		**14,375,646,131**	12,971,086,976
Total equity attributable to owners of the parent company		**50,641,996,119**	50,079,901,034
Non- controlling interest		5,750,000	5,750,000
Total Equity		50,647,746,119	50,085,651,034
TOTAL LIABILITIES AND EQUITY		**P 97,475,358,075**	P 98,258,632,558

See Notes to Consolidated Financial Statements.

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTERS ENDED MARCH 31, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	March 31, 2016	March 31, 2015
REVENUES	15	**P 8,967,012,490**	**P 8,894,815,123**
COSTS AND EXPENSES			
Costs of goods sold	16	6,117,640,563	6,015,166,084
Selling and distribution expenses	17	641,630,075	635,351,169
General and administrative expenses	17	348,443,352	342,675,281
Other charges	6,12,13	201,743,652	141,268,605
		7,309,457,642	**7,134,461,139**
PROFIT BEFORE TAX		**1,657,554,848**	**1,760,353,984**
TAX EXPENSE	18	252,995,693	359,479,691
NET PROFIT		**1,404,559,155**	**1,400,874,293**
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will be reclassified subsequently to profit or loss -			
Translation gain (loss)		(596,219,112)	(191,046,160)
Items that will not be reclassified subsequently to profit or loss -			
Net actuarial loss on retirement benefit obligation		**(246,244,958)**	-
		(842,464,070)	**(191,046,160)**
TOTAL COMPREHENSIVE INCOME		**P 562,095,085**	**P 1,209,828,133**
Earnings per share			
Basic and Diluted	20	**P 0.09**	**P 0.09**

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTERS ENDED MARCH 31, 2016 AND 2015
(Amounts in Philippine Pesos)

		Attributable to Owners of the Parent Company									
						Retained Earnings					
	Note	Capital Stock	Additional Paid-in Capital	Accumulated Translation Adjustment	Revaluation Reserves	Share Options Outstanding	Appropriated	Unappropriated	Total	Total	Noncontrolling Interest	Total Equity
Balance at January 1, 2016		P 16,120,000,000	P 22,348,856,023	(P 1,404,255,536)	P 40,162,823	P 4,050,748	P 550,000,000	P 12,421,086,976	P 12,971,086,976	P 50,079,901,034	P 5,750,000	P 50,085,651,034
Total comprehensive income for the period		-	-	(596,219,112)	(246,244,958)	-	-	1,404,559,155	1,404,559,155	562,095,085	-	562,095,085
Balance at March 31, 2016		**P 16,120,000,000**	**P 22,348,856,023**	**(P 2,000,474,648)**	**(P 206,082,135)**	**P 4,050,748**	**P 550,000,000**	**P 13,825,646,131**	**P 14,375,646,131**	**P 50,641,996,119**	**P 5,750,000**	**P 50,647,746,119**
Balance at January 1, 2015		P 16,120,000,000	P 22,348,856,023	(P 685,584,783)	(P 310,304,679)	P -	P -	P 8,429,030,690	-	P 29,781,997,251	P -	P 29,781,997,251
Total comprehensive income for the period		-	-	(191,046,160)	-	-	-	1,400,874,293	1,400,874,293	1,209,828,133	1,404,559,153	2,614,387,286
Balance at March 31, 2015		**P 16,120,000,000**	**P 22,348,856,023**	**(P 876,630,943)**	**(P 310,304,679)**	**-**	**-**	**P 9,829,904,983**	**P 1,400,874,293**	**P 30,991,825,384**	**P 1,404,559,153**	**P 32,396,384,537**

See Notes to Consolidated Financial Statements.

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED MARCH 31, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	March 31, 2016	March 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 1,657,554,848	P 1,760,353,984
Adjustments for:			
Depreciation and amortization	8	142,592,772	125,374,585
Interest income		(74,570,690)	(45,187,033)
Amortization of trademarks	9	25,718,167	25,718,167
Interest expense		163,102,325	139,634,420
Share in net profit of joint venture	11	(8,034,452)	(54,708,694)
Impairment losses	6	-	1,634,185
Loss (gain) on sale of property, plant and equipment	8	(613,820)	-
Operating profit before working capital changes		1,905,749,150	1,952,819,614
Decrease in trade and other receivables		3,754,025,468	3,070,109,535
Decrease (increase) in financial instruments at fair value through profit or loss		(117,219,148)	806,588,558
Decrease (increase) in inventories		199,220,350	(55,947,261)
Decrease (increase) in prepayments and other current assets		(223,202,780)	69,330,152
Increase in other non-current assets		(150,536,029)	(91,504,893)
Decrease in trade and other payables		(1,815,054,216)	(9,034,383,451)
Increase (decrease) in retirement benefit obligation		6,034,087	(92,288,283)
Cash generated from (used in) operations		3,559,016,882	(3,375,276,029)
Cash paid for income taxes		(24,235,038)	(16,820,520)
Net Cash From (Used in) Operating Activities		3,534,781,844	(3,392,096,549)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment	8	(390,877,797)	(1,242,603,339)
Dividends from joint venture	11	94,112,167	-
Interest received		74,570,690	67,664,831
Proceeds from sale of property, plant and equipment	8	4,275,077	-
Acquisition of business unit	1	(11,850,742,240)	-
Acquisition of a subsidiary	1	(1,624,999,995)	-
Net Cash Used in Investing Activities		(13,693,662,098)	(1,174,938,508)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(95,448,364)	(21,909,055)
Repayment of borrowings	12	(319,288,975)	(2,192,249,982)
Net Cash Used in Financing Activities		(414,737,339)	(2,214,159,037)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(10,573,617,593)	(6,781,194,094)
CASH AND CASH EQUIVALENTS FROM ACQUIRED SUBSIDIARY	1	5,160,663	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		29,177,542,237	35,234,629,567
CASH AND CASH EQUIVALENTS AT END OF PERIOD		P 18,609,085,307	P 28,453,435,473

See Notes to Consolidated Financial Statements.

EMPERADOR INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
MARCH 31, 2016 and 2015

	3/31/2016	12/31/2015
Current ratio	1.24 : 1	1.50 : 1
Quick ratio	0.75 : 1	1.08 : 1
Liabilities-to-equity ratio	0.92 : 1	0.96 : 1
Asset -to-equity ratio	1.92 : 1	1.96 : 1
		3/31/2015
Net profit margin	15.66%	15.75%
Return on assets	1.44%	1.56%
Return on equity/investment	2.77%	2.97%
Interest rate coverage ratio	11.16	13.61

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.

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
AGING SCHEDULE OF TRADE AND OTHER RECEIVABLES
MARCH 31, 2016
(Amounts in Thousand Philippine Pesos)

Trade Receivables	
Current	6,191,267
1 to 30 days	616,646
31 to 60 days	374,491
Over 60 days	1,846,822
Total	9,029,226
Advances to Related Parties	179,483
Other receivables	521,061
Balance at March 31, 2016	**9,729,770**

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016
(With Comparative Figures for December 31, 2015 and March 31, 2015)
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION AND UPDATE

Emperador Inc. (EMP or the Parent Company or the Company) is a holding company which operates an integrated business of manufacturing, bottling and distributing distilled spirits and other alcoholic beverages from the Philippines and Europe, through its wholly-owned subsidiaries. At present, the Group has a wider range of products in its portfolio - from value to super premium – and an international reach to 100 countries.

Through **Emperador Distillers, Inc.** (“EDI”), EMP has established its identity in the Philippine alcoholic beverages business with high quality liquor products - predominated by own brand ‘Emperador Brandy’ which makes EDI the Philippines’ largest liquor company and the world’s largest brandy producer; ‘Andy Player Whisky’ which was re-launched in October 2015; ‘The Bar’ which is the Philippines’ first flavored alcoholic drink; and ‘Smirnoff Mule Vodka’ which is a licensed product. It also distributes the Whyte and Mackay products and Ernest and Gallo wines.

Through **Whyte and Mackay Group Limited** (“WMG” or “Whyte and Mackay”) of United Kingdom, EMP operates a global Scotch whisky business. WMG has a rich heritage of a Scottish spirits company, which is the fifth largest Scotch whisky manufacturer in the world, and its products, which include the British luxury brand ‘The Dalmore Single Highland Malt’, ‘Jura Premium Single Malt’, and ‘Whyte & Mackay Blended Scotch Whisky’, are distributed in over 50 countries.

Through **Bodegas Fundador S.L.U**. (“Bodegas Fundador”) of Spain, a wholly-owned subsidiary of **Grupo Emperador Spain**, EMP concluded on February 29, 2016 the purchase of the brandy and sherry business from Beam Spain, S.L. which include four iconic brands - ‘Fundador Brandy de Jerez’, the first Spanish brandy to be marketed; ‘Terry Centenario’, the largest brandy in Spain; ‘Tres Cepas’, a market leader in Equatorial Guinea; and ‘Harveys’, the no. 1 selling sherry wine in the world and the leader in UK where it holds the distinction of being the only sherry wine that can be served to the Queen in Buckingham Palace. This recent acquisition fortified EMP’s brandy business and sherry wine business in Spain and United Kingdom, making it the largest brandy company in the world. Bodegas Fundador has the largest and oldest brandy facility in Spain. The purchase is valued at P14.7 billion, including taxes, and consists of: (In Million Pesos)

Tangible assets acquired -	
Property, plant and equipment	P 4,137
Inventories	2,457
Intangible assets acquired -	
Trademarks	6,663
Goodwill	1,463
Total cash paid	P 14,720

On March 11, 2016, EDI acquired full control of **Tradewind Estates, Inc**. which owns the land and main building where the Laguna plant stands.

EMP and its subsidiaries (collectively referred to as “the Group”) belongs under the umbrella of **Alliance Global Group, Inc.** (“AGI”), the ultimate parent company, which 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. Both company hold office at the 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

The consolidated financial statements of the Group as of and for the period ended March 31, 2016 (including the comparative consolidated financial statements as of December 31, 2015 and for the interim period ended March 31, 2015) were authorized for issue by the Parent Company's Board of Directors through the Audit Committee on April 30, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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, 2015.

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, 2015, except for the application of adopted standards that became effective on January 1, 2016, as discussed in Note 2.2.

Certain accounts in the 2015 interim consolidated statement of comprehensive income were reclassified to conform with the annual consolidated financial statement presentation that year.

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.

2.2 Adoption of Amended PFRS and Interpretation

Effective 2016 that are relevant to the Group

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2015 which are adopted by the FRSC. Management will adopt the relevant pronouncements in accordance with their transitional provisions, and, unless otherwise stated, none of the following are expected to have significant impact on the Group's consolidated financial statements. See 2015 Note 2.2(b)]

(i) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016)
(ii) PAS 16 (Amendment), *Property, Plant and Equipment,* and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016).
(iii) PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective from January 1, 2016)
(iv) PFRS 10 (Amendment), *Consolidated Financial Statements,* PFRS 12, *Disclosure of Interests in Other Entities,* and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective from January 1, 2016)

(v) PFRS 10 (Amendment), *Consolidated Financial Statements,* and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely)

(vi) PFRS 11 (Amendment), *Joint Arrangements – Accounting for Acquisitions of Interest in Joint Operations* (effective from January 1, 2016)
PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). Management is currently assessing the impact of PFRS 9 on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

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

- PAS 19 (Amendment), *Employee Benefits – Discount Rate.*
- PFRS 7 (Amendment), *Financial Instruments – Disclosures.*

2.3 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's executive committee; its chief operating decision-maker. Each of these operating segments is managed separately as each of these product lines requires different processes and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made judgments, apart from those involving estimation, which are consistent with those applied in the last year-end.

3.2 Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, are consistent with those of the preceding year-end

4. SEGMENT INFORMATION

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

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

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

4.1. Analysis of Segment Information

Segment information for the years ended March 31, 2016 and 2015 (in thousands) are as follows:

	EMPERADOR		**WMG**		**Total**	
	2016	2015	**2016**	2015	**2016**	2015
REVENUES	**P 6,719,626**	P 5,651,448	**P 2,247,387**	P 3,243,367	**P 8,967,013**	P 8,894,815
COSTS AND EXPENSES						
Costs of goods sold	**4,497,382**	3,368,089	**1,620,259**	2,647,077	**6,117,641**	6,015,166
Selling and distribution expenses	**501,412**	398,437	**140,218**	236,914	**641,630**	635,351
General and administrative expenses	**86,075**	31,514	**262,368**	311,161	**348,443**	342,675
Other charges	**183,654**	116,637	**18,090**	24,631	**201,744**	141,268
	5,268,523	3,914,677	**2,040,935**	3,219,783	**7,309,458**	7,134,460
SEGMENT PROFIT BEFORE TAX	**1,451,103**	1,736,771	**206,452**	23,584	**1,657,555**	1,760,355
TAX EXPENSE (INCOME)	**263,504**	369,031	**(10,508)**	(9,550)	**252,996**	359,481
SEGMENT NET PROFIT	**P 1,187,599**	P 1,367,740	**P 216,960**	P 33,134	**1,404,559**	P 1,400,874
	Mar31,2016	Dec31,2015	**Mar31,2016**	Dec31,2015	**Mar31,2016**	Dec31,2015
Total assets	P56,937,617	P54,832,345	P40,537,741	P43,426,288	P97,475,358	P98,258,633
Total liabilities	P38,508,792	P37,762,618	P 8,318,820	P10,410,364	P46,827,612	P48,172,982

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

5. CASH AND CASH EQUIVALENTS

This account includes the following components:

		March 31, 2016 (Unaudited)		December 31, 2015 Audited
Cash on hand and in banks	**P**	**2,402,851,912**	P	16,296,974,597
Short-term placements		**16,206,233,395**		12,880,567,640
	P	**18,609,085,307**	P	29,177,542,237

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 1.5% to 2.75% in the first quarter of 2016 (see Note 15).

6. TRADE AND OTHER RECEIVABLES

Details of this account are as follows

			March 31, 2016 (Unaudited)		December 31, 2015 (Audited)
Trade receivables	19.4	**P**	**9,084,716,129**	P	11,627,694,408
Advances to related parties	19.6		**179,482,705**		1,628,798,800
Advances to suppliers			**342,015,555**		336,354,121
Advances to officers and employees	19.5		**23,468,350**		21,491,459
Accrued interest receivable			**329,198**		201,972
Other receivables			**155,248,551**		35,274,356
			9,785,260,488		13,649,815,116
Allowance for impairment			**(55,490,665)**		(56,899,427)
		P	**9,729,769,823**	P	13,592,915,689

Trade receivables are usually due within 30 days and do not bear any interest. All trade receivables are subject to credit risk exposure (see Note 22.2).

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

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

A reconciliation of the allowance for impairment is shown below.

		March 31, 2016 (Unaudited)		December 31, 2015 (Audited)
Balance at beginning of year	**P**	**56,899,427**	P	78,318,123
Impairment losses				3,426,329
Collections		**(1,408,762)**		(24,845,025)
	P	**55,490,665**	P	56,899,427

Certain receivables previously provided with allowance for impairment were collected which reduced the allowance for impairment by the same amount and were recognized as part of Other revenues under the Revenues account in the interim consolidated statement of comprehensive income (see Note 15).

Impairment losses on trade and other receivables are presented as part of Other Charges in the interim 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. INVENTORIES

Inventories as of March 31, 2016 and December 31, 2015, except for certain finished goods and raw materials, are all stated at cost, which is lower than their net realizable values. The details of inventories are shown in the succeeding page.

	Notes		March 31, 2015 (Unaudited)		December 31, 2015 (Audited)
Finished goods	1, 19.1	**P**	**2,402,822,198**	P	2,326,981,897
Work-in-process	1, 8		**13,930,772,574**		11,494,183,891
Raw materials	1, 19.1		**1,526,837,023**		1,858,531,561
Packaging materials	1		**490,607,076**		399,369,933
Machinery spare parts, Consumables and factory supplies			**195,392,738**		155,653,361
			18,546,431,609		16,234,720,643
Allowance for inventory write-down			**(144,925,308)**		(144,968,995)
		P	**18,401,506,301**	P	16,089,751,648

The maturing liquid stock inventory is presented as part of work-in-process inventories, and is stored in various locations across Scotland and Spain.

An analysis of the cost of inventories included in costs of goods sold for the period ended March 31, 2016 and 2015 is presented in Note 16.

8. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property, plant and equipment as of March 31, 2016 and December 31, 2015 are shown below.

		March 31, 2016 (Unaudited)		December 31, 2015 Audited
Cost	**P**	**27,191,268,917**	P	21,373,460,736
Accumulated depreciation and amortization		**(7,137,348,280)**		(7,106,386,375)
Net carrying amount	**P**	**20,053,920,637**	P	14,267,074,361

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

	Note		March 31, 2016 (Unaudited)		December 31, 2015 Audited
Balance at beginning of period, net of accumulated depreciation and amortization		**P**	**14,267,074,361**	P	11,467,808,296
Acquired from business unit and subsidiary	1		**5,596,471,142**		-
Additions during the period			**390,877,797**		3,544,640,919
Disposals during the period			**(3,661,257)**		(10,155,278)
Depreciation/amortization charges for the period			**(196,841,406)**		(735,219,576)
Balance at the end of the period, net of accum. depreciation and amortization		**P**	**20,053,920,637**	P	14,267,074,361

The construction of a distillery plant located at Balayan, Batangas is still ongoing as of March 31, 2016 as well as the upgrade of IT system and buildings in UK.

The amount of depreciation and amortization is allocated as follows:

	Notes		For the Three Months Ended March 31, 2016 (Unaudited)		March 31, 2015 (Audited)
Cost of goods sold	16	**P**	**127,738,644**	P	88,937,465
Selling and distribution Expenses	17		**7,289,934**		7,376,039
Administrative expenses	17		**7,564,194**		29,061,081
		P	**142,592,772**	P	125,374,585

For the period March 31, 2016 and 2015, depreciation expense amounting to P54.2 million and P40.8 million were capitalized to form part of the work-in-process inventory. Such capitalized amounts represent depreciation expense on barrels and warehouse buildings wherein the maturing bulk stocks of whisky are held, which can reach periods of up to 60 years.

9. INTANGIBLE ASSETS

This account is composed of the following:

	Note		March 31, 2016 (Unaudited)		December 31, 2015 (Audited)
Trademarks	1	**P**	**16,732,712,041**	P	10,095,457,168
Goodwill	1		**9,135,551,658**		7,672,894,304
		P	**25,868,263,699**	P	17,768,351,472

Certain trademarks were determined to have a finite useful life. The net carrying amounts of these trademarks are as follows:

	Note		March 31, 2016 (Unaudited)		December 31, 2015 (Audited)
Balance at beginning		**P**	**123,313,026**	P	226,185,694
Amortization	17		**(25,718,167)**		(102,872,668)
Balance at end of year		**P**	**97,594,859**	P	123,313,026

Management believes that the trademarks are not impaired as of March 31, 2016 and December 31, 2015 as the Group's products that carry such brands and trademarks are still performing very well in the market; hence, no impairment is necessary to be recognized in the periods presented.

10. OTHER NON-CURRENT ASSETS

This account is composed of the following:

	Note		March 31, 2016 (Unaudited)		December 31, 2015 (Audited)
Deposit for asset acquisition	1	**P**	**-**	P	2,848,690,163
Deferred input VAT			**238,544,731**		258,615,169
Refundable security deposits – net	19.3		**41,519,377**		41,422,457
Other assets			**7,762,392**		8,174,034
		P	**287,826,500**	P	3,156,901,823

11. INVESTMENT IN A JOINT VENTURE

The carrying amount of the investment in joint venture, accounted for under the equity method in these consolidated financial statements, are as follows:

		March 31, 2016 (Unaudited)		December 31, 2015 Audited
Acquisition cost	**P**	**3,703,721,965**	P	3,703,721,965
Accumulated equity in net earnings		**169,542,466**		39,534,826
Dividend received		**(94,112,167)**		
Equity share in net profit for the period		**8,034,452**		130,007,640
	P	**3,787,186,716**	P	3,873,264,431

The equity share in net income for the period is recorded as part of Other revenues under the Revenues account in the interim consolidated statement of comprehensive income (see Note 15).

12. INTEREST-BEARING LOANS AND BORROWINGS

The Group has short-term foreign-currency denominated loans offshore which amounted to P22.1 billion and P23.9 billion as of March 31, 2016 and December 31, 2015, respectively, and P1.5 billion peso loan as of March 31, 2016. These loans are generally unsecured and bear interest ranging from 0.65% to 1.4% per annum for the offshore loans and 5% per annum for the peso loan. Interest expense on these loans amounted to P92.8 million in the first quarter of 2016 (P48.9 million in 2015), which is presented as part of Other Charges, while accrued interest thereon amounted to P27.1 million and P29.7 million as of end-March 2016 and yearend-2015, respectively, which are presented as part of Accrued expenses under the Trade and Other Payables account (see Note 14). The Group complies with the financial covenants on these loans and borrowings.

13. EQUITY-LINKED DEBT SECURITIES

The equity-linked debt securities instrument (ELS) amounting to P5.3 billion were issued to Arran Investment Private Limited (Arran or Investor) in 2014, as part of its investment in EMP. The ELS may be converted into 480.0 million common shares (conversion shares) of EMP.

Interest expense for the interim period ended March 31, 2016 and 2015 amounted to P69.1 million and P66.1 million, respectively, and are presented as part of Other Charges in the interim consolidated statements of comprehensive income. The related interest payable amounting to P352.6 million and P283.5 million as of March 31, 2016 and December 31, 2015, respectively, are presented as Accrued Interest Payable in the interim consolidated statements of financial position.

The documentary stamp taxes (DST) paid for the issuance of the ELS amounted to P26.4 million, which is presented net of the outstanding liability. The amortization of DST amounted to P1.2 million and 1.04 million in the first quarter of 2016 and 2015, respectively, and presented as part of Other Charges in the interim consolidated statements of comprehensive income.

There were no related collaterals on the ELS.

14. TRADE AND OTHER PAYABLES

The breakdown of this account is as follows:

	Notes		March 31, 2016 (Unaudited)		December 31, 2015 (Audited)
Trade payables	19.1, 19.2 19.3, 19.7,19.6	**P**	**5,174,950,404**	P	6,460,787,974
Advances from related parties	19.6		**4,899,772,892**		4,672,827,792
Accrued expenses	12		**3,495,026,204**		3,488,704,748
Output VAT payable			**136,614,086**		507,067,987
Others			**216,443,085**		37,833,244
		P	**13,922,806,671**	P	15,167,221,745

15. REVENUES

The details of revenues are shown below.

			For the Three Months Ended		
			March 31, 2016 (Unaudited)		March 31, 2015 (Unaudited)
Sale of goods	19.4	**P**	**8,858,214,575**	P	8,767,545,635
Other revenues – net	5,11,6		**108,797,915**		127,269,488
		P	**8,967,012,490**	P	8,894,815,123

16. COSTS OF GOODS SOLD

The details of costs of goods sold for the three months ended March 31, 2016 and 2015 are shown below:

			For the Three Months Ended		
			March 31, 2016 (Unaudited)		March 31, 2015 (Unaudited)
Finished goods, beginning	7	**P**	**2,326,981,897**	P	2,109,429,719
Addition due to acquired business unit	1		**72,932,552**		-
Finished goods purchased	19.1		**360,176,028**		223,759,184
Costs of goods manufactured					
Raw and packaging materials, beginning	7		**2,257,901,494**		3,237,689,432
Addition due to acquired business unit	1		**55,490,635**		
Net purchases	19.1		**4,902,628,019**		5,270,928,630
Raw and packaging materials, end	7		**(2,017,444,099)**		(3,447,871,368)
Raw materials used			**5,198,576,049**		5,060,746,694
Work-in-process, beginning	7		**11,494,183,891**		9,901,698,258
Work-in-process acquired during the year	1		**2,326,850,080**		

Direct labor			**124,283,501**		84,817,360
Manufacturing overhead					
Depreciation and amortization	8		**127,738,644**		88,937,465
Labor			**74,556,766**		79,310,213
Fuel and lubricants			**60,471,189**		72,565,466
Outside services	19.7		**58,768,996**		62,056,612
Rentals	19.3		**68,054,058**		62,039,711
Communication, light and water			**47,850,512**		51,663,259
Repairs and Maintenance			**30,679,634**		35,240,541
Consumables and Supplies			**12,317,203**		24,982,354
Taxes and licenses			**24,159,451**		15,461,992
Insurance			**6,809,045**		6,858,657
Commission			**10,115,226**		5,777,432
Transportation			**5,181,739**		4,951,067
Waste disposal			**2,480,174**		2,887,794
Gasoline and oil			**7,871,215**		2,003,072
Meals			**1,097,125**		1,264,870
Miscellaneous			**9,100,360**		12,215,674
Work-in-process, end	7		**(13,930,772,574)**		(9,827,291,500)
			561,796,235		687,440,297
Finished goods, end	7		**(2,402,822,198)**		(2,066,209,810)
		P	**6,117,640,563**	P	6,015,166,084

17. OTHER OPERATING EXPENSES

	Notes		For the Three Months Ended **March 31, 2016 (Unaudited)**		March 31, 2015 (Unaudited)
Salaries and employee benefits		**P**	**213,942,251**	P	193,190,760
Advertising			**275,620,583**		270,466,784
Freight out			**138,114,870**		145,659,863
Professional fees and outside services			**73,366,864**		80,497,799
Taxes and licenses			**35,780,908**		43,879,195
Travel and transportation			**57,799,391**		40,601,624
Depreciation & amortization	8		**14,854,128**		36,437,120
Rentals	19.3		**25,878,071**		32,428,731
Other Services			**41,469,117**		32,339,354
Amortization of trademarks	9		**25,718,167**		25,718,167
Fuel and oil			**8,364,661**		10,603,540
Miscellaneous			**20,961,170**		18,362,074
Meals			**12,552,090**		11,777,638
Representation			**11,204,561**		10,239,823
Repairs and maintenance			**9,091,714**		6,431,993
Insurance			**6,338,770**		6,226,744
Consumables and supplies			**13,931,133**		6,004,512
Utilities			**5,084,978**		5,545,797
Trading fees			**-**		1,614,932
		P	**990,073,427**	P	978,026,450

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

	For the Three Months Ended	
	March 31, 2016 (Unaudited)	March 31, 2015 (Unaudited)
Selling and distribution expenses	**P 641,630,075**	P 635,351,169
General and Administrative expenses	**348,443,352**	342,675,281
	P 990,073,427	P 978,026,450

18. TAXES

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. In March 31, 2016 and 2015, the Group opted to claim itemized deductions in computing its income tax due.

EMP's foreign subsidiaries are subject to income and other taxes based on the enacted tax laws of the countries and/or jurisdictions where they operate.

19. 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 March 31, 2016 and 2015 and the related outstanding balances as of March 31, 2016 and December 31, 2015 are as follows:

		Amount of Transaction For the Three Months Ended		Outstanding Receivable (Payable) as of	
	Notes	**March 31, 2016**	**March 31, 2015**	**March 31, 2016**	December 31, 2015
Ultimate Parent Company:					
Lease of properties	19.3	**2,000,000**	2,000,000	**6,095,740**	11,462,366
Advances granted (collected)	19.6	**(1,449,316,095)**	-	**105,683,905**	1,555,000,000
Related Parties Under Common Ownership:					
Purchase of raw materials	19.1	**590,813,704**	1,009,905,833	**(1,031,669,149)**	(1,200,024,526)
Purchase of finished goods	19.1	**1,864,102**	698,657	**-**	(207,002)
Lease of properties	19.3	**6,549,252**	20,364,267	**242,101**	88,221,500
Advances paid (obtained)	19.6	**228,201,561**	(6,935,723,656)	**(4,896,702,177)**	(4,668,500,616)
Acquisition of machineries and equipment	19.2	**191,584,700**	-	**-**	(191,584,700)
Sale of goods	19.4	**12,136,660**	1,683,897	**22,990,370**	35,027,581
Management Services	19.7	**21,000,000**	33,750,000	**(23,100,000)**	(102,975,000)
Advances granted (collected)	19.6	**-**	-	**73,798,800**	73,798,800
Stockholder -					
Advances paid (obtained)	19.6	**1,256,461**	-	**(3,070,715)**	(4,327,176)
Issuance of ELS	13			**(5,280,000,000)**	(5,280,000,000)
Officers and Employees -					
Advances granted (payment)	19.5	**1,976,891**	3,953,175	**23,468,350**	21,491,459

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, 2016 and 2015 for related party receivables.

19.1 Purchase of Goods

The Group imports raw materials such as alcohol, flavorings and other items through Andresons Global, Inc. (AGL). There are also finished goods purchased through AGL. The Group imports raw materials from Alcoholera dela Mancha Vinicola, S.L., a wholly owned subsidiary of BLC, now considered a related party under common control.

These transactions are payable within 30 days. The outstanding balances as of March 31, 2016 and December 31, 2015 are shown as part of Trade Payables under the Trade and Other Payables account in the interim consolidated statements of financial position (see Note 14).

19.2 Acquisition of Machinery and Equipment

In 2010, the Group purchased certain machinery and equipment from TEI for P285.4 million. Outstanding balance of P191.6 million were paid during the first quarter of 2016 .

19.3 Lease Agreements

Total rental expense arising from the lease contract with TEI as the lessor amounted to P14.6 million for the three months period ended March 31, 2015, and presented as part of Rentals under the Costs of Goods Sold account in the interim consolidated statements of comprehensive income (see Note 16). As of December 31, 2015, unpaid rentals relating to this lease agreement amounted to P88.2 million, and is presented as part of Trade payables under the Trade and Other Payables account (see Note 14). TEI became a wholly-owned subsidiary in 2016 and thus intercompany transactions and balances as of and for the interim period ended March 31, 2016 were eliminated in the consolidation.

Total rental expense from the lease contract with Megaworld for head office spaces for the three months ended March 31, 2016 and 2015 amounted to P6.5 million, and P5.8 million, respectively, and presented as part of Rentals under the Selling and Distribution Expenses, General and Administrative Expenses, and Cost of Goods Sold accounts in the interim consolidated statements of comprehensive income (see Note 16 & 17). There are no unpaid rentals related to this lease agreement as of March 31, 2016 and December 31, 2015.

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 interim consolidated statements of financial position with carrying amounts of P7.5 million and P22.1 million as of March 31, 2016 and December 31, 2015, respectively (see Note 10).

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, 2016 and 2015 were charged to operations under Cost of Goods Sold in the interim consolidated statements of comprehensive income (see Note 16). The outstanding liability from this transaction is shown as Trade payables under the Trade and Other Payables account in the interim consolidated statements of financial position (see Note 14).

19.4 Sale of Goods

The Group sold finished goods to some of its related parties. Goods are sold on the basis of the price lists in force and terms that would be available to non-related parties. The outstanding receivables from these transactions are generally noninterest-bearing, unsecured and settled through cash within three to six months. These receivables are presented as part of Trade receivables under the Trade and Other Receivables account in the interim consolidated statements of financial position (see Note 6).

19.5 Advances to Officers and Employees

In the normal course of business, the Group grants noninterest-bearing, unsecured, and payable on demand cash advances to certain officers and employees. The outstanding balance arising from these transactions is presented as Advances to officers and employees under the Trade and Other Receivables account in the interim consolidated statements of financial position (see Note 6).

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

		March 31, 2016 (Unaudited)		December 31, 2015 (Audited)
Balance at the beginning	**P**	**21,491,459**	P	10,720,071
Additions		**1,976,891**		20,619,238
Payments		**-**		(9,847,850)
Balance at the end	**P**	**23,468,350**	P	21,491,459

19.6 Advances to (from) Related Parties

Certain entities within the AGI Group and other related parties grant cash advances to (from) the Group for its working capital, investment and inventory purchases requirements. These advances are unsecured, noninterest-bearing and repayable upon demand in cash. These are presented as Advances from related parties under the Trade and Other Payables account (see Note 14).

The movements in the balance of Advances from related parties are as follows:

		March 31, 2016 (Unaudited)		December 31, 2015 (Audited)
Balance at the beginning	**P**	**4,672,827,792**	P	11,210,404,733
Additions		**226,945,100**		
Payments		**-**		(6,537,576,941)
Balance at the end	**P**	**4,899,772,892**	P	4,672,827,792

In 2014, the Group made unsecured, interest-bearing cash advances to AGI and New Town Land Partners (New Town), a related party under common ownership, for financial and working capital purposes, which are payable in cash upon demand. The outstanding receivable amounted to P179.5 million and P1.6 billion as of March 31, 2016 and December 31, 2015, respectively, and presented as part of Advances to related parties under the Trade and Other Receivables account in the interim consolidated statements of financial position (see Note 6).

19.7 Management Services

EDI has a management agreement with TEI, for consultancy and advisory services in relation to the operation, management and development and maintenance of machineries, as well as the operation, management and maintenance of such machineries. It also has another management agreement with Condis in relation to EDI's operation, management and maintenance of its distillery plant.

Total management fees incurred are presented as part of Outside services under the Costs of Goods Sold account in the interim consolidated statements of comprehensive income (see Note 16). The outstanding liability arising from management is presented as part of Trade payables under the Trade and Other Payables account in the interim consolidated statement of financial position (see Note 14). The related liabilities are unsecured and noninterest-bearing.

20. EARNINGS PER SHARE

Earnings per share were computed as follows:

	For the Three Months Ended	
	March 31, 2016 (Unaudited)	March 31, 2015 (Unaudited)
Net profit	**P 1,404,559,155**	P 1,400,874,293
Divided by the weighted average number of outstanding common shares	**16,120,000,000**	16,120,000,000
	P 0.09	P 0.09

The basic and diluted earnings per share are the same because the dilutive effects of the potential common shares from the employee share options have no significant impact in 2015 as they were only issued in November 2015. On the other hand, the potential common shares from the convertible ELS are considered to be antidilutive since their conversion to ordinary shares would increase earnings per share. Thus, the weighted average number of issued and outstanding common shares presented above does not include the effect of the potential common shares from the employee share options and convertible ELS.

The weighted average number of outstanding common shares for March 31, 2016 and 2015 pertains to the common shares of EMP.

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 periods ranging from one to 50 years which are renewable thereafter upon mutual agreement of both parties. Several warehouse lease agreements with different lessors were likewise executed 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, 2016 and December 31, 2015 are as follows:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Within one year	**P 68,031,328**	P 138,060,125
After one year but not more than five years	**80,750,329**	328,006,684
More than five years	**-**	232,800,000
	P 148,781,657	P 698,866,809

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, US dollars, Euros, and UK pounds, which are the entities' functional currencies. Exposures to currency exchange rates arise from the Group's foreign currency-denominated transactions at each entity level. EDI holds US dollar denominated cash and cash equivalents as of March 31, 2016 and December 31, 2015.

Foreign currency-denominated financial assets and financial liabilities, translated into Philippine pesos at the closing rate, are as follows:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Financial assets	**P 20,018,309**	P 1,525,900
Financial liabilities	**-**	(1,256,461)
Net assets (liabilities)	**P 20,018,309**	P(269,439)

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

	Reasonably possible change in rate	Effect in profit before tax	Effect in equity before tax
March 31, 2016	**3.81%**	**P 762,698**	**P 533,889**
December 31, 2015	3.47%	P 9,350	P 6,545

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, 2016 and December 31, 2015, 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. The Group's interest-bearing loans and borrowings are subject to fixed interest rates and are therefore not subject to interest rate risk.

(c) Price Risk

The Group's market price risk arises from its investments carried at fair value recorded under financial assets at FVTPL with risk to earnings or capital arising from changes in stock exchange indices. The Group manages exposures to price risk by monitoring the changes in the market price of the investments to determine the impact on its financial position, and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

The investments in listed equity securities are considered short-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored.

22.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting advances and selling goods to customers including related parties and placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

Generally, the maximum credit risk exposure of financial assets is the total carrying amount of the financial assets as shown in the interim consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	Notes		**March 31, 2016 (Unaudited)**		December 31, 2015 (Audited)
Cash and cash equivalents	5	**P**	**18,609,085,307**	P	29,177,542,237
Trade and other receivables – net	6		**9,387,754,268**		13,256,561,568
Refundable security deposits	10		**41,519,377**		41,422,457
		P	**28,038,358,952**	P	42,475,526,262

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 P0.5 million 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 to any single counterparty or any group of counterparties having similar characteristics. In determining credit risk, trade and other receivables exclude advances to suppliers amounting to P342.0 million and P336.4 million as of March 31, 2016 and December 31, 2015, respectively (see Note 6).

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

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Not more than 3 months	**P 1,576,186,834**	P 1,720,342,929
More than 3 months but not more than six months	**1,261,771,861**	734,704,966
	P 2,837,958,695	P 2,455,047,895

The Group has no trade and other receivables that are past due for more than six months.

None of the financial assets are secured by collateral or other credit enhancements, except for cash, as described above.

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.

As at March 31, 2016 and December 31, 2015, the Group's financial liabilities are presented below.

	March 31, 2016 (Unaudited)		
	Within 6 Months	**6 to 12 Months**	**1 to 5 Years**
Interest-bearing loans and borrowings	**P 4,238,232,884**	**P 18,182,707,518**	**P 1,800,000,000**
Trade and other payables	**13,733,025,555**	**-**	**-**
FVTPL liability	**-**	**-**	**-**
ELS	**-**	**-**	**6,738,766,650**
	P 17,971,258,439	**P 18,182,707,518**	**P 8,538,766,650**

	December 31, 2015 (Audited)		
	Within 6 Months	6-12 Months	1-5 Years
Interest-bearing loans and borrowings	P 5,689,201,950	P 18,539,668,551	P -
Trade and other payables	14,630,899,514	-	-
ELS	-	-	6,738,766,650
	P 20,320,101,464	P 18,539,668,551	P 6,738,766,650

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

23. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL 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 financial liabilities presented in the interim consolidated statements of financial position are shown in the succeeding page.

	Notes	March 31, 2015 (Unaudited) Carrying Values	Fair Values	December 31, 2015 (Audited) Carrying Values	Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	5	**18,609,085,307**	**18,609,085,307**	29,177,542,237	29,177,542,237
Trade and other receivables	6	**9,387,754,268**	**9,387,754,268**	13,256,561,568	13,256,561,568
Refundable security deposits	10	**41,519,377**	**41,519,377**	41,422,457	41,422,457
FVTPL financial assets		**119,874,048**	**119,874,048**	2,654,900	2,654,900
		P 28,158,233,000	**P 28,158,233,000**	P 42,478,181,162	P 42,478,181,162
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	12	**23,580,473,817**	**23,580,473,817**	23,899,762,792	23,899,762,792
Trade and other payables	14	**13,733,025,555**	**13,733,025,555**	14,630,899,514	14,630,899,514
ELS	13	**5,260,310,722**	**5,260,310,722**	5,259,137,443	5,259,137,443.00
Accrued interest payable		**352,638,904**	**352,638,904**	283,528,767	283,528,767
FVTPL liability		**-**	**-**	-	-
		P 42,926,448,998	**P 42,926,448,998**	P 44,073,328,516	P 44,073,328,516

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

Currently, the Group's other financial assets and financial liabilities are settled on a gross basis because there is no relevant offsetting arrangement on them as of March 31, 2016 and December 31, 2015. 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 interim consolidated statements of financial position on a recurring basis.

	March 31, 2016	December 31,2015 (Audited)	
	Level 1	Level 2	Level 3
Financial assets –			
FVTPL	**P 119,874,048**	P 2,654,900	P -

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 interim 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	P 18,609,085,307	P -	P -	P 18,609,085,307
Trade and other receivables	-	-	9,387,754,268	9,387,754,268
Refundable security deposits	-	-	41,519,377	41,519,377
	P 18,609,085,307	P -	P 9,429,273,645	P 28,038,358,952
Financial liabilities –				
Interest-bearing loans and borrowings	P -	P -	23,580,473,817	23,580,473,817
Trade and other payables	-	-	13,733,025,555	13,733,025,555
ELS	-	-	5,260,310,722	5,260,310,722
Accrued interest payable	-	-	352,638,904	352,638,904
	P -	P -	P 42,926,448,998	P 48,926,448,998

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 interim consolidated statements of financial position. Capital at the end of each reporting period is summarized as follows:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Total liabilities	**P 46,827,611,956**	P 48,172,981,524
Total equity	**50,641,996,119**	50,079,901,034
Debt-to-equity ratio	**P 0.92 : 1.00**	P 0.96 : 1.00

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

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
Chief Financial Officer,
Corporate Information Officer
& Duly Authorized Officer
(Principal Financial/Accounting Officer)
May 12, 2016