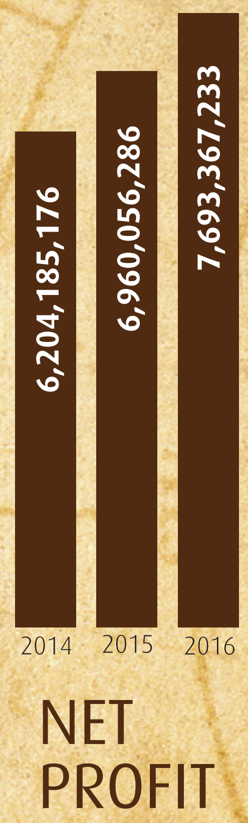
EMPERADOR INC.

Across Countries Spanning Continents

ANNUAL 2016 REPORT

Contents

Financial Highlights



Chairman's Message

The year 2016...marked yet another solid year of teamwork, alignment and focus from all of our stakeholders in pursuit of a goal of strengthening our company's position. Cost efficiencies coupled with improved business processes and sustained staff commitment have allowed us to meet and even exceed our targets.

More than four decades ago, my late father gave me a special treat for my graduation from university. Together with friends and family, we opened and finished three bottles of Fundador Brandy to mark this major milestone in my life. I am quite certain that this is the kind of scene that is replicated by many other families who celebrate not only the graduation of their children, but also other joyous occasions.

It was therefore meaningful—both personally and professionally—that we had the opportunity to forge an agreement in November 2015 to acquire Fundador as part of the purchase of the brandy and sherry business in Jerez de la Frontera, the brandy capital of Spain. The acquisition was completed in March 2016, consequently expanding our brandy portfolio while contributing to revenues and earnings in 2016. I feel so much pride that our company, Emperador, owns the iconic Fundador brandy, the Philippines' best-selling premium imported brandy.

Chairman's Message

The purchased assets included three brands, namely: Harveys, the number one selling sherry wine in the United Kingdom; Terry Centenario, Spain's number one selling brandy; and Tres Cepas, the number one brandy in Equatorial Guinea. The purchased assets also included Spain's largest and oldest brandy cellars Bodegas Fundador, which was established in the year 1730, production facilities, ageing cellars, vineyards and state-of-the-art blending and bottling facilities in Jerez, a brandy distillery in Tomelloso, as well as all ageing inventory, related machinery, tools and equipment, finished products, intellectual property and transferring employees.

The acquisition of Bodegas Fundador, along with that of Scotch whisky company Whyte and Mackay in 2014, has transformed Emperador, once a purely domestic company into a global liquor company. Our brands are now being sold in more than 100 countries all over the world.

Our financial results are just as impressive as our portfolio. Emperador Inc. grew its net profit last year by 11% to Php7.7 billion on higher margins from both our domestic and international liquor businesses. Driven by high-margin brandy and whisky products, we have been able to sustain our earnings growth per annum from 2011 to 2016 at 27%. We achieved our highest quarterly earnings in the fourth quarter of 2016, amounting to almost Php2.8 billion and reflecting an increase of 23% over the fourth quarter of 2015. Our consolidated revenues in 2016 stood at Php41 billion.

I am also happy to report that we received two awards at the 2016 International Review of Spirits organized by the Beverage Testing Institute in Chicago, USA.

Among the 14 winners in the Dark Brandy category, Emperador Solera Reservada won the silver award (highly-recommended), with added special recognition as "Best Buy" by garnering 89 points. Emperador Light, meanwhile, received the bronze award (recommended) with 83 points. The "Best Buy" recognition is an added excellence award and is only given to the spirits or wines that provide uncommon value. Emperador Solera Reservada and Emperador Light were the only Filipino brandies to be included among the world's best.

The awards mentioned were based on a points system, which is modified to a 100-point scale. The review was conducted through a series of blind-tasting tests by the Beverage Testing Institute's panel of highly experienced wines and spirits tasters and tastemakers from around the world.

At home, we continue to be the Philippines' largest liquor company, underpinned by products such as our Emperador and Fundador brandies as well as our imported single malt whiskies The Dalmore, Jura and Andy Player Whisky.

The year 2016 was more than a showcase of our stellar financial performance and the global accolades we received. It marked yet another solid year of teamwork, alignment and focus from all our stakeholders in the pursuit of our goal of strengthening our company's position. Cost efficiencies coupled with improved business processes and sustained staff commitment have allowed us to meet and even exceed our targets. I sincerely thank everyone who has made all these possible, and I look forward to meeting the challenges of the year ahead.

ANDREW L. TAN

Emperador Distillers, Inc.

Emperador Distillers, Inc. (EDI) fortified its position in 2016 as the Philippines' largest liquor company and the world's largest brandy producer. Its product portfolio is comprised of domestic and foreign brands led by Emperador Brandy, Emperador Light, Emperador Gold, Emperador Deluxe, Andy Player Whisky, Smirnoff Mule, The BaR, Carlo Rossi wines and Pik-Nik potato snacks.

EDI's flagship brandy line continued to assert its leadership in 2016. Emperador Brandy, launched in 1990 as the Philippines' first brandy label, is now the world's largest brandy by volume and is distributed in more than 40 countries across Asia, North America, Africa, Middle East, and Europe.

Emperador's dominance is anchored on its full-flavored original classic variant and the first-in-market light brandy with lower alcohol content that is the brandy-of-choice of the younger alcoholic beverage drinkers. As the market leader, Emperador provides a wide variety of offerings to cater to different segments and taste preferences.

- Emperador Gold is an exceptionally fine work of art with its elegant spirit made from Spanish blends and some of Emperador's best-aged holandas from Bodegas Las Copas in Toledo, Spain.
- Emperador Gold Limited Edition is a super exclusive run of Emperador Gold in a beautifully electro-plated gold bottle, a first-in-its-kind in the country.
- Emperador Deluxe is the most luxurious Emperador, blended and bottled in Spain at an affordable price. It is crafted in Bodega San Bruno giving its authentic Spanish character and taste whether you select the Spanish Edition or the Special Reserve.
- Emperador Majestic Reserve is an elegant and stately creation, aged and blended in the fine tradition of Emperador. This brandy is silky smooth and warm, with a rich aroma and bouquet that is truly distinctive.
- Emperador Grand Supreme is a brandy of exceptional heritage. Crafted at Bodega San Bruno, it spends many years in choice barrels previously used to age Oloroso sherry ensuring that the brandy in each bottle has the grand flavor and supreme quality that is distinctly the apex of the Emperador collection.

Innovation has always been at the forefront of Emperador's market leadership. The future holds more game-changing launches and new products in the Emperador portfolio.

Emperador Distillers, Inc.

Another major EDI brand is Smirnoff Mule. Introduced in the Philippines in 2015 in partnership with Diageo North America, Smirnoff Mule is a classic signature drink that delivers a refreshing taste with a ginger beer kick at 6% ABV. With its unique mix of Smirnoff Vodka, ginger beer, and lime, Smirnoff Mule has stirred the interest of the young, adventurous, and fun-loving millennials -- making Mule their go-to drink in the very competitive ready-to-drink category.

2016 has been another breakthrough year as Smirnoff Mule reached new heights in sales volume generated by massive brand awareness through digital and mass media marketing featuring celebrity endorser Paulo Avelino.

Smirnoff Mule has also greatly increased its availability and distribution through continuous relationship-building with our on-premise partner outlets. Smirnoff Mule will sustain its marketing efforts on bars, clubs, and restaurants through bar tour activations across the nation. Alongside this will be the continuous roll out of the Smirnoff Mule Chiller Program targeting the call-center market by setting up chillers in call center office buildings and sponsoring call center parties and events.

As the exclusive distributor of Gallo Wines, EDI's year-end depletion in 2016 recorded a steady annual compounded growth of 12% for the sixth straight year -- the highest among big-volume brands in the wine industry.

A significant part of the success of Gallo Wines in the Philippines is Carlo Rossi, a brand under the Gallo label and the No.1 wine brand in the Philippines. The year 2016 marked the introduction of Carlo Rossi premium, Carlo Rossi Lot 1933 Cabernet Sauvignon, that commemorates the year E & J Gallo Wines started in 1933.

Marketing efforts were intensified across the country in 2016 with Gallo Wine Chillers lent to selected chains to make available Gallo Fine Wines for off-premise or home drinking.

Filipino consumers are now also able to access E & J Gallo Fine Wines in more hotels and fine dining establishments in Manila. Plans are ready to replicate this success in other key cities, especially Cebu, Boracay and Davao.

Emperador Distillers, Inc.

Andy Player Blended Whisky continued to establish its foothold in the local market by developing a culture of whisky drinking among young middle class consumers. This was achieved by promoting a variety of ways to consume the product which includes cocktail mixes and increased presence in on-trade accounts thus providing consumers a more affordable and enjoyable world-class whisky blend.

Andy Cola was also introduced into the market as an entry-level product into the whisky category. It provides consumers a fun and familiar way to enjoy whisky.

The fun continues with Pik-Nik Shoestring Potatoes, with more fun campaigns and youth-oriented activities implemented to bind a growing relationship with the youth and make the brand aggressively competitive.

The main campaign "#Pik-Nik = FUN," brought the brand and its products to activities that include school fairs, university events, sports events, beach sampling, fitness parties, fun runs and marathons, concerts, movie screenings and film festivals.

A major accomplishment in 2016 was the completion of the new Pik-Nik plant in the United States. The manufacturing plant now features high–speed, state-of-the-art equipment, not touched by human hands. All Pik-Nik products are also Kosher and Halal certified.

Whyte & Mackay

Whyte & Mackay offers a diverse range of Scotch whiskies that cater to different target consumers.

The Whyte & Mackay brands are collectively called The Three As:

- Apex – The Dalmore is for discerning ultra high networth individuals. The Dalmore is the definitive luxury malt whisky since 1839.
- Accessible – Jura is the access to single malt for the scotch drinker who wants to venture into this category.
- Always – Whyte & Mackay Special is for individuals who want to be part of the scotch culture.

In 2016, a global PR campaign was launched for The Dalmore celebrating the 50th Anniversary of master Distiller Richard Paterson. The campaign drove key brand messages on blending expertise and craftsmanship to enhance the brand's luxury positioning. Part of this was a global tour around key markets in Asia, US and Europe, where specially invited HNWIs met Richard and had the opportunity to sample and buy an exclusive 50-year-old commemorative release. Only 50 were made available and priced at £50,000.

Whyte & Mackay

The Dalmore grew its brand by focusing on gaining visibility within its highly selected target market.

In the Philippines, The Dalmore concentrated on activities targeting the elite whisky enthusiasts around Metro Manila. Brand partnerships were carefully chosen to push The Dalmore's equity and presence. In Asia, visibility of The Dalmore increased especially in airports.

Whyte & Mackay

The Jura brand was re-launched in the US with a new liquid, new packaging and a new creative campaign with the tagline "A Long Way From Ordinary." The campaign builds on the unique relationship the tiny island community has with the production of a genuinely different single malt.

In the Philippines, Jura successfully launched Jura Discovery (Origin, Journey, and Destiny) at the Great British Festival 2016 organized by the British Embassy. Jura activated its Gift-with-Purchase in the Modern Trade in October 2016 where consumers received two complimentary whisky glasses for every purchase of Jura Single Malt Whisky. Jura also held an 11-day roadshow that introduced consumers to the Jura Discovery line in the top S&R branches in Metro Manila -- BGC, Alabang, Shaw, Aseana, and Congressional.

Bodegas Fundador

The purchase of Fundador Pedro Domecq, Spain's largest and oldest brandy, strengthened EDI's position as the world's largest brandy company and made the Philippines one of the largest foreign investors in Spain.

Bodegas Fundador

Apart from Fundador Brandy, the acquisition included three more major brands -- Terry Centenario, Spain's top-selling brandy; Tres Cepas, Equatorial Guinea's leading brandy; and Harveys, the world's top sherry wine.

EDI also acquired Bodegas Fundador, Spain's largest and oldest brandy cellar, along with production facilities, aging cellars, vineyards and state-of-the-art blending and bottling facilities in Jerez. EDI likewise took over Bodega Las Copas in Tomelloso, Spain, with its substantial aging inventory of brandy and sherry stocks.

The acquisition of the Spanish assets and Fundador Brandy immediately impacts both EDI's revenue and net income positively. With the earlier purchase of whisky makers Whyte and Mackay, EDI now has access to more than 100 countries around the world.

Product Profile

Luxury

THE DALMORE
HIGHLAND SINGLE MALT SCOTCH WHISKY

Super Premium

JURA

FUNDADOR

Premium

WHYTE & MACKAY

EMPERADOR Gold BRANDY

FUNDADOR

Product Profile

Standard

EMPERADOR Deluxe

ANDY PLAYER BLACK BLENDED WHISKY

TRES CEPAS

Millennials/ RTD

SMIRNOFF MULE

ANDY COLA

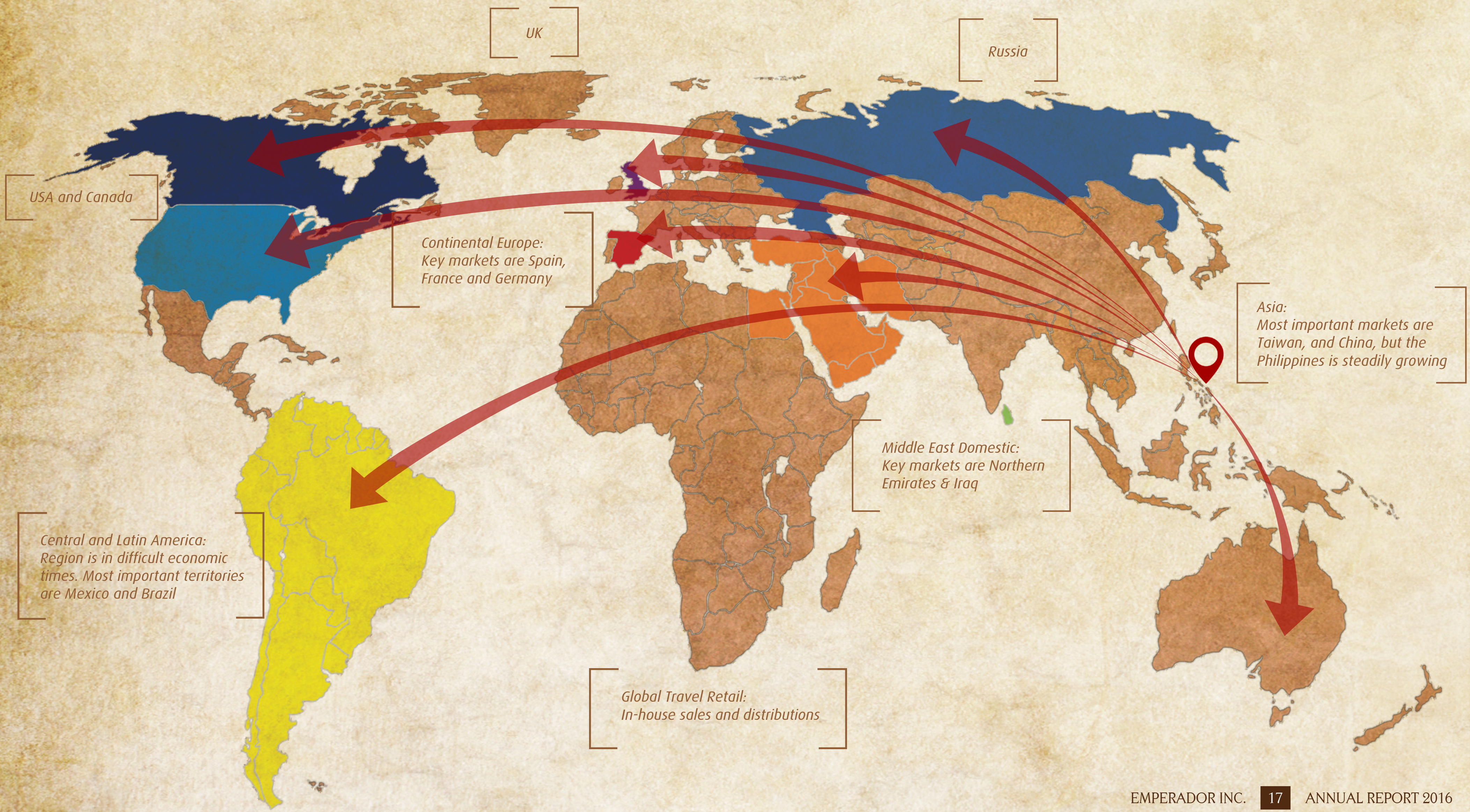
Mainstream

EMPERADOR LIGHT

EMPERADOR BRANDY

EMPERADOR Gold BRANDY

Worldwide Reach - WMG



Worldwide Reach - Fundador

Board of Directors

Andrew L. Tan

Mr. Tan, was first elected as Director and Chairman of the Board on August 28, 2013. He also holds the position of Chairman of the Board and Chief Executive Officer of Alliance Global Group, Inc., the parent company from year 2006 to 2016 and as Vice Chairman of Board for the same, 3 years prior. Mr. Tan is also the Director of Travellers International Hotel Group, Inc. since year 2008 to present. He is also the Chairman of Emperador Distillers, Inc. since its incorporation in 2003. From year 1989 to present, Mr. Tan is the Chairman and President of Megaworld Corporation and also the Chairman for Megaworld subsidiaries: Global-Estate Resorts, Inc. and Empire East Land Holdings, Inc. for 5 and 22 years, respectively. He pioneered the live-work-play-learn model in the real estate development through the Megaworld Corporation's integrated township communities, fueling the growth of the business process outsourcing ("BPO") industry, food and beverage, and quick service restaurants industries. Mr. Tan is concurrently the Chairman of the Board and President of Megaworld Land, Inc., Megaworld Globus Asia, Inc., Megaworld Newport Property Holdings, Inc., Mactan Oceanview Properties and Holdings, Inc., Richmonde Hotel Group International Limited, The Bar Beverage, Inc. and Yorkshire Holdings, Inc. He is also the Chairman of Alliance Global Group Cayman Islands, Inc., Alliance Global Brands, Inc., Suntrust Properties, Inc., Adams Properties, Inc., Consolidated Distillers of the Far East, Inc., and Townsquare Development, Inc. He sits in the boards of Eastwood Cyber One Corporation, Megaworld Cayman Islands, Inc., Forbes Town Properties & Holdings, Inc., Gilmore Property Marketing Associates, Inc., Megaworld Central Properties, Inc., Raffles & Company, Inc., 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

Mr. Co was first elected as Director and President on 28 August 2013. He holds the position of Chairman of Alliance Global Group, Inc. in 1998 then became the Vice Chairman in 1999 and now serves as its Director.

Board of Directors

Katherine L. Tan
Director & Treasurer

He is also a Director and President of Emperador Distillers, Inc. since 2003. His field of expertise is in finance and marketing of consumer products. He is concurrently Chairman and President of New Town Land Partners, Inc.; Chairman of Anglo Watsons Glass, Inc.; a Director of Alliance Global Brands, Inc., Forbes Town Properties & Holdings, Inc., 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

Ms. Tan was first elected as Director and Treasurer on 28 August 2013. She holds a position in Alliance Global Group, Inc. as Director and Treasurer from 2007 to present. Ms. Tan also served as Megaworld Corporation's Treasurer from year 1989 to 1995 and as Director for 27 years since the year 1989 to date. She is also a Director and Treasurer of Emperador Distillers, Inc. (since 2003), Alliance Global Brands, Inc., Yorkshire Holdings, Inc., and New Town Land Partners, Inc. She is concurrently Chairman and President of Andresons Global, Inc. and Choice Gourmet Banquet, Inc.; Director and President of The Andresons Group, Inc., Consolidated Distillers of the Far East, Inc., and Raffles & Company, Inc. Ms. Tan graduated from St. Scholastica's College with a degree in Nutrition.

Kendrick Andrew L. Tan

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

Kendrick Andrew L. Tan
Director

Board of Directors

Kingson U. Sian
Director

Kingson U. Sian

Mr. Sian was first elected as Director on 28 August 2013. From year 2007 to present, he is the President and Chief Operating Officer of Alliance Global Group, Inc. and Executive Director of Megaworld Corporation. Also, he is the Chief Executive Officer of Travellers International Hotel Group, Inc. since 2014 and the Director and President since 2008. He is concurrently President and Director of Forbestown Properties and 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 Masters Degree in Business Administration for Finance and Business Policy from the University of Chicago.

Enrique M. Soriano III

Mr. Soriano was first elected as Independent Director of the Company on May 16, 2016. He also holds the same position in Travellers International Hotel Group, Inc. from year 2013 up to present. He is also the President of the Wong & Bernstein Strategy Advisory Group and a member of the Philippine Marketing Association. He is a Family Business Coach, Book Author, Professor of Global Marketing, Program Director for Real Estate and Chairman of the Marketing Cluster of the Ateneo Graduate School of Business (“AGSB”). He holds a B.A. in History from the University of the Philippines, an MBA from De La Salle University, Doctorate Units at the UP National College of Public Administration and pursued Executive Education at the National University of Singapore Business School.

Enrique M. Soriano III
Independent Director

Board of Directors

Alejo L. Villanueva, Jr.
Independent Director

Alejo L. Villanueva, Jr.

Mr. Villanueva was first elected as Independent Director on 28 August 2013. He is an Independent Director of Alliance Global Group, Inc for 15 years already since 2001, Empire East Land Holdings, Inc. since 2007 and also for Suntrust Home Developers, Inc. from year 2012. He is also 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 of USAID), 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.

Management's Discussion and Analysis

KEY PERFORMANCE INDICATORS

				% Growth	
In Million Pesos	2016	2015	2014	2016	2015
Revenues	P 41,018	P 43,645	P 32,009	-6.0	36.4
Net Profit	P 7,693	P 6,960	P 6,204	10.5	12.2
Total assets	P 94,302	P 98,259	P 99,558	-4.0	-1.3
Total current assets	P 42,290	P 59,193	P 66,099	-28.6	-10.4
Total current liabilities	P 11,913	P 39,489	P 44,280	-69.8	-10.8
Gross profit margin %	37.14	31.61	35.12		
Net profit rate %	18.76	15.95	19.38		
Return on investment %	8.16	7.08	6.23		
Current ratio	3.55x	1.50x	1.49x		
Quick ratio	1.76x	1.08x	1.13x		

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

RESULTS OF OPERATIONS

The Group continues to expand its geographic footprint both in the Philippines and across the globe. It started with the acquisition of Bodega San Bruno in Spain in early 2013 and then Bodega Las Copas ("BLC") still in Spain in February 2014. From Spain, business opportunity knocked in UK as the Group acquired Whyte and Mackay ("WMG") in October 2014. The Group further expanded its grounds in Spain with the acquisition of brandy and sherry business in Spain, under Bodegas Fundador, a deal inked in November 2015 and the assets turned over in March 2016. These provided platforms for international expansion and domestic premiumization for Emperador. BLC is a joint venture which is accounted for under the equity method while WMG is a wholly owned subsidiary consolidated beginning November 2014. Bodegas Fundador started operations under the Group in March 2016.

Year Ended December 31, 2016 Compared With Year Ended December 31, 2015

Revenues

Total revenues were reported at P41,018 million this year as compared to P43,645 million a year ago, a 6.0% slowdown attributed primarily to the termination at end-2015 of the distribution of an agency brand from the Scotch whisky business. Own Scotch whisky labels, led by Dalmore and Jura, were driving offshore growth particularly in USA, Europe, Latin America and Travel Retail. The brandy business, which combined Emperador and Fundador brands, on the other hand, turned over revenues higher by 10.7% year-on-year.

Other revenues grew 51.4% to P571 million this year due to higher net results from BLC which in turn resulted in higher share in net profit recorded for this year, and higher interest income and foreign exchange gains as compared to a year ago.

Management's Discussion and Analysis

Costs and Expenses

Total costs and expenses went down by 10.3% to P31,582 million in 2016 from P35,195 million a year ago, primarily due to Scotch whisky business.

Cost of Goods Sold

Costs decreased by 14.1% primarily due to the cost attributed to the agency brand which was no longer carried in 2016. The brandy segment, meanwhile, increased costs during the year by 8.1% primarily due to expanded sales which was beefed up by Fundador's ten-month sales.

Gross Profit

Gross profit improved by 9.8% to P15,022 million in 2016 from P13,678 million in 2015. The brandy segment's gross profit rate for 2016 was up at 40% as compared to 39% a year ago due to cost efficiencies. The Scotch whisky segment, which has a relatively low gross margin, likewise, improved its GP rate to 28% this year from 20% a year ago. On a consolidated level, gross profit rates were 37% and 32% for 2016 and 2015, respectively.

Other operating expenses

Selling and distribution expenses expanded by 8.0% to P3,511 million from P3,250 million, mainly due to strategic marketing spend by Whyte and Mackay on its core malt brands. General and administrative expenses were maintained at P1,853 million from P1,828 million. The general and administrative expenses in the Scotch whisky business were down due to provisions made in 2015 which related to US franchise states while those of the brandy business went up due to professional fees paid in 2016.

Other charges

Other charges climbed to P794 million from P528 million primarily due the interest expense on loans.

Profit before Tax

As a result of the foregoing, profit before tax was up by 11.7% to P9,436 million in 2016 from P8,450 million in 2015.

Tax Expense

Tax expense was up 17.0% to P1,742 million from P1,490 million a year ago due to higher taxable income.

Net Profit

As a result of the foregoing, net profit increased by 10.5% to P7,693 million from P6,960 million a year ago.

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

Revenues

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

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

Costs and Expenses

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

Management's Discussion and Analysis

Cost of Goods Sold

Costs went up by 45.0% primarily due to the Scotch whisky segment. The brandy segment's costs during the year decreased by 6% due to soft volume and cost efficiencies.

Gross Profit

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

Other operating expenses

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

Other charges

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

Profit before Tax

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

Tax Expense

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

Net Profit

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

FINANCIAL CONDITION

December 31, 2016 and 2015

Total assets amounted to P94,302 million as of December 31, 2016 which is 4.0% down from P98,259 million as of December 31, 2015. The Group is strongly liquid with current assets exceeding current liabilities 3.55 times by the end of the current year.

Cash and cash equivalents dipped by 65.1% or P19,004 million in 2016 with the completion of the Bodegas Fundador acquisition, Tradewind acquisition, the debt repayments, and dividend payment. The Group ended 2016 with P10,174 million in its coffers from P29,178 million at beginning of year.

Trade and other receivables fell by 20.7% or P2,813 million, primarily due to higher collections from customers and related parties.

Inventories increased 29.0% or P4,665 million, primarily from the maturing inventories of newly acquired Bodegas Fundador and additions in WMG. WMG is currently laying down stocks for future growth.

Prepayments and other current assets soared 76.3% or P252 million due to timing of prepayments and subsequent charging to profit or loss of insurance, advertising, product cost, and overheads.

Management's Discussion and Analysis

Investment in a joint venture increased primarily from the share in net profits of BLC for 2016.

Property, plant and equipment were up by 46.8% or P6,682 million primarily from the acquired assets of Bodegas Fundador and Tradewind.

Intangible assets rose by 45.2% or P8,023 million from the four acquired trademarks (Fundador, Terry Centenario, Harveys and Tres Cepas) and goodwill in the acquisition of Bodegas Fundador business.

Other non-current assets shrank 59.7% or P1,884 million with the completion of the Bodegas Fundador acquisition. The P2,850 million deposit paid last year for this acquisition was applied and closed upon completion in February 2016. The end-2016 balance included deposit for the Mexican brandy assets and acquired mortgage receivable on a leased bottling plant, which will decrease as rentals are billed.

Trade and other payables were reduced by 43.5% or P6,604 million as trade liabilities and advances from related parties were settled during the year.

Financial liabilities at fair value through profit or loss result from lower market values of foreign exchange contracts by the end of 2016.

Income tax payable increased by 53.3% or P225 million, due to higher taxes at end of year.

The non-current interest-bearing loan refers to the Đ370 million short-term loan in 2015 which was refinanced into a five-year term loan in 2016, and the P2,000 million five-year bank loan obtained for the completion of construction and related equipment of the Balayan distillery plant. The current interest bearing loans at end-2016 represent outstanding amounts of drawdown in a three-year revolving credit facility which was set up in 2016. All the other short-term loans in 2015 had been settled in 2016.

Accrued interest payable grew 98.5% or P279 million from interest accrued on the equity-linked debt securities issued to Arran. This accrued interest is not yet due and will be payable at the time of instrument conversion or maturity.

Provisions refer to the amount provided by WMG for leased properties located in Scotland.

Provisions for onerous lease and dilapidations went down by 39.5% or P314 million due to dilapidation payments for the old head office now vacated and onerous lease provisions on spaces that now have new tenants.

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 115.6% or P537 million from the additions booked by WMG.

Accumulated translation adjustments refer to the resulting difference in the translation of the foreign subsidiaries's financial statements to Philippine pesos. Monetary assets and liabilities are translated at the closing rate and income and expenses at average exchange rates. The accumulated balance of the account is reflective of the depreciation in the value of Philippine peso and/or foreign currencies.

Revaluation reserves were reduced substantially by P671 million due to actuarial loss on retirement benefit obligations booked by WMG.

Non-controlling interest refers to the redeemable, non-reissuable, non-participating preferred shares of AWGI issued to Arran in 2015.

December 31, 2015 and 2014

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

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

Management's Discussion and Analysis

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

The Group sourced funds from operations and loans and borrowings. The Company expects to meet its working capital requirements for the ensuing year primarily from available funds at year end plus cash flows from operations. It may also from time to time seek other sources of

Management’s Discussion and Analysis

funding, if necessary, which may include debt or equity financings, depending on its financing needs and market conditions.

PROSPECTS FOR THE FUTURE

A new era unfolds for Emperador, an era that will usher new ideas, new products, new results. The brandy businesses it acquired in Spain, and acquiring in Mexico, strengthen the Group’s position as the world’s largest brandy company in the world; and these, together with the Scotch whisky business and Spanish sherry, add to the long heritage and prestige of Emperador. The Group is best positioned to capitalize on premiumization opportunities and on innovation with its high-quality aged inventory.

OTHER MATTERS

Except for what have been noted:

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

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

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

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

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

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

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

Statement of Management's Responsibility for Consolidated Financial Statements

The management of ***Emperador Inc. and Subsidiaries*** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

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 March 23, 2017, affiants exhibiting to me their Passport/SSS No., as follows:

Names	Passport No./SSS No.	Date	Place of Issue
Andrew L. Tan	EC1087269	May 14, 2014 to 2019	Manila
Winston S. Co	P1651547A	Jan. 17, 2017 to Jan. 16, 2022	Manila
Dina D.R. Inting	SSS 03-5204775-3		

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Book No. IV
Series of 2017

ATTY. RENATO R. BALISACAN, JR.
Notary Public for Makati City until December 31, 2017
Roll No. 60563 / Commission No. M-130
28th Floor, Philamlife Tower, Paseo de Roxas, Makati City
PTR No. 8744247. 01/12/2016. Ilocos Norte
IBP No. 1019782. 01/04/2016. Ilocos Norte
MCLE Compliance No. IV-0017791

Report of Independent Auditors

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

Opinion

We have audited the consolidated financial statements of Emperador Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, 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, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Acquisition of Fundador

Description of the Matter

In 2016, the Group completed the purchase of Fundador, a Spanish brandy and sherry business in Jerez de la Frontera, Cadiz, Spain for a total consideration of P14.7 billion, which resulted in the recognition of goodwill, tangible and intangible assets amounting to P1.5 billion, P6.6 billion and P6.7 billion, respectively. We considered the acquisition of Fundador as a key audit matter due to the significance and complexity of the transaction.

The Group's disclosures of the acquisition, accounting policy for business combination, and management judgment are disclosed in Notes 1, 2 and 3 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the acquisition of Fundador included, among others, the following:

- Reviewing the relevant minutes of meeting of the Group and the related Asset Purchase Agreement for the acquisition of Fundador;
- Evaluating whether the transaction qualifies as a business combination under PFRS 3, *Business Combination*;

- Testing the assumptions and methodology used by the independent third party valuation expert engaged by the Group on the valuation of identifiable assets acquired and purchase price allocation process, as assisted by our own internal valuation specialist;

- Checking the appropriateness of recognition of the tangible and intangible assets acquired, including recalculation of the resulting goodwill from the acquisition; and,

- Evaluating the sufficiency and adequacy of disclosures in the Group's consolidated financial statements in accordance with PFRS.

(b) Impairment of Goodwill and Trademarks with Infinite Useful Life

Description of the Matter

Under Philippine Accounting Standard 36, *Impairment of Assets,* the Group is required to annually test the carrying amounts of its goodwill and trademarks with infinite useful life for impairment. As of December 31, 2016, goodwill amounted to P9.1 billion while the trademarks, which include "Jura", "The Dalmore", "Fundador Brandy", "Terry Centenario", "Tres Cepas Brandy" and "Harveys", amounted to P16.6 billion. We considered the impairment as a key audit matter because the amounts of goodwill and trademarks are material to the consolidated financial statements. In addition, management's assessment process is highly judgmental, and is based on significant assumptions, specifically the determination of the discount rate and cash flows projections used in determining the value-in-use of the trademarks and the cash-generating units over which the goodwill was allocated. The assumptions used by management are generally affected by expected future market and economic conditions.

The Group's policy on impairment assessment of goodwill and trademarks with infinite useful life is more fully described in Note 2 to the consolidated financial statements while their corresponding carrying amounts are presented in Note 10 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the goodwill and trademarks with infinite useful life included, among others, the following:

- Evaluating the reasonableness of assumptions and methodology used in determining the value-in-use of cash-generating units attributable to the trademarks and goodwill, which include the discount rate and the cash flow projections by comparing them to external and historical data; and, performing sensitivity analysis of the projections and discount rate to determine whether a reasonably possible change in assumptions could cause the carrying amount of cash generating units to exceed the recoverable amount; and,

- Comparing the net present value of excess earnings attributable to the trademarks and cash generating units over which the goodwill was allocated against the carrying amounts of trademarks and goodwill.

(c) Revenue Recognition

Description of the Matter

Sale of goods represents 99% of the Group's total revenues. The Group recognizes sale of goods 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. We considered revenue recognition as a key audit matter since it involves significant volume of transactions, requires proper observation of cut-off procedures, and directly impacts the Group's profitability.

The Group's disclosures on its revenue recognition policy and details of total revenues are presented in Notes 2 and 17, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition included, among others, the following:

- Updating our understanding of the Group's revenue recognition policy, revenue processes and controls over the recognition and measurement of revenues from sale of goods;
- Performing substantive analytical review procedures over revenues such as, but not limited to, yearly and monthly analyses of sales per product/brand and location, and sales mix composition based on our expectations and following up variances from our expectations; and, verifying that the underlying data used in the analyses are valid;
- Testing sales invoices and delivery receipts immediately prior and subsequent to the current period to determine whether the related sales transactions are recognized in the proper reporting period;
- Testing sales invoices, delivery receipts and cash receipts, on a sample basis, of sales transactions throughout the current period to determine whether sale of goods is valid and actually occurred;
- Reviewing third party contracts and testing related sales invoices, delivery receipts and cash receipts, on sample basis, for bulk sales transactions; and,
- Confirming trade receivables, on a sample basis, as of the end of the current period from the sale of goods; and, performing alternative procedures such as, but not limited to, examining cash receipts, or sales invoices and delivery receipts.

(d) Existence and Valuation of Inventories

Description of the Matter

Inventories represent 22% of the Group's total assets as of December 31, 2016. The valuation of inventories is at the lower of cost and net realizable value (NRV). 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 complete and make a sale. Due to the significant volume and carrying amount of inventories, and the high level of judgment in estimating its NRV, we considered the existence and valuation of inventories as significant to our audit.

The Group's disclosures on accounting policy, estimation uncertainty, and Inventories account are presented in Notes 2, 3, and 8, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the existence and valuation of inventories included, among others, the following:

On existence of inventories:

- Observing physical inventory count procedures and obtaining relevant cut-off information and copy of count control documents;
- Performing a physical count test, on a sample basis, during the physical inventory count procedures and other test count dates, and verifying the inventory movements during the intervening periods between the actual count and reporting dates to further test the quantities of inventory items as of the reporting date; and,
- Performing substantive analytical review procedures over inventory-related ratios such as, but not limited to, inventory turnover and current period's components of inventories; and, verifying that the underlying data used in the analyses are valid.

On valuation of inventories:

- Updating our understanding of the method of inventory costing and accounting policy on the lower of cost and NRV;
- Performing a price test, on a sample basis, of inventory items by examining supporting documents such as, but not limited to, purchase contracts and invoices, and relevant importation documents;
- Performing detailed analysis of the Group's standard costing of inventories through analytical review procedures of actual costs during the current period against the budgeted standard, and testing significant actual costs, on a sample basis, by agreeing with contracts and invoices;
- Determining whether the application of the lower of cost and NRV is appropriate and consistent with prior periods; and,
- Evaluating the sufficiency and appropriateness of the amount of allowance for inventory write-down by testing the key assumptions used on the expected realization of inventories.

(e) Consolidation Process

Description of the Matter

The Group's consolidated financial statements comprise the financial statements of Emperador Inc. and its subsidiaries, as discussed in Note 1 to the consolidated financial statements, after the elimination of material intercompany transactions. The Group's consolidation process is significant to the audit because of the complexity of the process. It involves identifying and eliminating several intercompany transactions and balances to properly reflect the consolidated financial position of the Group and its consolidated financial performance and consolidated cash flows in accordance with PFRS.

The Group's policy on the consolidation process is described in Note 2 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement arising from the consolidation process included, among others, the following:

- Obtaining an understanding of the Group structure and its consolidation policy and process, including the procedures for identifying intercompany transactions and reconciling intercompany balances;
- Obtaining the consolidation schedule, verifying its mathematical accuracy and agreeing the columns for each entity in the consolidation schedule to the final adjusted trial balances for each entity;
- Verifying the accuracy and appropriateness of intercompany elimination entries, such as but not limited to, elimination of investments in subsidiaries, elimination of intercompany balances and transactions, equity accounting adjustments, and other significant consolidation adjustments;
- Performing analytical procedures at the consolidated level; and,
- Evaluating the sufficiency and adequacy of disclosures in the Group's consolidated financial statements in accordance with PFRS.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission (SEC) Form 17-A, which we obtained prior to the date of the auditor's report, and the Group's SEC Form 20-IS (Definitive Information Statement) and Annual Report, which are expected to be made available to us after that date, for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audits resulting in this independent auditors' report is Mailene Sigue-Bisnar.

PUNONGBAYAN & ARAULLO

By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 5908624, January 3, 2017, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 15, 2018)
BIR AN 08-002511-20-2015 (until Mar. 18, 2018)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

March 23, 2017

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

(Amounts in Philippine Pesos)

A S S E T S	Notes	2016	2015
CURRENT ASSETS			
Cash and cash equivalents	5	**P 10,173,907,748**	P 29,177,542,237
Trade and other receivables - net	6	**10,779,489,916**	13,592,915,689
Financial assets at fair value through profit or loss	7	**-**	2,654,900
Inventories - net	8	**20,754,501,639**	16,089,751,648
Prepayments and other current assets		**582,070,440**	330,175,997
Total Current Assets		**42,289,969,743**	59,193,040,471
NON-CURRENT ASSETS			
Investment in a joint venture	12	**3,999,150,056**	3,873,264,431
Property, plant and equipment - net	9	**20,949,282,168**	14,267,074,361
Intangible assets - net	10	**25,791,110,856**	17,768,351,472
Other non-current assets - net	11	**1,272,887,433**	3,156,901,823
Total Non-current Assets		**52,012,430,513**	39,065,592,087
TOTAL ASSETS		**P 94,302,400,256**	P 98,258,632,558

LIABILITIES AND EQUITY	Notes	2016	2015
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	13	**P 2,674,767,650**	P 23,899,762,792
Trade and other payables	15	**8,562,724,993**	15,167,221,745
Financial liabilities at fair value through profit or loss	7	**28,879,840**	-
Income tax payable		**646,744,244**	421,891,614
Total Current Liabilities		**11,913,116,727**	39,488,876,151
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	13	**21,425,000,000**	-
Equity-linked debt securities	14	**5,262,906,379**	5,259,137,443
Accrued interest payable	14	**562,730,466**	283,528,767
Provisions	16	**480,517,679**	794,258,510
Deferred tax liabilities - net	21	**1,432,691,492**	1,883,012,945
Retirement benefit obligation	20	**1,000,949,796**	464,167,708
Total Non-current Liabilities		**30,164,795,812**	8,684,105,373
Total Liabilities		**42,077,912,539**	48,172,981,524
EQUITY			
Equity attributable to owners of the parent company			
Capital stock	23	**16,120,000,000**	16,120,000,000
Additional paid-in capital	23	**22,348,856,023**	22,348,856,023
Accumulated translation adjustments	2	**(3,593,766,760)**	(1,404,255,536)
Revaluation reserves		**(630,758,672)**	40,162,823
Share options		**31,008,917**	4,050,748
Retained earnings	23	**17,943,398,209**	12,971,086,976
Total equity attributable to owners of the parent company		**52,218,737,717**	50,079,901,034
Non-controlling interest		**5,750,000**	5,750,000
Total Equity		**52,224,487,717**	50,085,651,034
TOTAL LIABILITIES AND EQUITY		**P 94,302,400,256**	P 98,258,632,558

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(Amounts in Philippine Pesos)

	Notes	2016	2015	2014
REVENUES	17	**P 41,018,101,190**	P 43,645,076,684	P 32,009,385,645
COSTS AND EXPENSES				
Costs of goods sold	18	**25,424,445,626**	29,589,385,943	20,409,136,993
Selling and distribution expenses	19	**3,510,668,920**	3,249,646,048	2,652,209,005
General and administrative expenses	19	**1,853,248,968**	1,828,201,914	677,801,497
Other charges	6, 7, 13, 14, 20	**794,039,127**	528,004,429	161,880,966
		31,582,402,641	35,195,238,334	23,901,028,461
PROFIT BEFORE TAX		**9,435,698,549**	8,449,838,350	8,108,357,184
TAX EXPENSE	21	**1,742,331,316**	1,489,782,064	1,904,172,008
NET PROFIT		**7,693,367,233**	6,960,056,286	6,204,185,176
OTHER COMPREHENSIVE LOSS				
Item that will be reclassified subsequently to profit or loss				
Translation loss	2	**(2,189,511,224)**	(718,670,753)	(820,041,951)
Items that will not be reclassified subsequently to profit or loss				
Net actuarial gain (loss) on retirement benefit obligation	20	**(805,125,882)**	419,835,089	(358,625,137)
Tax income (expense) on remeasurement of retirement benefit obligation	21	**136,909,345**	(69,367,587)	70,563,930
		(668,216,537)	350,467,502	(288,061,207)
		(2,857,727,761)	(368,203,251)	(1,108,103,158)
TOTAL COMPREHENSIVE INCOME		**P 4,835,639,472**	P 6,591,853,035	P 5,096,082,018
Earnings per share - Basic and Diluted	24	**P 0.48**	P 0.43	P 0.41

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(Amounts in Philippine Pesos)

		Attributable to Owners of the Parent Company										
							Retained Earnings					
	Notes	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
Issuances during the year	23	-	-	-	-	26,958,169	-	-	-	26,958,169	-	26,958,169
Total comprehensive income for the year		-	-	(2,189,511,224)	(668,216,537)	-	-	7,693,367,233	7,693,367,233	4,835,639,472	-	4,835,639,472
Addition from acquired subsidiary	1	-	-	-	(2,704,958)	-	-	-	-	(2,704,958)	-	(2,704,958)
Cash dividends declared during the year	23	-	-	-	-	-	-	(2,721,056,000)	(2,721,056,000)	(2,721,056,000)	-	(2,721,056,000)
Balance at December 31, 2016		**P 16,120,000,000**	**P 22,348,856,023**	**(P 3,593,766,760)**	**(P 630,758,672)**	**P 31,008,917**	**P 550,000,000**	**P 17,393,398,209**	**P 17,943,398,209**	**P 52,218,737,717**	**P 5,750,000**	**P 52,224,487,717**
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 8,429,030,690	P 45,901,997,251	P -	P 45,901,997,251
Issuances during the year	23	-	-	-	-	4,050,748	-	-	-	4,050,748	5,750,000	9,800,748
Total comprehensive income for the year		-	-	(718,670,753)	350,467,502	-	-	6,960,056,286	6,960,056,286	6,591,853,035	-	6,591,853,035
Cash dividends declared during the year	23	-	-	-	-	-	-	(2,418,000,000)	(2,418,000,000)	(2,418,000,000)	-	(2,418,000,000)
Appropriations during the year	23	-	-	-	-	-	550,000,000	(550,000,000)	-	-	-	-
Balance at December 31, 2015		P 16,120,000,000	P 22,348,856,023	(P 1,404,255,536)	P 40,162,823	P 4,050,748	P 550,000,000	P 12,421,086,976	P 12,971,086,976	P 50,079,901,034	P 5,750,000	P 50,085,651,034
Balance at January 1, 2014		P 15,000,000,000	P 11,155,461,023	P 134,457,168	(P 26,249,891)	P -	P -	P 4,624,845,514	P 4,624,845,514	P 30,888,513,814	P -	P 30,888,513,814
Issuances during the year	23	1,120,000,000	11,193,395,000	-	-	-	-	-	-	12,313,395,000	-	12,313,395,000
Total comprehensive income for the year		-	-	(820,041,951)	(288,061,207)	-	-	6,204,185,176	6,204,185,176	5,096,082,018	-	5,096,082,018
Addition from acquired subsidiary	1	-	-	-	4,006,419	-	-	-	-	4,006,419	-	4,006,419
Cash dividends declared during the year	23	-	-	-	-	-	-	(2,400,000,000)	(2,400,000,000)	(2,400,000,000)	-	(2,400,000,000)
Balance at December 31, 2014		P 16,120,000,000	P 22,348,856,023	(P 685,584,783)	(P 310,304,679)	P -	P -	P 8,429,030,690	P 8,429,030,690	P 45,901,997,251	P -	P 45,901,997,251

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(Amounts in Philippine Pesos)

	Notes	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 9,435,698,549**	P 8,449,838,350	P 8,108,357,184
Adjustments for:				
Interest expense		**775,852,427**	519,361,430	96,756,338
Depreciation and amortization	9	**708,238,131**	536,641,735	374,555,576
Share in net income of joint venture	12	**(219,276,919)**	(130,007,640)	(39,534,826)
Interest income		**(201,395,080)**	(183,976,825)	(241,455,589)
Amortization of trademarks	10	**102,872,668**	102,872,668	102,872,668
Provisions	16	**62,928,000**	58,258,375	12,411,409
Fair value losses (gains) on financial instruments at fair value through profit or loss	7	**31,534,740**	(2,641,000)	36,111,750
Share option	23	**26,958,169**	4,493,028	-
Impairment losses	6	**20,066,707**	3,426,329	7,875,358
Loss (gain) on sale of property, plant and equipment	9	**2,002,676**	(1,522,346)	(2,569,463)
Operating profit before working capital changes		**10,745,480,068**	9,356,744,104	8,455,380,405
Decrease (increase) in trade and other receivables		**2,021,567,730**	12,261,840	(6,782,655,481)
Decrease (increase) in financial instruments at fair value through profit or loss		**-**	806,574,658	(881,331,451)
Increase in inventories		**(1,989,360,555)**	(604,154,349)	(1,041,818,041)
Decrease (increase) in prepayments and other current assets		**(345,075,130)**	161,369,768	(597,163,989)
Decrease (increase) in other non-current assets		**(985,060,933)**	207,621,996	183,875,462
Increase (decrease) in trade and other payables		**(8,276,834,432)**	(5,084,772,878)	10,358,979,361
Increase (decrease) in retirement benefit obligation		**(289,688,589)**	(423,017,457)	8,829,806
Cash generated from operations		**881,028,159**	4,432,627,682	9,704,096,072
Cash paid for income taxes		**(1,673,163,840)**	(1,732,636,554)	(1,741,201,096)
Net Cash From (Used in) Operating Activities		**(792,135,681)**	2,699,991,128	7,962,894,976
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of subsidiaries and a business unit	1	**(13,470,583,230)**	-	(30,272,934,983)
Acquisitions of property, plant and equipment	9	**(2,040,360,370)**	(3,544,640,919)	(2,027,740,563)
Interest received		**201,395,080**	183,976,825	232,513,623
Dividends received from a joint venture	12	**93,391,294**	-	-
Proceeds from sale of property, plant and equipment	9	**25,719,832**	11,677,624	3,459,020
Deposit for asset acquisition	11	**-**	(2,848,690,163)	-
Investment in joint venture	12	**-**	-	(3,703,721,965)
Net Cash Used in Investing Activities		**(15,190,437,394)**	(6,197,676,633)	(35,768,424,868)

	Notes	2016	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from loans and borrowings	13	**24,099,767,650**	23,899,762,792	23,827,219,465
Repayments of loans and borrowings	13	**(23,899,762,792)**	(23,827,219,465)	-
Dividends paid	23	**(2,721,056,000)**	(2,418,000,000)	(2,400,000,000)
Interest paid		**(500,010,272)**	(213,945,152)	-
Proceeds from additional capital subscription	23	**-**	-	12,313,395,000
Proceeds from equity-linked debt securities	14	**-**	-	5,253,600,000
Proceeds from future stock subscription		**-**	-	5,750,000
Net Cash From (Used in) Financing Activities		**(3,021,061,414)**	**(2,559,401,825)**	38,999,964,465
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(19,003,634,489)**	(6,057,087,330)	11,194,434,573
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**29,177,542,237**	35,234,629,567	24,040,194,994
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 10,173,907,748**	P 29,177,542,237	P 35,234,629,567

Supplemental Information on Non-cash Investing Activity -

In 2016, the Group applied its deposit for asset acquisition amounting to P2.8 billion made in 2015 against the total consideration (see Notes 1 and 11).

See Notes to Consolidated Financial Statements.

(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, August 27 and September 5, 2013, the Board of Directors (BOD), stockholders and the Philippine Securities and Exchange Commission (SEC), respectively, approved the change in corporate name to TrillionStars Holdings, Inc. On August 28, September 19 and September 27, the BOD, stockholders by written assent, and the SEC, respectively, approved the change in corporate name to Emperador Inc.

1.2 Corporate Update

The Parent Company was incorporated in the Philippines and registered with the SEC, primarily as an information technology (IT) services and products provider. On March 1, April 10 and July 31, 2013, the BOD, stockholders and SEC, respectively, approved the change in the primary purpose of the Parent Company to become a holding company. Consequently, the Parent Company disposed of its investment in Sagesoft Solutions, Inc. (SSI) to TSI's minority stockholders and transferred and conveyed its IT-related net assets to SSI 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 20.0 billion shares from 100.0 million shares (see Note 23.1).

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

AGI is a domestic holding company with diversified investments in food and beverage, real estate, tourism-entertainment and gaming, and quick service restaurant businesses.

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

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

1.3 Reverse Acquisition of EDI

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

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

EDI was incorporated in the Philippines on June 6, 2003 to primarily engage in the manufacturing and trading of brandy, wine or other similar alcoholic beverage products. EDI's brands include Emperador brandy, Andy Player whisky, The BaR flavored alcoholic beverage, Smirnoff Mule vodka and Raffa sparkling white wine. EDI also imports and sells the products of the foreign subsidiaries of the Parent Company. 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 directly owned subsidiaries are as follows:

Name of Subsidiaries	Explanatory Notes	Percentage of Effective Ownership 2016	2015
Anglo Watsons Glass, Inc. (AWGI)	(a)	**100%**	100%
The Bar Beverage, Inc. (The Bar)	(b)	**100%**	100%
Cocos Vodka Distillers Philippines, Inc. (CVDPI)	(c)	**100%**	100%
Tradewind Estates, Inc. (TEI)	(d)	**100%**	-
Alcazar de Bana Holdings Company, Inc. (Alcazar)	(e)	**100%**	-
Emperador International Ltd. (EIL)	(f)	**16%**	16%

(Amounts in Philippine Pesos)

Explanatory Notes:

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

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

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

(d) TEI is a domestic corporation presently engaged in leasing its land and manufacturing complex in Sta. Rosa, Laguna and providing consultancy and advisory services in relation to the operations, management and development and maintenance of machineries to EDI. In 2016, EDI acquired full equity ownership in TEI for a total consideration of P1.6 billion (see Note 22.15). The net identifiable assets acquired and liabilities assumed are recognized as part of Trade and Other Receivables, Property, Plant and Equipment, Prepayments and Other Current Assets and Retirement Benefit Obligation accounts in the 2016 consolidated statement of financial position (see Notes 6, 9 and 20.3). There is no goodwill recognized for this transaction as the total consideration transferred approximates the fair values of net assets acquired and liabilities assumed.

(e) Alcazar is a newly-incorporated domestic holding entity presently engaged in investment activities in other domestic corporations. Alcazar holds 100% ownership interest in Progreen Agricorp., Inc. (PAI), a domestic corporation engaged in the business of alcohol and alcohol-related products. PAI owns 100% ownership interest in South Point Science Park, Inc., a domestic corporation engaged in management and maintenance of office, commercial, industrial and institutional developments in a certain science park.

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

EDI's registered office, which is also its principal place of business, is located at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City where its subsidiaries, except for Alcazar and EIL, also have their registered offices and places of business.

Alcazar's registered office and principal place of business is located at 28/F The World Centre, 330 Sen. Gil Puyat Avenue, Brgy. Bel-Air, Makati City, Metro Manila.

EIL's registered office is at the offices of Portcullis TrustNet (BVI) Limited, which is currently located at Portcullis Trust Net Chambers, 4th Floor Skelton Building, 3076 Drake's Highway, Road Town, Tortola, British Virgin Islands.

1.4 Investment in EIL

The Parent Company currently has direct investments in EIL amounting to P29.3 billion, representing 84% ownership interest as of December 31, 2016 and 2015.

EIL is presently operating as an investment holding entity. EIL's subsidiaries as of December 31, 2016 and 2015 are as follows:

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

Explanatory Notes:

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

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

(b) EA is a foreign entity incorporated in Singapore on July 10, 2013 as a limited private company with principal activity as a wholesaler of liquor, food and beverages, and tobacco. It holds 100% ownership interest in Grupo Emperador Spain, S.A. (GES), a foreign entity incorporated on September 28, 2011 as a small limited liability company and subsequently changed to a large liability company on February 5, 2014 (see Note 1.6).

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

(Amounts in Philippine Pesos)

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

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

1.5 Acquisition of Whyte and Mackay Group Limited (WMG)

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

WMG was incorporated in the United Kingdom (UK) on August 7, 2001. It is presently operating as an investment holding entity. WMG and all of its significant subsidiaries' registered office is located at St. Vincent Plaza, 319 St. Vincent Street, Glasgow, Scotland.

WMG and its subsidiaries (collectively referred to as "WMG Group") are all engaged in businesses related to the main business of production, marketing and distribution of Scotch whisky, vodka, liqueurs and other alcoholic drinks. WMG's significant subsidiaries and WMG's corresponding percentage of ownership as of December 31, 2016 and 2015 are as follows:

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

Explanatory Notes:

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

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

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

EUK's purchase of WMG Group is aligned with EMP's expansion strategies (see Note 1.6). The goodwill arising from the acquisition reflects the opportunity to strengthen the Group's position in the global drinks market, the synergies and economies of scale expected from combining the operations of the Group and WMG and the value attributed to WMG's workforce. The goodwill recognized is not expected to be deductible for income tax purposes.

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

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

The revenues and net profit of WMG Group for November and December that were included in the 2014 consolidated statement of comprehensive income are presented under WMG segment (see Note 4.4).

(Amounts in Philippine Pesos)

1.6 Acquisition of Spanish Business Unit

GES carries out activities related to the production of wines, fortified wines, brandies, and all types of alcoholic drinks, as well as the purchase, ownership and operations of any type of land, particularly, vineyards. GES's registered office, which is also its principal place of business, is located at Torre Espacio – Paseo de la Castellana n° 259 D Planta 28, Madrid, Spain. It currently holds direct interests in various subsidiaries and a joint venture that were established in Spain with activities similar or related to the main business of GES:

Name of Subsidiaries or Joint Venture	Explanatory Notes	Percentage of Ownership
Bodegas San Bruno, S.L.	(a)	100%
Bodegas Fundador, S.L.U (BFS)	(b)	100%
Emperador Gestion S.L.	(a)	100%
Complejo Bodeguero San Patricio SL	(b)	100%
Bodegas Las Copas, S.L. (BLC)	(c)	50%

Explanatory Notes:

(a) Wholly owned subsidiary with registered office and principal place of business located at Torre Espacio – Paseo de la Castellana n° 259 D Planta 28, Madrid, Spain.

(b) Wholly owned subsidiary with registered office located at Torre Espacio – Paseo de la Castellana n° 259 D Planta 28, Madrid, Spain and principal place of business located in Jerez de la Frontera, Cadiz, Spain.

(c) Jointly controlled entity with registered office located at Torre Espacio – Paseo de la Castellana n° 259 D Planta 28, Madrid, Spain and principal place of business located in Jerez de la Frontera, Cadiz, Spain (see Note 12). BLC presently holds 100% ownership interests in Alcoholera de la Mancha Vinicola SL (Alcoholera dela Mancha) and Vinedos del Rio Tajo SL, which are both established in Spain with activities similar and related to the main businesses of GES and BLC.

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

GES's acquisition of the Business Unit is aligned with EMP's expansion strategies. The goodwill arising from this transaction similarly reflects the opportunity and benefit to that of EUK's acquisition of WMG Group (see Note 1.5). The goodwill recognized is not expected to be deductible for income tax purposes.

The table below summarizes the consideration paid for the acquisition of the Business Unit and the recognized amounts of the identifiable assets acquired. For purposes of determining the goodwill, the Parent Company determined the fair value of the identified net assets as of February 29, 2016.

	Notes	
Consideration		
Cash		P 14,718,366,134
Recognized amounts of identifiable assets acquired:		
Tangible assets	8, 9	6,592,734,082
Intangible assets	10	6,662,974,698
Total identifiable net assets		13,255,708,780
Goodwill	10	**P 1,462,657,354**

The revenues and net profit of the Business Unit since the acquisition date that were included in the 2016 consolidated statement of comprehensive income amounted to P2.6 billion and P446.0 million, respectively, and were included as part of the Emperador segment (see Note 4.4).

1.7 Acquisition of Domecq Brandy and Wine Business

On December 1, 2016, BLC signed an agreement with Pernod Ricard to acquire its Domecq brandy and wine business in Mexico (see Note 11). The purchase includes three brands of Mexican brandies: Presidente, Azteca de Oro and Don Pedro, and certain Mexican wine brands. The authorization from the Mexican Antitrust Authority to proceed was obtained on March 14, 2017. As of report date, the agreement is still undergoing completion of customary conditions.

1.8 Approval of the Consolidated Financial Statements

The consolidated financial statements of EMP and its subsidiaries (collectively referred to as the "Group") as of and for the year ended December 31, 2016 (including the comparative consolidated financial statements as of and for the years ended December 31, 2015 and 2014) were authorized for issue by the Parent Company's BOD on March 23, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Consolidated Financial Statements

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

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning on the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed. In 2016, only one comparative period was presented in the consolidated statement of financial position as none of these situations apply.

(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.

(Amounts in Philippine Pesos)

2.2 *Adoption of New and Amended Standards*

(a) Effective in 2016 that are Relevant to the Group

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2016:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Disclosure Initiative
PAS 16 and 38 (Amendments)	:	Property, Plant and Equipment, and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization
PAS 16 and 41 (Amendments)	:	Property, Plant and Equipment, and Agriculture – Bearer Plants
PFRS 10, PFRS 12 and PAS 28 (Amendments)	:	Consolidated Financial Statements, Disclosure of Interests in Other Entities, and Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception
PFRS 11 (Amendments)	:	Joint Arrangements – Accounting Acquisitions of Interests in Joint Operations
Annual Improvements	:	Annual Improvements to PFRS (2012-2014 Cycle)

Discussed below and in the succeeding pages are the relevant information about these amendments and annual improvements.

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

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

(iii) PAS 16 (Amendments), *Property, Plant and Equipment*, and PAS 41 (Amendments), *Agriculture – Bearer Plants*. The amendments define a bearer plant as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. On this basis, bearer plant is now included within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and to be measured after initial recognition at cost or revaluation basis in accordance with PAS 16. The amendments further clarify that produce growing on bearer plants remains within the scope of PAS 41. The amendments did not affect the Group's consolidated financial statements.

(iv) PFRS 10 (Amendments), *Consolidated Financial Statements*, PFRS 12 (Amendments), *Disclosure of Interests in Other Entities*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception*. These amendments address the concerns that have arisen in the context of applying the consolidation exception for investment entities. They clarify which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of PFRS 10 and clarify whether the exemption to present consolidated financial statements, set out in paragraph 4 of PFRS 10, is available to a parent entity that is a subsidiary of an investment entity. These amendments also permit a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries. The amendments did not have any impact on the Group's consolidated financial statements.

(v) PFRS 11 (Amendments), *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*. These amendments require the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in PFRS 3, *Business Combinations,* to apply all accounting principles and disclosure requirements on business combinations under PFRS 3 and other PFRSs, except for those principles that conflict with the guidance in PFRS 11. The amendments did not have any impact on the Group's consolidated financial statements.

(vi) Annual Improvements to PFRS (2012-2014 Cycle). Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify the existing requirements:

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

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

(Amounts in Philippine Pesos)

(b) *Effective in 2016 that are not Relevant to the Group*

The following new PFRS, amendments and annual improvements to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2016 but are not relevant to the Group's consolidated financial statements:

PAS 27 (Amendments)	:	Separate Financial Statements – Equity Method in Separate Financial Statements
PFRS 14	:	Regulatory Deferral Accounts
Annual Improvements to PFRS (2012-2014 Cycle)		
PAS 34 (Amendments)	:	Interim Financial Reporting – Disclosure of Information "Elsewhere in the Interim Financial Report"
PFRS 5 (Amendments)	:	Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal
PFRS 7 (Amendments)	:	Financial Instruments: Disclosures – Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements

(c) *Effective Subsequent to 2016 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2016 which are adopted by the FRSC. Management will adopt the relevant pronouncements discussed in the succeeding pages in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements.

(i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative* (effective from January 1, 2017). The amendments are designed to improve the quality of information provided to users of consolidated financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the consolidated statement of financial position including those changes identified immediately above.

(ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses* (effective from January 1, 2017). The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference.

(iii) PFRS 2 (Amendments), *Share-Based Payment – Classification and Measurement of Share-based Payment Transactions* (effective from January 1, 2018). The amendments contain three changes covering the following matters: the accounting for the effects of vesting conditions on the measurement of a cash-settled share-based payment; the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and, the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

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

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

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

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

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in consolidated 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 amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in consolidated other comprehensive income rather than in consolidated profit or loss.

Management is currently assessing the impact of PFRS 9 (2014) 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.

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

(vi) PFRS 15, *Revenue from Contract with Customers* (effective from January 1, 2018). This standard will replace PAS 18, *Revenue,* PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes,* IFRIC 15, *Agreement for the Construction of Real Estate,* IFRIC 18, *Transfers of Assets from Customers* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Management is currently assessing the impact of this standard on the Group's consolidated financial statements.

(vii) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases.*

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right of use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for similarly to financial liability using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard in its consolidated financial statements.

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries as enumerated in Notes 1.3, 1.4, 1.5 and 1.6, after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full.

Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

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

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it has power over the entity, 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 in the preceding page. Accordingly, entities are deconsolidated from the date that control ceases.

(i) *Accounting for Business Combination using the Acquisition Method*

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

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

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

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

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

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

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

(b) *Investment in Joint Venture*

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

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

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

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

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

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

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

(c) Transactions with Non-controlling Interests

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

2.4 Segment Reporting

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

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

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

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

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

2.5 Financial Assets

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

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

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

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

(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 those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

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

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

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

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

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

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

(Amounts in Philippine Pesos)

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

2.6 Inventories

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

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

2.7 Prepayments and Other Assets

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

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

2.8 Property, Plant and Equipment

Property, plant and equipment, except land, are carried at acquisition cost less accumulated depreciation, amortization and any impairment losses. As no finite useful life for land can be determined, related carrying amount (which is cost less any impairment losses) 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, while expenditures for repairs and maintenance are charged to expense as incurred.

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

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

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

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

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing costs (see Note 2.20) 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, estimated useful lives and methods of depreciation and amortization of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

2.9 Intangible Assets

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

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

2.10 Financial Liabilities

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

(a) *Financial Liabilities at FVTPL*

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

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

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

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

(b) *Financial Liabilities at Amortized Cost*

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

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

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

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

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

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

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

2.11 Offsetting of Financial Instruments

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

2.12 Business Combination

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

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

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

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

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

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the consolidated profit or loss or consolidated 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 consolidated profit or loss or as a change to consolidated other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.13 Provisions and Contingencies

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

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

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

2.14 Revenue and Expense Recognition

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

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

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

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

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

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

(e) *Services* – Revenue is recognized when the performance of contractually agreed tasks has been substantially rendered.

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

2.15 Leases – Group as Lessee

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

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

2.16 Foreign Currency Transactions and Translation

(a) Transactions and Balances

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

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

(b) Translation of Financial Statements of a Foreign Subsidiary

The consolidated operating results and financial position of EIL, which are measured using the United States (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 account.

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

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

2.17 Impairment of Non-financial Assets

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

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

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

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

2.18 Employment Benefits

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

(a) Post-employment Defined Benefit Plan

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

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

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

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

(b) Post-employment Defined Contribution Plan

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

(c) *Bonus Plans*

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

(d) *Compensated Absences*

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

2.19 Share-based Employee Remuneration

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

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

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

2.20 Borrowing Costs

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

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

2.21 Income Taxes

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

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

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

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

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

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

2.22 Related Party Transactions and Relationships

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

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

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

2.23 Equity

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

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

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

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

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

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

2.24 Earnings Per Share

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

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

2.25 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Distinction Between Operating and Finance Leases

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

(b) Business Combinations Accounted for Under Acquisition Method

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in consolidated profit or loss in the subsequent period. Details of acquired assets and liabilities assumed are disclosed in Notes 1.3, 1.5 and 1.6.

(c) Recognition of Provisions and Contingencies

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

3.2 Key Sources of Estimation Uncertainty

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

(a) Impairment of Trade and Other Receivables

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

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

(b) Fair Value Measurement for Financial Instruments

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

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

(c) Determination of 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 complete and 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 reporting period.

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

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

The Group estimates the useful lives of property, plant and equipment, and trademarks based on the period over which the assets are expected to be available for use. Certain trademarks were determined to have indefinite useful lives because these brands have been in existence for more than 100 years.

The estimated useful lives of property, plant and equipment, and trademarks are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets (see Notes 2.8 and 2.9). The carrying amounts of property, plant and equipment and trademarks are presented in Notes 9 and 10, respectively.

(e) Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as of December 31, 2016 and 2015 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 21.

(f) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.17). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment losses were recognized on non-financial assets in 2016, 2015 and 2014 based on management's assessment.

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

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

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

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

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

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

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

(i) *Fair Value of Share Options*

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

(j) *Provision for Onerous Lease*

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

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

(k) Provision for Restoration of Leased Property

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

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

4. SEGMENT INFORMATION

4.1 Business Segments

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

4.2 Segment Assets and Liabilities

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

4.3 Intersegment Transactions

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

4.4 Analysis of Segment Information

Segment information for the years ended December 31, 2016, 2015 and 2014 (in millions) are as follows:

	EMPERADOR			WMG			Consolidated Total		
	2016	2015	2014	**2016**	2015	2014	**2016**	2015	2014
REVENUES									
External customers	**P 29,573**	P 27,120	P 28,388	**P 11,445**	P 16,525	P 3,621	**P 41,018**	P 43,645	P 32,009
Intersegment sales*	**452**	-	-	**24**	-	-	**-**	-	-
	P 30,025	P 27,120	P 28,388	**11,469**	16,525	3,621	**41,018**	43,645	32,009
COSTS AND EXPENSES									
Costs of goods sold	**17,641**	16,341	17,443	**7,783**	13,248	2,966	**25,424**	29,589	20,409
Intersegment cost of goods sold*	**24**	-	-	**452**	-	-	**-**	-	-
Selling and distribution expenses	**2,450**	2,494	2,465	**1,061**	756	187	**3,511**	3,250	2,652
General and administrative expenses	**751**	235	346	**1,102**	1,593	332	**1,853**	1,828	678
Other charges	**686**	469	124	**108**	59	38	**794**	528	162
	21,552	19,539	20,378	**10,507**	15,656	3,523	**31,582**	35,195	23,901
SEGMENT PROFIT BEFORE TAX	**8,473**	7,581	8,010	**962**	869	98	**9,436**	8,450	8,108
TAX EXPENSE (INCOME)	**1,827**	1,725	1,917	**(85)**	(235)	(13)	**1,742**	1,490	1,904
SEGMENT NET PROFIT	**P 6,646**	P 5,856	P 6,093	**P 1,047**	P 1,104	P 111	**P 7,693**	P 6,960	P 6,204
TOTAL ASSETS	**P 51,965**	P 54,833	P 58,938	**P 42,337**	P 43,426	P 40,621	**P 94,302**	P 98,259	P 99,559
TOTAL LIABILITIES	**32,564**	37,763	44,587	**9,514**	10,410	9,070	**42,078**	48,173	53,657

**Intersegment sales and cost of goods sold are eliminated in consolidation. Numbers may not add up due to rounding.*

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

(Amounts in Philippine Pesos)

5. CASH AND CASH EQUIVALENTS

This account includes the following components:

	2016	2015
Cash on hand and in banks	**P 3,804,364,733**	P 16,296,974,597
Short-term placements	**6,369,543,015**	12,880,567,640
	P 10,173,907,748	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 to 45 days and earn effective annual interest rates ranging from 1.8% to 2.0% in 2016, 0.4% to 2.8% in 2015, and 0.9% to 1.5% in 2014. Interest earned amounted to P178.8 million, P100.8 million and P206.8 million in 2016, 2015 and 2014, respectively, and is presented as part of Other revenues under the Revenues account in the consolidated statements of comprehensive income (see Note 17).

6. TRADE AND OTHER RECEIVABLES

Details of this account are as follows:

	Notes	**2016**	2015
Trade receivables	1.3, 22.4	**P 10,137,878,918**	P 11,627,694,408
Advances to suppliers	22.13	**545,464,796**	336,354,121
Advances to officers and employees	22.5	**22,402,245**	21,491,459
Advances to related parties	22.7	**-**	1,628,798,800
Accrued interest receivable		**-**	201,972
Other receivables		**150,488,640**	35,274,356
		10,856,234,599	13,649,815,116
Allowance for impairment		**(76,744,683)**	(56,899,427)
		P 10,779,489,916	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 26.2).

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

All of the Company's trade and other receivables have been reviewed for indications of impairment. Adequate amounts of allowance for impairment have been recognized in 2016 and 2015 for those receivables found to be impaired .

A reconciliation of the allowance for impairment is shown below.

	2016	2015
Balance at beginning of year	**P 56,899,427**	P 78,318,123
Impairment losses	**20,066,707**	3,426,329
Write-offs	**(221,451)**	-
Impairment reversal	**-**	(24,845,025)
Balance at end of year	**P 76,744,683**	P 56,899,427

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

Impairment losses on trade and other receivables are presented as part of Other Charges account 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.

(Amounts in Philippine Pesos)

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's financial instruments at FVTPL as of December 31, 2016 and 2015 pertain to derivative assets and liabilities. All financial assets at FVTPL are classified as held-for-trading. Derivative assets and liabilities arise from foreign exchange margins trading spot and forward contracts entered into by the Group. The term of these forward contracts is usually one month to one year.

The Group's financial assets at FVTPL as of December 31, 2014 amounting to P1.0 billion were sold to a related party in 2015 (see Note 22). These pertained to equity securities of a related party under common ownership, which are listed in the PSE.

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) account. The Group recognized fair value losses amounting to P31.5 million in 2016 and fair value gains amounting to P2.6 million and P58.9 million in 2015 and 2014, respectively.

The fair values of listed equity securities were determined directly by reference to quoted close prices in active markets (see Note 28.2). In 2015 and 2014, the Group's recognized gains on trading financial assets at FVTPL amounting to P5.2 million and P159.0 million, respectively, are presented as part of Other revenues under the Revenues account in the 2015 and 2014 consolidated statements of comprehensive income (see Note 17). There were no similar transactions in 2016.

8. INVENTORIES

Inventories as of December 31, 2016 and 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 below.

	Note	**2016**	2015
Work-in-process		**P 13,532,427,366**	P 11,494,183,891
Finished goods	22.1	**3,182,542,312**	2,326,981,897
Raw materials	22.1	**3,099,194,084**	1,858,531,561
Packaging materials		**555,442,843**	399,369,933
Machinery spare parts, consumables and factory supplies		**516,760,137**	155,653,361
		20,886,366,742	16,234,720,643
Allowance for inventory write-down		**(131,865,103)**	(144,968,995)
		P 20,754,501,639	P 16,089,751,648

(Amounts in Philippine Pesos)

WML has a substantial inventory of aged stocks which mature over periods of up to 60 years. The maturing whisky stock inventory amounting to P11.0 billion and P11.1 billion as of December 31, 2016 and 2015, respectively, is presented as part of work-in-process inventories, and is stored in various locations across Scotland.

An analysis of the cost of inventories included in costs of goods sold for 2016, 2015 and 2014 is presented in Note 18.

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

	2016	2015
Balance at beginning of year	**P 144,968,995**	P 129,337,459
Impairment losses	**38,718,861**	15,631,536
Reversal of impairment losses	**(51,822,753)**	-
Balance at end of year	**P 131,865,103**	P 144,968,995

Impairment losses on inventories are presented as part of Impairment losses under Cost of Goods Sold account in the 2016 and 2015 consolidated statements of comprehensive income (see Note 18). There were no impairment losses on inventories recognized in the 2014 consolidated statement of comprehensive income. Reversal of impairment losses are presented as part of Other revenues under the Revenues account in the 2016 consolidated statements of comprehensive income (see Note 17). There were no reversals of impairment losses in 2015 and 2014.

(Amounts in Philippine Pesos)

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 2016 and 2015 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, 2016										
Cost	P 5,246,813,812	P 29,078,186	P 6,999,854,811	P 76,815,536	P 10,463,148,147	P 374,306,323	P 345,388,536	P 105,199,526	P 4,247,914,675	P 27,888,519,552
Accumulated depreciation and amortization	-	(11,296,880)	(1,193,829,255)	(43,099,968)	(5,257,629,023)	(218,732,491)	(140,623,817)	(74,025,950)	-	(6,939,237,384)
Net carrying amount	**P 5,246,813,812**	**P 17,781,306**	**P 5,806,025,556**	**P 33,715,568**	**P 5,205,519,124**	**P 155,573,832**	**P 204,764,719**	**P 31,173,576**	**P 4,247,914,675**	**P 20,949,282,168**
December 31, 2015										
Cost	P 2,592,928,420	P 29,078,186	P 4,744,219,634	P 76,420,470	P 10,217,177,688	P 345,769,525	P 562,490,376	P 84,891,277	P 2,720,485,160	P 21,373,460,736
Accumulated depreciation and amortization	-	(8,389,062)	(1,144,835,024)	(39,189,353)	(5,200,569,446)	(194,933,164)	(455,602,374)	(62,867,952)	-	(7,106,386,375)
Net carrying amount	P 2,592,928,420	P 20,689,124	P 3,599,384,610	P 37,231,117	P 5,016,608,242	P 150,836,361	P 106,888,002	P 22,023,325	P 2,720,485,160	P 14,267,074,361
January 1, 2015										
Cost	P 1,577,601,130	P 28,636,221	P 4,384,952,765	P 66,697,854	P 9,368,152,491	P 314,385,676	P 496,289,338	P 71,817,348	P 1,542,618,830	P 17,851,151,653
Accumulated depreciation and amortization	-	(5,488,609)	(1,053,184,042)	(35,721,715)	(4,634,166,897)	(172,417,885)	(430,096,025)	(52,268,184)	-	(6,383,343,357)
Net carrying amount	P 1,577,601,130	P 23,147,612	P 3,331,768,723	P 30,976,139	P 4,733,985,594	P 141,967,791	P 66,193,313	P 19,549,164	P 1,542,618,830	P 11,467,808,296

(Amounts in Philippine Pesos)

A reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of 2016, 2015 and 2014 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, 2016, net of accumulated depreciation and amortization	P2,592,928,420	P 20,689,124	P 3,599,384,610	P 37,231,117	P 5,016,608,242	P 150,836,361	P 106,888,002	P 22,023,325	P2,720,485,160	P 14,267,074,361
Additions due to acquired subsidiary and Business Unit (see Notes 1.3 and 1.6)	2,640,115,274	-	2,406,277,187	-	525,133,832	463,738	10,056,728	-	14,424,834	5,596,471,143
Additions	13,770,118	-	-	395,066	338,669,962	35,297,008	118,915,286	20,308,249	1,513,004,681	2,040,360,370
Disposals	-	-	(19,909,970)	-	(3,721,122)	(1,787,873)	(2,303,543)	-	-	(27,722,508)
Depreciation and amortization charges for the year	-	(2,907,818)	(179,726,271)	(3,910,615)	(671,171,790)	(29,235,402)	(28,791,304)	(11,157,998)	-	(926,901,198)
Balance at December 31, 2016, net of accumulated depreciation and amortization	**P5,246,813,812**	**P 17,781,306**	**P5,806,025,556**	**P 33,715,568**	**P 5,205,519,124**	**P 155,573,832**	**P 204,764,719**	**P 31,173,576**	**P4,247,914,675**	**P 20,949,282,168**
Balance at January 1, 2015, net of accumulated depreciation and amortization	P1,577,601,130	P 23,147,612	P3,331,768,723	P 30,976,139	P 4,733,985,594	P 141,967,791	P 66,193,313	P 19,549,164	P 1,542,618,830	P 11,467,808,296
Additions	1,023,319,790	441,964	360,284,562	702,251	731,609,232	38,769,981	65,738,341	13,073,929	1,310,700,869	3,544,640,919
Disposals	(7,992,500)	-	(673,684)	-	(236,221)	(1,252,873)	-	-	-	(10,155,278)
Reclassifications	-	-	6,421,921	9,020,365	117,392,253	-	-	-	(132,834,539)	-
Depreciation and amortization charges for the year	-	(2,900,452)	(98,416,912)	(3,467,638)	(566,142,616)	(28,648,538)	(25,043,652)	(10,599,768)	-	(735,219,576)
Balance at December 31, 2015, net of accumulated depreciation and amortization	P2,592,928,420	P 20,689,124	P3,599,384,610	P 37,231,117	P 5,016,608,242	P 150,836,361	P 106,888,002	P 22,023,325	P2,720,485,160	P 14,267,074,361

(Amounts in Philippine Pesos)

In 2013, the Group started the construction of another distillery plant in Balayan, Batangas, which remains in progress as of December 31, 2016. In 2016, the Group obtained a term loan from a local commercial bank to finance the construction of the said distillery plant, including purchase of related equipment. The borrowing costs from the loan are being capitalized and presented as part of additions to Construction in progress; these amounted to P74.2 million in 2016 (see Note 13).

The amount of depreciation and amortization is allocated as follows:

	Notes	2016	2015	2014
Costs of goods sold	18	**P 644,914,252**	P 473,317,155	P 322,671,428
Selling and distribution expenses	19	**33,324,735**	29,173,831	30,582,692
General and administrative expenses	19	**29,999,144**	34,150,749	21,301,456
		708,238,131	536,641,735	374,555,576
Capitalized as part of work-in-process inventory		**218,663,067**	198,577,841	30,250,228
		P 926,901,198	P 735,219,576	P 404,805,804

The capitalized amount represents depreciation expense on barrels and warehouse buildings wherein the maturing bulk stocks of whisky are held, which can reach periods of up to 60 years.

In 2016, 2015 and 2014, certain property, plant and equipment with carrying amounts of P27.7 million, P1.3 million and P0.8 million, respectively, were sold for P25.7 million, P2.8 million, and P3.4 million, respectively. The resulting loss on disposals in 2016 amounting to P2.0 million were recognized as part of Other Charges account in the 2016 consolidated statement of comprehensive income; while the resulting gains of P1.5 million in 2015 and P2.6 million in 2014 were recognized as part of Other revenues under the Revenues account in the 2015 and 2014 consolidated statements of comprehensive income, respectively (see Note 17).

10. INTANGIBLE ASSETS

This account is composed of the following:

	Note	2016	2015
Infinite useful lives:			
Trademarks	1.5, 1.6	**P 16,635,118,840**	P 9,972,144,142
Goodwill	1.5, 1.6	**9,135,551,658**	7,672,894,304
		25,770,670,498	17,645,038,446
Finite useful lives – Trademarks		**20,440,358**	123,313,026
		P 25,791,110,856	P 17,768,351,472

The Group's trademarks include those that were acquired from Condis, to manufacture and sell distilled spirits, particularly brandy, under the brand names "Emperador Brandy" and "Generoso Brandy." The Group also has another trademark for its flavored-alcoholic beverage under the brand name "The BaR". In 2013, the Group registered another trademark under the brand name "Emperador Deluxe."

In 2014, as a result of the Group's acquisition of WMG Group, trademarks amounting to P4.5 billion and P5.5 billion for "Jura" and "The Dalmore", respectively, were recognized in the consolidated financial statements. In 2016, the Group's acquisition of the Business Unit in Jerez resulted in the recognition of four new trademarks, which amounted to P6.7 billion, to the Group's brand portfolio, namely "Fundador Brandy", "Terry Centenario Brandy", "Tres Cepas Brandy", and "Harveys" sherry wine (see Note 1.6). These trademarks have infinite useful lives; hence, no amortization was recognized for these brands for the periods presented.

(Amounts in Philippine Pesos)

The remaining useful lives of the trademarks with finite lives are as follows:

	December 31, 2016	December 31, 2015
Emperador Brandy	**1 month**	13 months
Generoso Brandy	**1 month**	13 months
The BaR	**1.5 years**	2.5 years
Emperador Deluxe	**6.5 years**	7.5 years

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

	Note	**2016**	2015
Balance at beginning of year		**P 123,313,026**	P 226,185,694
Amortization during the year	19	**(102,872,668)**	(102,872,668)
Balance at end of year		**P 20,440,358**	P 123,313,026

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

11. OTHER NON-CURRENT ASSETS

This account is composed of the following:

	Notes	**2016**	2015
Property mortgage receivable		**P 597,604,251**	P -
Deposit for acquisition	1.6, 1.7	**449,309,212**	2,848,690,163
Deferred input VAT		**173,683,678**	258,615,169
Refundable security deposits	22.3	**44,919,122**	41,422,457
Others		**7,371,170**	8,174,034
		P 1,272,887,433	P 3,156,901,823

In 2016, the Group purchased from one of its property lessors an outstanding mortgage debt on one of the Group's leased properties. The purchased mortgage asset entitles the Group to full security over the leased property and to monthly interest payments from the property lessor. However, the Group remains as lessee over the property; hence, it is still required to make monthly lease payments to the property lessor.

In 2016, the Group made a deposit amounting to P449.3 million for a certain acquisition, which remains outstanding as of December 31, 2016 (see Note 1.7). In 2015, the deposit for acquisition amounting to P2.8 billion pertains to the deposit made by the Group to acquire the brandy and sherry business from Beam Suntory (see Note 1.6), which was applied in full against the total consideration paid in 2016.

12. INVESTMENT IN A JOINT VENTURE

On February 2, 2014, GES entered into an agreement with Gonzales Byass, S.A. (Gonzalez), for the joint control of BLC for 50% equity interest for each venturer. The 50% participation cost of P3.7 billion is based on the fair valuation of the assets. BLC was incorporated on March 19, 2013. Its primary business consists of the planting and growing of wine grapes and the exploitation of vineyards, the production, ageing and preparation of wines and vinegars; the production of alcohol; the production, preparation and ageing of brandy, aguardientes, compounds, liquors and in general, all kinds of spirits.

As of December 31, 2016 and 2015, the carrying amount of the investment in joint venture, accounted for under the equity method in these consolidated financial statements, are as follows:

	2016	2015
Acquisition costs – BLC	**P 3,703,721,965**	P 3,703,721,965
Accumulated share in net income:		
Balance at beginning of year	**169,542,466**	39,534,826
Share in net income for the year	**219,276,919**	130,007,640
Dividend received during the year	**(93,391,294)**	-
Balance at end of year	**295,428,091**	169,542,466
	P 3,999,150,056	P 3,873,264,431

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

The aggregated amounts of assets, liabilities, revenues and net income of the joint venture as of December 31, 2016 and 2015 and for the years then ended are as follows (in thousands):

	Assets	**Liabilities**	**Revenues**	**Net Income**
2016	**P 5,132,925**	**P 1,056,563**	**P 4,140,938**	**P 438,554**
2015	5,054,709	1,063,831	3,315,098	260,015

13. INTEREST-BEARING LOANS AND BORROWINGS

In 2016, the Group set up a three-year foreign-currency-denominated revolving credit facility with a foreign bank, where it had drawn down P2.7 billion bearing an annual interest rate of 1.00% to 1.25% during the year. The interest and the principal can be paid anytime up to, or balloon payment at the end of, three years. Since this is a revolver, the drawn amount plus the accrued interest thereon is presented under current liabilities section in the 2016 consolidated statement of financial position.

Also in 2016, the Group obtained an unsecured five-year peso-denominated loan amounting to P2.0 billion from a local commercial bank, specifically to finance the remaining construction of a distillery plant and the purchase of related equipment (see Note 9), with interest ranging from 5.00% to 5.25% per annum and principal repayment of twelve equal quarterly amortizations starting on the ninth quarter after the initial drawdown. Moreover, the Group refinanced its maturing foreign-currency-denominated bank loan, which it obtained in 2015, into an unsecured five-year foreign-currency-denominated term loan amounting to P19.4 billion from a syndicate of foreign financial institutions, with interest of 1.55% in 2016 and repayable in full at maturity. These loans are presented under non-current liabilities section in the 2016 consolidated statement of financial position.

In 2015, the Group obtained short-term foreign-currency-denominated bank loans amounting to P23.9 billion from international financial institutions. These loans were unsecured and bore annual interest ranging from 0.66% to 1.8%. These loans, including the loan that was refinanced as discussed in the preceding paragraph, had all been fully settled in 2016.

Interest expense on the above loans for 2016 and 2015 amounted to P301.0 million and P31.7 million, respectively, and is presented as part of Other Charges account in the consolidated statements of comprehensive income. Capitalized interest expense from the peso-denominated loan amounted to P74.2 million in 2016 and is presented as part of the additions to Construction in progress under Property, Plant and Equipment account (see Note 9). Accrued interest payable as of December 31, 2016 and 2015 amounted to P26.6 million and P32.6 million, respectively, and presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

(Amounts in Philippine Pesos)

The Group's interest expense for 2015 and 2014 included interest expense amounting to P85.6 million and P51.4 million, respectively, from unsecured short-term foreign currency denominated loans and borrowings obtained in 2014 from local and international financial institutions, which were fully paid in 2015. These loans bore annual interest rates ranging from 1.4% to 1.8%. The related interest expense is presented as part of Other Charges in the 2015 and 2014 consolidated statements of comprehensive income. These loans and borrowings did not require any covenants.

The Group complies with the financial and non-financial covenants on these loans and borrowings.

14. EQUITY-LINKED DEBT SECURITIES

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

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

The ELS bears a fixed annual interest rate of 5.0% and variable interest in an amount equal to the dividends that would be payable on the conversion shares if they were issued prior to the date that any dividend is declared by EMP. The fixed interest is payable either in cash or in new EMP shares (interest shares) on the conversion date, December 4, 2019, or December 4, 2021, as applicable. The variable interest is payable in cash on the date that the Issuer pays such dividends to its shareholders. Interest expense amounted to P364.0 million, P341.2 million and P19.8 million in 2016, 2015 and 2014, respectively, and presented as part of Other Charges account in the consolidated statements of comprehensive income. Interest expense includes the variable interest paid in 2016 and 2015 amounting to P81.0 million and P72.0 million, respectively. The related interest payable amounting to P562.7 million and P283.5 million as of December 31, 2016 and 2015, respectively, are presented as Accrued Interest Payable account in the consolidated statements of financial position.

The documentary stamp taxes (DST) paid by the Issuer for the issuance of shares amounted to P6.7 million and are charged against APIC; while the capitalized DST paid for the issuance of the ELS amounted to P26.4 million, which is presented net of the outstanding liability. The amortization of DST amounted to P3.8 million in 2016, P5.2 million in 2015 and P0.3 million in 2014, and were presented as part of Other Charges account in the consolidated statements of comprehensive income.

There were no related collaterals on the ELS.

15. TRADE AND OTHER PAYABLES

The breakdown of this account is as follows:

	Notes	2016	2015
Trade payables	22.1, 22.2, 22.3, 22.8	**P 4,550,920,891**	P 6,460,787,974
Accrued expenses	13	**3,386,084,571**	3,488,704,748
Output VAT payable		**553,834,979**	507,067,987
Advances from related parties	22.6	**3,120,715**	4,672,827,792
Others		**88,763,837**	37,833,244
		P 8,562,724,993	P 15,167,221,745

(Amounts in Philippine Pesos)

Trade payables arise mostly from purchases of raw materials such as alcohol, molasses, flavorings and other supplies.

Accrued expenses significantly include various accruals relating to marketing, operations, and other activities, and interest on interest-bearing loans and borrowings. The accrued interest is expected to be paid subsequently on the scheduled interest payment date (see Note 13).

16. PROVISIONS

The breakdown of this account as of December 31, 2016 and 2015 is as follows:

	Onerous Lease	Dilapidations	Total
Balance at January 1, 2016	P 476,915,255	P 317,343,255	P 794,258,510
Utilized amounts	(96,770,381)	(207,364,882)	(304,135,263)
Reversal of unutilized amounts	(72,533,568)	-	(72,533,568)
Additional provisions	38,430,592	24,497,408	62,928,000
Balance at December 31, 2016	**P 346,041,898**	**P 134,475,781**	**P 480,517,679**
Balance at January 1, 2015	P 649,364,390	P 270,105,211	P 919,469,601
Utilized amounts	(99,148,389)	(11,020,331)	(110,168,720)
Reversal of unutilized amounts	(73,300,746)	-	(73,300,746)
Additional provisions	-	58,258,375	58,258,375
Balance at December 31, 2015	P 476,915,255	P 317,343,255	P 794,258,510

16.1 Provision for Onerous Lease

WML has existing non-cancellable lease agreements on leasehold properties located in Glasgow and Edinburgh, Scotland, covering manufacturing plant facilities, buildings and parking spaces, which are vacant or subleased at a discount. The provisions take account of current market conditions, expected future vacant periods, expected future sublet benefits and are calculated by discounting expected net cash outflows on a pre-tax basis over the remaining period of the lease, which as of December 31, 2016 and 2015, is between one to 14 years and one to 15 years, respectively.

Reversal of unutilized amounts in 2016 and 2015 are presented as part of Other revenues under Revenues account in the 2016 and 2015 consolidated statements of comprehensive income (see Note 17).

Additional provisions in 2016 are presented as part of Provisions under the General and Administrative Expenses account in the 2016 consolidated statement of comprehensive income (see Note 19). The provision will be reduced at each payment date.

16.2 Provision for Dilapidations

WML is a party to lease agreements for properties located in Glasgow and Edinburgh, Scotland which provide for tenant repairing clauses. The lease agreements require the Group to restore the leased properties to a specified condition at the end of the lease term in 2029. A provision was recognized for the present value of the costs to be incurred for the restoration of the leased properties. Additional provisions for 2016 and 2015 is presented as part of Provisions under the General and Administrative Expenses account in the consolidated statements of comprehensive income (see Note 19).

(Amounts in Philippine Pesos)

17. REVENUES

The details of revenues are shown below.

	Notes	2016	2015	2014
Sale of goods		**P40,446,981,708**	P 43,267,918,045	P31,458,174,710
Other revenues – net	5, 6, 7, 8, 9, 12, 16.1, 22.7	**571,119,482**	377,158,639	551,210,935
		P 41,018,101,190	P 43,645,076,684	P 32,009,385,645

18. COSTS OF GOODS SOLD

The details of costs of goods sold for the years ended December 31, 2016, 2015 and 2014 are shown below.

	Notes	2016	2015	2014
Finished goods at beginning of year	8	**P 2,326,981,897**	P 2,109,429,719	P 1,036,441,587
Finished goods purchased	22.1	**2,451,992,364**	2,384,152,378	1,202,416,778
Finished goods due to acquired Business Unit	1.6	**72,932,543**	-	-
Costs of goods manufactured				
Raw and packaging materials at beginning of year	8	**2,257,901,494**	3,237,689,432	2,377,755,995
Net raw material purchases during the year	22.1	**21,584,886,833**	25,456,308,272	18,159,533,602
Raw materials due to acquired Business Unit	1.5, 1.6	**55,490,633**	-	10,688,421,748
Raw and packaging materials at end of year	8	**(3,654,636,927)**	(2,257,901,494)	(3,237,689,432)
Raw materials used during the year		**20,243,642,033**	26,436,096,210	27,988,021,913
Balance carried forward		**P25,095,548,837**	P 30,929,678,307	P 30,226,880,278
Balance brought forward		**P25,095,548,837**	P 30,929,678,307	P 30,226,880,278
Work-in-process at beginning of year	8	**11,494,183,891**	9,901,698,258	3,035,664
Work-in-process due to acquired Business Unit	1.5, 1.6	**2,326,850,106**	-	316,808,140
Direct labor	20.1	**662,022,433**	355,826,127	93,864,030
Manufacturing overhead				
Depreciation and amortization	9	**644,914,252**	473,317,155	322,671,428
Labor	20.1	**370,816,640**	352,087,287	114,026,630
Rentals	22.3	**287,119,043**	263,111,349	147,436,893
Fuel and lubricants		**258,845,115**	276,502,232	432,885,779
Outside services	22.8	**224,995,771**	243,896,811	225,434,391
Communication, light and water		**205,292,917**	199,722,841	202,545,524
Repairs and maintenance		**199,587,113**	118,267,079	99,947,875
Taxes and licenses		**82,846,890**	37,985,924	35,531,721
Consumables and supplies		**80,688,274**	90,219,850	99,277,030
Commission		**44,453,312**	33,583,497	4,198,004
Impairment losses	8	**38,718,861**	15,631,536	-
Waste disposal		**35,667,679**	14,938,896	23,129,521
Transportation		**21,887,826**	14,062,146	13,284,965
Meals		**12,997,373**	13,080,531	12,087,221
Insurance		**12,636,567**	29,015,520	18,059,843
Gasoline and oil		**7,091,410**	9,084,216	13,288,166
Miscellaneous		**32,250,994**	38,842,169	15,871,867
Work-in-process at end of year	8	**(13,532,427,366)**	(11,494,183,891)	(9,901,698,258)
		3,511,439,101	986,689,533	(7,708,313,566)
Finished goods at end of year	8	**(3,182,542,312)**	(2,326,981,897)	(2,109,429,719)
		P25,424,445,626	P 29,589,385,943	P 20,409,136,993

(Amounts in Philippine Pesos)

19. OTHER OPERATING EXPENSES

The details of other operating expenses are shown below.

	Notes	2016	2015	2014
Advertising and promotions		**P 2,039,096,773**	P 1,388,252,577	P 661,229,806
Salaries and employee benefits	20.1	**983,403,316**	823,714,569	302,080,228
Professional fees and outside services		**785,204,281**	548,353,765	426,245,706
Freight and handling		**437,708,284**	888,372,559	914,947,142
Travel and transportation		**193,034,711**	179,234,217	101,249,853
Representation		**169,207,464**	139,968,574	128,966,974
Other services		**139,271,026**	152,280,665	111,888,961
Amortization of trademarks	10	**102,872,668**	102,872,668	102,872,668
Rentals	22.3	**81,644,936**	116,178,960	70,608,662
Fuel and oil		**67,001,705**	64,562,374	70,192,920
Depreciation and amortization	9	**63,323,879**	63,324,580	51,884,148
Provisions	16	**62,928,000**	58,258,375	12,411,409
Meals		**60,904,788**	59,476,344	57,581,600
Taxes and licenses		**57,822,484**	63,810,806	96,165,503
Supplies		**33,383,904**	31,426,274	13,498,408
Communication, light and water		**22,846,569**	28,405,326	16,551,549
Insurance		**7,044,281**	7,339,131	5,454,213
Repairs and maintenance		**6,410,108**	46,097,042	32,928,870
Trading fees		**-**	1,614,932	8,247,862
Others		**50,808,711**	314,304,224	145,004,020
		P 5,363,917,888	P 5,077,847,962	P 3,330,010,502

Others include royalty fees, subscription and association dues, postal services and other incidental expenses under the ordinary course of business.

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

	2016	2015	2014
Selling and distribution expenses	**P 3,510,668,920**	P 3,249,646,048	P 2,652,209,005
General and administrative expenses	**1,853,248,968**	1,828,201,914	677,801,497
	P 5,363,917,888	P 5,077,847,962	P 3,330,010,502

20. EMPLOYEE BENEFITS

20.1 Salaries and Employee Benefits Expense

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

	Notes	2016	2015	2014
Salaries and wages		**P 1,414,224,561**	P 951,654,565	P 280,672,577
Post-employment defined contribution		**154,347,392**	178,991,900	18,156,445
Social security costs		**133,340,737**	144,009,108	33,020,810
Share options	20.2	**26,958,169**	4,493,028	-
Post-employment defined benefit	20.3	**13,358,011**	14,382,872	42,441,169
Other short-term benefits		**274,013,519**	238,096,510	135,679,887
	18, 19	**P 2,016,242,389**	P 1,531,627,983	P 509,970,888

Other short-term benefits represent other employee benefits that were incurred during the reporting periods in which the employees render the related service.

(Amounts in Philippine Pesos)

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

	Notes	2016	2015	2014
Costs of goods sold	18	**P 1,032,839,073**	P 707,913,414	P 207,890,660
General and administrative expenses	19	**781,778,765**	649,792,651	154,758,134
Selling and distribution expenses	19	**201,624,551**	173,921,918	147,322,094
		P 2,016,242,389	P 1,531,627,983	P 509,970,888

In 2016, 2015 and 2014, salaries and wages, post-employment benefits and other short-term benefits totaling P461.7 million, P473.4 million and P100.8 million, respectively, was capitalized to form part of the work-in-process inventory. Such capitalized amount represents salaries and employee benefits of personnel directly involved in the production of whisky.

20.2 Employee Share Option

Employee share option expense, included as part of Salaries and employee benefits under the General and Administrative Expenses account in the 2016 and 2015 consolidated statements of comprehensive income amounted to P27.0 million in 2016 and P4.5 million in 2015 (nil in 2014) while the corresponding cumulative credit to Share Options account is presented under the equity section of the consolidated statements of financial position (see Note 23.3).

20.3 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Group maintains a funded, tax-qualified, noncontributory retirement benefit plan which is being administered by a trustee bank that is legally separated from the Group. The post-employment plan covers all regular full-time employees of EDI, AWGI and certain employees of WMG, and provides a retirement benefit ranging from eighty-five percent (85%) to one hundred fifty percent (150%) of plan salary for every year of credited service.

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

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

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

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

	2016	2015
Present value of the obligation	**P 11,974,686,864**	P 11,005,614,208
Fair value of plan assets	**(10,973,737,068)**	(10,541,446,500)
	P 1,000,949,796	P 464,167,708

(Amounts in Philippine Pesos)

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

	Notes	2016	2015	2014
Balance at beginning of year		**P 11,005,614,208**	P 11,586,730,756	P 87,780,322
Foreign exchange adjustment		**(1,443,156,000)**	7,846,290	-
Benefits paid		**(416,782,100)**	(467,788,594)	(55,266,194)
Interest expense		**389,220,205**	405,138,473	76,915,933
Current service costs	20.1	**13,358,011**	14,382,872	7,977,365
Past service costs from plan amendment	20.1	**-**	-	34,463,804
Remeasurements:				
Actuarial losses (gains) arising from:				
Changes in financial assumptions		**2,392,254,665**	(540,878,062)	728,687,650
Experience adjustments		**26,213,217**	182,473	(17,086,024)
Additions due to acquired subsidiaries	1.3, 1.5	**7,964,658**	-	10,723,257,900
Balance at end of year		**P 11,974,686,864**	P 11,005,614,208	P 11,586,730,756

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

	2016	2015
Balance at beginning of year	**P 10,541,446,500**	P 10,454,636,149
Return on plan assets (excluding amounts included in net interest)	**1,613,342,000**	(120,860,500)
Foreign exchange adjustment	**(1,412,123,500)**	14,140,851
Interest income	**375,840,068**	368,948,000
Contributions to the plan	**256,000,000**	278,000,000
Benefits paid	**(400,768,000)**	(453,418,000)
Balance at end of year	**P 10,973,737,068**	P 10,541,446,500

(Amounts in Philippine Pesos)

The net effect of the foreign exchange adjustment in the present value of the obligation and the fair value of plan assets amounted to P31.0 million in 2016 and P6.3 million in 2015.

The composition and the fair value of plan assets as at December 31, 2016 and 2015 by category and risk characteristics are shown below.

	2016	2015
Quoted equity securities	**P 5,284,068,636**	P 4,789,493,115
Debt securities	**2,269,299,186**	2,228,356,955
Corporate bonds	**2,137,745,610**	2,197,817,090
Diversified growth fund	**701,619,072**	739,275,323
Property	**482,363,112**	541,292,758
Cash and cash equivalents	**98,641,452**	45,211,259
	P 10,973,737,068	P 10,541,446,500

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

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

	2016	2015	2014
Reported in profit and loss			
Interest expense – net	**P 13,380,137**	P 36,190,473	P 8,759,209
Current service costs	**13,358,011**	14,382,872	42,441,169
	P 26,738,148	P 50,573,345	P 51,200,378
Reported in other comprehensive income			
Actuarial losses (gains) arising from:			
Changes in financial assumptions	**P 2,392,254,665**	(P 540,878,062)	P 740,445,578
Experience adjustments	**(1,587,128,783)**	121,042,973	(381,820,441)
	P 805,125,882	(P 419,835,089)	P 358,625,137

(Amounts in Philippine Pesos)

The amounts of post-employment benefits expense recognized in profit or loss are presented as part of General and Administrative Expenses (for current service costs) and Other Charges (for interest expense) accounts in the consolidated statements of comprehensive income. In 2014, post-employment benefits expense amounting to P8.8 million was capitalized to form part of the work-in-process inventory. Such capitalized amount represents post-employment benefits of personnel directly involved in the production of whisky. There were no post-employment benefits expense capitalized in 2016 and 2015 as there were no current service costs incurred during such periods that are related in the production of whisky.

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

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

	2016	2015	2014
Discount rate	**4.49%-5.51%**	3.55%-5.38%	3.55%-4.75%
Expected rate of salary increase	**4.00%-5.00%**	4.00%-5.00%	4.00%-5.00%

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

(c) Risks Associated with the Retirement Benefit Obligation

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

(i) Interest Rate Risks

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

(ii) Longevity and Salary Risks

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

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the retirement plan are described in the succeeding pages.

(Amounts in Philippine Pesos)

(i) Sensitivity Analysis

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

	Impact on Retirement Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2016			
Discount rate	**+0.25/-0.25%**	**(P 563,200,000)**	**P 608,000,000**
Salary growth rate	**+1.00%/-1.00%**	**134,400,000**	**(153,600,000)**
December 31, 2015			
Discount rate	+0.25/-0.25%	(P 508,080,000)	P 542,880,000
Salary growth rate	+1.00%/-1.00%	146,160,000	(146,160,000)

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

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

(ii) Funding Arrangements and Expected Contributions

As of December 31, 2016 and 2015, the plan is underfunded by P1.0 billion and P0.5 billion, respectively, based on the latest actuarial valuations. While there are no minimum funding requirement in the countries where the Group is operating, the size of the underfunding may pose a cash flow risk in about 7 years' time when a significant number of employees is expected to retire.

The expected maturity of undiscounted expected benefits payments is as follows:

	2016	2015
Within one year	**P 268,382,129**	P 303,015,613
More than one but less than five years	**1,050,198,219**	1,134,567,872
More than five years	**484,400,982**	527,318,223
	P 1,802,981,330	P 1,964,901,708

The weighted average duration of the retirement benefit obligation at the end of the reporting period is 7 years.

21. CURRENT AND DEFERRED TAXES

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

	2016	2015	2014
Reported in profit or loss			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%, 25% and 20%	**P 2,024,180,956**	P 1,698,770,747	P 1,903,211,139
Final tax on interest income at 20% and 7.5%	**28,393,807**	26,760,146	26,562,983
Minimum corporate income tax (MCIT) at 2%	**3,168,661**	2,033,000	-
Deferred tax income relating to origination and reversal of temporary differences	**(313,412,108)**	(237,781,829)	(25,602,114)
	P 1,742,331,316	P 1,489,782,064	P 1,904,172,008
Reported in other comprehensive income			
Deferred tax expense (income) relating to remeasurements of retirement benefit obligation	**(P 136,909,345)**	P 69,367,587	(P 70,563,930)

(Amounts in Philippine Pesos)

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

	2016	2015	2014
Tax on pretax profit at 30%	**P 2,830,709,565**	P 2,534,951,505	P 2,432,507,155
Adjustment for income subjected to different tax rates	**(33,039,776)**	(1,047,847)	(13,874,741)
Additional deduction in claiming optional standard deduction (OSD)	**(405,692,407)**	(558,234,820)	(488,708,892)
Tax effects of:			
Non-taxable income	**(696,837,326)**	(396,976,869)	(19,928,998)
Change in tax rate	**(100,089,472)**	-	-
Unrelieved non-trading losses	**98,272,960**	(134,317,507)	(20,444,562)
Unrecognized DTA on:			
Provision for interest expense	**84,891,191**	80,767,742	-
NOLCO	**(25,321,576)**	(8,710,298)	32,885,656
MCIT	**3,168,661**	2,033,000	-
Equity in net income of joint venture	**(65,783,076)**	(39,002,292)	(11,860,448)
Non-deductible expenses	**45,785,420**	10,319,450	16,809,717
Adjustments to current tax for prior years	**27,256,320**	-	-
Accelerated capital allowances and other short-term temporary differences	**(20,989,168)**	-	(13,297,879)
Capitalized DST on issuance of ELS	**-**	-	(7,920,000)
DST directly charged against APIC	**-**	-	(1,995,000)
	P 1,742,331,316	P 1,489,782,064	P 1,904,172,008

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 2016, 2015 and 2014 as RCIT was higher in those years.

EMP's foreign subsidiaries are subject to income and other taxes based on the enacted tax laws of the countries and/or jurisdictions where they operate. In 2016, one of the foreign subsidiaries of the Group measured its deferred tax assets and liabilities using the tax rate applicable when it expects to recover or settle the carrying amount of the related assets or liabilities.

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

	2016	2015
Brand valuation	**(P 1,489,925,000)**	(P 1,797,409,000)
Retirement benefit obligation	**183,809,568**	97,375,172
Fair value adjustment	**(101,765,080)**	(363,554,500)
Short-term temporary differences	**(53,700,740)**	142,409,392
Contingent liability	**26,538,050**	28,703,500
Allowance for impairment	**13,997,223**	8,607,647
Capitalized borrowing costs	**(12,393,502)**	-
Unamortized past service costs	**747,989**	854,844
Net deferred tax liabilities	**(P 1,432,691,492)**	(P 1,883,012,945)

(Amounts in Philippine Pesos)

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

	Profit or Loss			Other Comprehensive Income		
	2016	2015	2014	**2016**	2015	2014
Brand valuation	**(P 307,484,000)**	(P197,019,801)	P -	**P -**	P -	P -
Fair value adjustment	**(261,789,420)**	(62,821,668)	(2,821,384)	**-**	-	-
Short-term temporary differences	**196,110,132**	(51,482,272)	(7,472,182)	**-**	-	-
Retirement benefit obligation	**50,474,949**	70,753,761	(10,397,151)	**(136,909,345)**	69,367,587	(70,563,930)
Capitalized borrowing costs	**12,393,502**	-	-	**-**	-	-
Allowance for impairment	**(5,389,576)**	(1,027,899)	(1,678,484)	**-**	-	-
Contingent liability	**2,165,450**	3,709,195	(2,271,214)	**-**	-	-
Unamortized past service costs	**106,855**	106,855	(961,699)	**-**	-	-
Deferred tax expense (income)	**(P 313,412,108)**	(P 237,781,829)	(P 25,602,114)	**(P 136,909,345)**	P 69,367,587	(P 70,563,930)

In 2016, 2015 and 2014, the Group opted to claim itemized deductions in computing its income tax due, except for EDI and AWGI which opted to claim OSD during the same taxable years.

22. RELATED PARTY TRANSACTIONS

The Group's related parties include the ultimate parent company, stockholders, officers and employees, and other related parties under common ownership as described below.

The summary of the Group's transactions with its related parties in 2016, 2015 and 2014 and the related outstanding balances as of December 31, 2016 and 2015 are as follows:

Related Party Category	Notes	Amount of Transaction			Outstanding Receivable (Payable)	
		2016	2015	2014	**2016**	2015
Ultimate Parent Company:						
Dividends paid	23.2	**P 2,217,736,568**	P 1,970,737,499	P 1,872,000,000	**P -**	P -
Advances granted (collected)	22.7	**(1,555,000,000)**	(355,000,000)	1,910,000,000	**-**	1,555,000,000
Lease of properties	22.3(b)	**8,000,000**	8,000,000	8,000,000	**(6,542,366)**	(11,462,366)
Related Parties Under Common Ownership:						
Advances paid (obtained)	22.6	**4,668,500,616**	6,537,641,100	(10,305,469,774)	**-**	(4,668,500,616)
Purchase of raw materials	22.1	**3,368,144,240**	3,014,462,087	4,654,005,633	**(1,256,577,065)**	(1,200,024,526)
Advances granted (collected)	22.7	**(73,798,800)**	(1,960,700,222)	2,034,499,022	**-**	73,798,800
Disposal of financial assets at FVTPL	7	**-**	(1,040,340,021)	-	**-**	-
Purchase of land	22.13	**-**	992,082,400	-	**-**	-
Advances for land purchase	22.13	**46,350,000**	-	-	**46,350,000**	-
Management services	22.8	**51,000,000**	135,000,000	120,000,000	**(33,000,000)**	(102,975,000)
Lease of property	22.3(a),(c)	**25,576,466**	82,457,771	79,686,189	**(259,742)**	(88,463,601)
Sale of goods	22.4	**95,353,130**	40,865,368	9,436,183	**69,152,844**	35,027,581
Purchase of finished goods	22.1	**10,684,018**	4,686,357	3,475,578	**(1,059,608)**	(207,002)
Acquisition of machinery and equipment	22.2	**-**	-	-	**-**	(191,584,700)
Acquisition of TEI	22.15	**124,999,995**	-	-	**-**	-
Stockholder:						
Advances paid (obtained)	22.6	**1,206,461**	64,159	1,192,302	**(3,120,715)**	(4,327,176)
Subscription of EMP shares	22.10	**-**	-	12,320,000,000	**-**	-
Issuance of ELS	22.9	**-**	-	5,280,000,000	**-**	(5,280,000,000)
Officers and Employees –						
Advances granted (collected)	22.5	**910,786**	10,771,388	(3,509,426)	**22,402,245**	21,491,459
Key Management Personnel Compensation	22.11	**189,229,952**	186,716,324	30,174,688	**-**	-

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, and none is deemed necessary, in 2016, 2015 and 2014 for related party receivables.

Transactions with related parties are also discussed below and in the succeeding pages.

22.1 Purchase of Goods

The Group imports raw materials, such as alcohol, flavorings and other items, and finished goods through Andresons Global, Inc. (AGL), a related party under common ownership. Total purchases for 2016, 2015 and 2014 amounted to P134.5 million, P39.9 million and P56.6 million, respectively, whereas total finished goods importations during the years 2016, 2015 and 2014 amounted to P10.7 million, P4.7 million and P3.5 million, respectively. These transactions are payable within 30 days.

The related unpaid purchases of raw materials as of December 31, 2016 and 2015 amounted to P162.1 million and P140.4 million, respectively. The outstanding liability related to the Group's finished goods importations as of December 31, 2016 and 2015 amounted to P1.1 million and P0.2 million, respectively. These liabilities are shown as part of Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

The Group also imports raw materials from Alcoholera dela Mancha, a wholly owned subsidiary of BLC, which is considered a related party under joint control. Total purchases for 2016, 2015 and 2014 amounted to P3.2 billion, P2.9 billion and P4.6 billion, respectively (see Notes 8 and 18). The related unpaid purchases as of December 31, 2016 and 2015 both amounted to P1.1 billion, and are shown as part of Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

22.2 Acquisition of Machinery and Equipment

In 2010, the Group purchased certain machinery and equipment from TEI, a related party under common ownership at that time, for P285.4 million. The P191.6 million outstanding balance as of December 31, 2015, which was presented as part of Trade payables under the Trade and Other Payables account in the 2015 consolidated statement of financial position, was paid in full in 2016 prior to the Group's acquisition of TEI (see Note 15).

22.3 Lease Agreements

(a) TEI

In 2014, the Group renewed its lease agreement with TEI, as the lessor, for a period of ten years ending on December 31, 2023, covering its main manufacturing plant facilities which include the production building, storage tanks for raw materials, and water treatment area, among others.

Total rental expense arising from the above lease contract amounted to P58.2 million in both 2015 and 2014, and is presented as part of Rentals under the Costs of Goods Sold account in the 2015 and 2014 consolidated statement of comprehensive income (see Note 18). 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 in the 2015 consolidated statement of financial position (see Note 15). In 2016, TEI became a wholly owned subsidiary of EDI and intercompany rentals and balances were eliminated in the consolidation.

(b) AGI

The Group leases the glass manufacturing plant located in Laguna from AGI. The amount of rental is mutually agreed annually between AGI and AWGI. Rentals amounting to P8.0 million for each of three years in the period ended December 31, 2016, were charged to operations as part of Rentals under the Costs of Goods Sold account in the consolidated statements of comprehensive income (see Note 18). The outstanding liability from this transaction which amounted to P6.5 million and P11.5 million as of December 31, 2016 and 2015, respectively, is shown as Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

(Amounts in Philippine Pesos)

(c) Others

The Group also entered into lease contracts with another related party for the head office space of the Group's sales and bottling division. Total rental expense from this contract for the years ended December 31, 2016, 2015 and 2014 amounted to P26.6 million, P24.3 million and P21.5 million, respectively, and presented as part of Rentals under the Selling and Distribution Expenses, General and Administrative Expenses, and Cost of Goods Sold accounts in the consolidated statements of comprehensive income (see Notes 18 and 19). The outstanding liability from this transaction both amounted to P0.3 million as of December 31, 2016 and 2015 and is shown as Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

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 P7.5 million and P21.2 million as of December 31, 2016 and 2015, respectively (see Note 11).

22.4 Sale of Goods

The Group sold finished goods to some of its related parties. Goods are sold on the basis of the price lists in force and terms that would be available to non-related parties. Total sales in 2016, 2015 and 2014 amounted to P95.4 million, P40.9 million and P9.4 million, respectively. The outstanding receivables from sale of goods amounted to P69.2 million and P35.0 million as of December 31, 2016 and 2015, respectively, and are generally noninterest-bearing, unsecured and settled through cash within three to six months. These receivables are presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

22.5 Advances to Officers and Employees

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

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

	2016	2015
Balance at beginning of year	**P 21,491,459**	P 10,720,071
Additions	**28,218,049**	20,619,238
Repayments	**(27,307,263)**	(9,847,850)
Balance at end of year	**P 22,402,245**	P 21,491,459

22.6 Advances from Related Parties

Certain entities within the AGI Group and other related parties grant cash advances to the Group for its working capital, investment and inventory purchases requirements. These advances are unsecured, noninterest-bearing and repayable in cash upon demand. These are presented as Advances from related parties under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

(Amounts in Philippine Pesos)

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

	2016	2015
Balance at beginning of year	**P 4,672,827,792**	P 11,210,404,733
Repayments, net of additions	**(4,669,707,077)**	(6,537,576,941)
Balance at end of year	**P 3,120,715**	P 4,672,827,792

22.7 Advances to Related Parties

In 2014, the Group made unsecured, interest-bearing cash advances to AGI and New Town Land Partners, Inc. (New Town), a related party under common ownership, for financial and working capital purposes, which were payable in cash upon demand. The advances bore an annual interest rate that was mutually agreed upon by the parties based on current bank rates. These advances had been fully settled in 2016. The outstanding receivable amounting to P1.6 billion as of December 31, 2015 was presented as part of Advances to related parties under the Trade and Other Receivables account in the 2015 consolidated statement of financial position (see Note 6). Interest income earned from these advances amounted to P22.5 million, P83.2 million and P34.3 million in 2016, 2015 and 2014, respectively, and presented as part of Other revenues under the Revenues account in the consolidated statements of comprehensive income (see Note 17).

22.8 Management Services

EDI entered into a management agreement with TEI for the consultancy and advisory services in relation to the operation, management, development and maintenance of machineries. EDI also entered into another management agreement with Condis in relation to the same scope of work with respect to its distillery plant. As consideration for the services provided by TEI and Condis, EDI incurs monthly management fees amounting to P4.0 million up to June 30, 2014, and as a result of respective amendments, P7.0 million effective July 1, 2014 up to September 2016. In 2016, the intercompany transactions and balances with TEI, which became a wholly-owned subsidiary in 2016, were eliminated in consolidation.

Total management fees incurred in 2016, 2015 and 2014 amounting to P51.0 million, P135.0 million and P120.0 million, respectively, are presented as part of Outside services under the Costs of Goods Sold account in the consolidated statements of comprehensive income (see Note 18). The outstanding liability arising from management fees as of December 31, 2016 and 2015 amounting to P33.0 million and P103.0 million, respectively, is presented as part of Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15). The related liabilities are unsecured, noninterest-bearing and payable upon demand.

22.9 Issuance of Equity-linked Debt Securities

In 2016, the Group issued an equity-linked debt securities instrument to a stockholder amounting to P5.3 billion, with outstanding amount presented as Equity-linked Debt Securities in the 2016 consolidated statements of financial position. The ELS may be converted into 480.0 million common shares of EMP with a par value of P1.0 per share. The ELS bears fixed annual interest rate of 5.0% and variable interest in an amount equal to the dividends that would be payable on the conversion shares if they were issued prior to the date that any dividend is declared by EMP (see Note 14).

22.10 Subscription of EMP Shares

In 2014, Arran subscribed to 1.1 billion common shares of EMP with P1.0 par value. The subscription price amounting to P12.3 billion was fully paid on December 4, 2014 (see Notes 14 and 23.1). The excess of the subscription price over the par value amounting to P11.2 billion was recorded as APIC.

22.11 Key Management Personnel Compensation

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

	2016	2015	2014
Short-term benefits	**P 181,160,370**	P 185,587,151	P 29,256,173
Post-employment defined benefits	**8,069,582**	1,129,173	918,515
	P 189,229,952	P 186,716,324	P 30,174,688

(Amounts in Philippine Pesos)

22.12 Retirement Plan

The Group's retirement funds for its post-employment defined benefit plan is administered and managed by a trustee bank.

The fair value and the composition of the plan assets as of December 31, 2016 and 2015 are presented in Note 20.2.

The retirement fund neither provides any guarantee or surety for any obligation of the Group nor its investments covered by any restrictions or liens.

22.13 Purchase of Land

In 2016, the Group entered into a contract to purchase certain parcels of land located in Iloilo and Cebu from Megaworld Corporation, a related party under common ownership, for a total consideration of P206.0 million. Of the total consideration, the Group already made cash payments totalling P46.4 million in 2016. However, the legal title and the risks and rewards of ownership over the parcels of land have not yet been transferred to the Group as of December 31, 2016; hence, the land was not yet recorded as an asset by the Group. The total cash payments made by the Group are presented as part of Advances to suppliers under Trade and Other Receivables account in the 2016 statement of financial position (see Note 6).

In 2015, the Group purchased certain parcels of land from Empire East Land Holdings, Inc., a related party under common ownership, located in Balayan, Batangas with an area of 169,336 square meters for a total consideration of P1.0 billion, and is included as part of Property, Plant and Equipment in the 2015 consolidated statement of financial position. There was no outstanding liability arising from this transaction as of December 31, 2015.

22.14 Guarantee on Notes Issuance

In 2015, the Group executed a supplemental trust deed as part of the requirements of the U.S.$500,000,000, 6.50% Guaranteed Notes due 2017 (the Notes) issued by Alliance Global Group Cayman Islands, Inc., a related party under common ownership. The Group acceded as an additional guarantor to the Notes in 2016.

22.15 Acquisition of TEI

In 2016, the Group acquired full equity ownership interest in TEI from Alliance Global Brands, Inc., a related party under common ownership (see Note 1.3). There was no outstanding balance from this transaction.

23. EQUITY

23.1 Capital Stock

Capital stock consists of:

	Shares		Amount	
	2016	2015	**2016**	2015
Common stock – P1.0 par value				
Authorized	**20,000,000,000**	20,000,000,000	**P 20,000,000,000**	P 20,000,000,000
Issued	**16,120,000,000**	16,120,000,000	**P 16,120,000,000**	16,120,000,000

The BOD of the PSE approved the listing of the common shares of the Parent Company on October 16, 2011.

On December 19, 2011, the Parent Company issued through initial public offering (IPO) an additional 22.0 million shares with an offer price of P4.50 per share. The Parent 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 Parent Company issued additional 6.0 million shares with an offer price of P5.5 per share through private placement.

(Amounts in Philippine Pesos)

On June 19, 2013, August 27, 2013 and September 5, 2013, the Parent Company's BOD, stockholders, and SEC, respectively, approved the increase in authorized capital stock of the Parent 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 Parent 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 Parent Company acquired all of EDI shares held by AGI (see Notes 1.2 and 1.3).

On September 17, 2013, AGI launched an offering of 1.8 billion shares of EMP's shares, which is approximately 12.0% of the total issued shares. The said offering was priced at P8.98 per share. On September 25, 2013, the settlement date, the amount of P11.2 billion out of the proceeds was directly remitted to EMP as an additional subscription price from AGI under the terms of AGI's amended agreement; such amount is recorded as APIC in EMP's books. Costs related to the issuances amounting to P176.3 million were deducted from APIC.

On September 25, 2013, AGI beneficially acquired two of EMP's minority corporate shareholders which held a combined 9.55% of the total issued shares. Thus, AGI beneficially owns 87.55% of EMP as of December 31, 2013.

On December 4, 2014, the Parent Company issued additional 1.1 billion common shares with an offer price of P11.0 per share through private placement (see Notes 14 and 22.11). This resulted to a decrease in AGI's ownership from 87.55% to 81.46% as of December 31, 2014. The excess of the subscription price over the par value amounting to P11.2 billion was recorded as APIC.

As of December 31, 2016 and 2015, the quoted closing price per share is P7.00 and P8.95, respectively, and there are 188 and 184 stockholders as of those dates, which include nominee accounts, of the Parent Company's total issued and outstanding shares. The percentage shares of stocks owned by the public are 16.53% and 18.50% as of December 31, 2016 and 2015, respectively.

23.2 Declaration of Dividends

The details of the Parent Company's cash dividend declarations are as follows:

	2016	2015	2014
Declaration date	**July 18, 2016**	June 17, 2015	August 6, 2014
Date of record	**August 1, 2016**	July 3, 2015	August 22, 2014
Date paid	**August 18, 2016**	July 28, 2015	September 9, 2014
Amount paid and declared	**P 2,721,056,000**	P 2,418,000,000	P 2,400,000,000

23.3 Employee Share Option

On November 7, 2014, the Parent Company's BOD approved an employee share option plan (ESOP) for qualified employees of the Group.

The options shall generally vest on the 60th birthday of the option holder and may be exercised until the date of his/her retirement from the Group provided that the employee has continuously served for 11 years of service after the option offer date. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Parent Company's shares for nine months immediately preceding the date of grant. Pursuant to this ESOP, on November 6, 2015, the Parent Company granted share options to certain key executives of EDI to subscribe to 118.0 million common shares of the Parent Company, at an exercise price of P7.00 per share.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

Average option life	20.23 years
Average share price at grant date	P8.90
Average exercise price at grant date	P7.00
Average fair value at grant date	P4.09
Average standard deviation of share price returns	10.24%
Average dividend yield	1.08%
Average risk-free investment rate	4.89%

(Amounts in Philippine Pesos)

The underlying expected volatility was determined by reference to historical prices of the Parent Company's shares over a period of one year.

Share option benefits expense, which is included as part of Salaries and employee benefits under the General and Administrative Expenses account amounting to P27.0 million and P4.5 million was recognized both in 2016 and 2015, respectively, while the corresponding credit to Share Options account is presented under the equity section of the consolidated statements of financial position.

23.4 Appropriation of Retained Earnings

In 2015, the Group appropriated portion of its retained earnings amounting to P550.0 million for the rehabilitation of the glass manufacturing plant in 2016, which was approved to be extended until 2017.

24. EARNINGS PER SHARE

Earnings per share were computed as follows:

	2016	2015	2014
Consolidated net profit for the year	**P 7,693,367,233**	P 6,960,056,286	P 6,204,185,176
Divided by the weighted average number of outstanding common shares	**16,120,000,000**	16,120,000,000	15,093,333,333
Basic and diluted earnings per share	**P 0.48**	P 0.43	P 0.41

On November 6, 2015, the Parent Company's BOD granted share options to certain key executives of EDI to subscribe to 118.0 million common shares of the Parent Company, at an exercise price of P7.00 per share (see Note 23.3).

On December 4, 2014, the Group issued an ELS instrument amounting to P5.3 billion, convertible to 480.0 million new and fully paid-up shares (see Note 14). In addition to this, it has also issued an investment option that would allow the holder to subscribe to 280.0 million new and fully paid-up shares and an ELS instrument with principal amount of P1.3 billion, convertible to 120.0 million new and fully paid-up shares. The investment option is exercisable during the 13-month period beginning on the date of issuance, and had already lapsed in January 2016. As of December 31, 2016 and 2015, the ELS instrument has not yet been converted and exercised.

The basic and diluted earnings per share are the same because the dilutive effects of the potential common shares did not have a significant impact in the earnings per share for the periods presented. 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 in the preceding page does not include the effect of the potential common shares from the employee share options and convertible ELS.

25. COMMITMENTS AND CONTINGENCIES

The Group entered into non-cancellable leases covering certain manufacturing plant facilities, storage tanks and office spaces. The leases are for periods ranging from one to 50 years which are renewable thereafter upon mutual agreement of both parties. There are also several warehouse lease agreements 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, 2016 and 2015 are as follows:

	2016	2015
Within one year	**P 86,634,548**	P 138,060,125
After one year but not more than five years	**50,023,365**	328,006,684
More than five years	**-**	232,800,000
	P 136,657,913	P 698,866,809

The future minimum rentals payable in 2016 no longer includes those pertaining to the lease with TEI [see Note 22.3(a)].

There are other commitments and contingent liabilities that arise in the normal course of the Group's operations which are not reflected in the consolidated financial statements. Management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Group's consolidated financial statements.

26. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from its operating activities. The Group's risk management is coordinated with AGI, in close cooperation with the BOD appointed by AGI, and focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets.

There have been no significant changes in the Group's financial risk management objectives and policies during the period.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most relevant financial risks to which the Group is exposed to are described below and in the succeeding page.

26.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from both its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, Euros, U.K. pounds, and U.S. dollars, which are the entities' functional currencies. Exposures to currency exchange rates arise from the Group's foreign currency-denominated transactions at each entity level. The Group has no significant exposure to other foreign currency exchange rates at each entity level, except for U.S. dollars of EDI and foreign subsidiaries, since these other foreign currencies are not significant to the Group's consolidated financial statements. EDI has cash and cash equivalents in U.S. dollars as of December 31, 2016 and 2015 while the foreign subsidiaries have cash and cash equivalents, receivables and payables in U.S. dollars. To mitigate the Group's exposure to foreign currency risk, non-functional currency cash flows are monitored.

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

	2016	2015
Financial assets	**P 618,636,298**	P 47,941,103
Financial liabilities	**(34,320,026)**	(1,389,901)
	P 584,316,272	P 46,551,202

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
2016	**5.04%**	**P 29,449,540**	**P 20,614,678**
2015	3.47%	P 1,615,327	P 1,130,729

(Amounts in Philippine Pesos)

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, 2016 and 2015, the Group is exposed to changes in market rates through its cash in banks and short-term placements which are generally subject to 30-day repricing intervals (see Note 5). Due to the short duration of short-term placements, management believes that interest rate sensitivity and its effect on the net results and equity are not significant. The Group's interest-bearing loans and borrowings are subject to fixed interest rates and are therefore not subject to interest rate risk, except for a five-year loan that is based on Euro Interbank Offered Rate (EURIBOR). The EURIBOR, however, is currently at a negative rate or zero rate, and the Group does not see a material interest rate risk here in the short-term.

26.2 Credit Risk

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

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

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

	Notes	**2016**	2015
Cash and cash equivalents	5	**P 10,173,907,748**	P 29,177,542,237
Trade and other receivables – net	6	**10,234,025,120**	13,256,561,568
Property mortgage receivable	11	**597,604,251**	-
Refundable security deposits	11	**44,919,122**	41,422,457
		P 21,050,456,241	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.

(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 P545.5 million and P336.4 million as of December 31, 2016 and 2015, respectively (see Note 6).

(Amounts in Philippine Pesos)

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

	2016	2015
Not more than three months	**P 1,356,838,529**	P 1,720,342,929
More than three months but not more than six months	**131,628,911**	593,318,765
	P 1,488,467,440	P 2,313,661,694

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

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

26.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring cash out flows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 60-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

As at December 31, 2016 and 2015, the Group's financial liabilities have contractual maturities which are presented below.

	Within 6 Months	6 to 12 Months	1 to 5 Years
December 31, 2016			
Interest-bearing loans and borrowings	P 97,089,871	P 2,772,296,113	P 22,832,022,031
Trade and other payables	7,963,283,219	-	-
FVTPL liability	28,879,840	-	-
ELS	-	-	6,738,766,650
	P 8,089,252,930	**P 2,772,296,113**	**P 29,570,788,681**

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

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

27. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

		2016		2015	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	5	**P 10,173,907,748**	**P 10,173,907,748**	P29,177,542,237	P 29,177,542,237
Trade and other receivables - net	6	**10,234,025,120**	**10,234,025,120**	13,256,561,568	13,256,561,568
Property mortgage receivable	11	**597,604,251**	**597,604,251**	-	-
Refundable security deposits	11	**44,919,122**	**44,919,122**	41,422,457	41,422,457
FVTPL financial assets	7	**-**	**-**	2,654,900	2,654,900
		P 21,050,456,241	**P 21,050,456,241**	P 42,478,181,162	P 42,478,181,162

(Amounts in Philippine Pesos)

	Notes	2016 Carrying Values	2016 Fair Values	2015 Carrying Values	2015 Fair Values
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	13	**P 24,099,767,650**	**P 24,099,767,650**	P 23,899,762,792	P 23,899,762,792
Trade and other payables	15	**7,963,283,219**	**7,963,283,219**	14,630,899,514	14,630,899,514
ELS	14	**5,262,906,379**	**5,262,906,379**	5,259,137,443	5,259,137,443
Accrued interest payable	14	**562,730,466**	**562,730,466**	283,528,767	283,528,767
FVTPL financial liabilities	7	**28,879,840**	**28,879,840**	-	-
		P 37,917,567,554	**P 37,917,567,554**	P 44,073,328,516	P 44,073,328,516

See Notes 2.5 and 2.10 for a description of the accounting policies for each category of financial instruments including the determination of fair values. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 26.

27.2 Offsetting of Financial Assets and Financial Liabilities

Currently, the Group's financial assets and financial liabilities are settled on a gross basis because there is no relevant offsetting arrangement on them as of December 31, 2016 and 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.

28. FAIR VALUE MEASUREMENT AND DISCLOSURES

28.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

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

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

(Amounts in Philippine Pesos)

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

28.2 Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as of December 31, 2016 and 2015.

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial liability –				
Financial liabilities at FVTPL	**P -**	**P 28,879,840**	**P -**	**P 28,879,840**

	2015			
	Level 1	Level 2	Level 3	Total
Financial asset –				
Financial assets at FVTPL	P -	P 2,654,900	P -	P 2,654,900

There were no financial assets measured at fair value as of December 31, 2016. There were also no financial liabilities measured at fair value as of December 31, 2015. There were also no transfers between Levels 1 and 2 in both years.

The financial liabilities at FVTPL as of December 31, 2016 and the financial assets at FVTPL as of December 31, 2015 that are included in Level 2 comprise of foreign exchange spots and forward contracts classified as financial instruments at FVTPL (see Note 7). The fair values of derivative financial instruments that are not quoted in an active market are determined through valuation techniques using the net present value computation (see Note 3.2).

28.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below and in the succeeding page summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the 2016 and 2015 consolidated statements of financial position but for which fair value is disclosed.

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Cash and cash equivalents	P 10,173,097,748	P -	P -	P 10,173,097,748
Trade and other receivables	-	-	10,234,025,120	10,234,025,120
Property mortgage receivable	-	-	597,604,251	597,604,251
Refundable security deposits	-	-	44,919,122	44,919,122
	P 10,173,097,748	**P -**	**P 10,876,548,493**	**P 21,050,456,241**
Financial liabilities:				
Interest-bearing loans and borrowings	P -	P -	P 24,099,767,650	P 24,009,767,650
Trade and other payables	-	-	7,963,283,219	7,963,283,219
ELS	-	-	5,262,906,379	5,262,906,379
Accrued interest payable	-	-	562,730,466	562,730,466
	P -	**P -**	**P 37,888,687,714**	**P 37,888,687,714**

(Amounts in Philippine Pesos)

	2015			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 29,177,542,237	P -	P -	P 29,177,542,237
Trade and other receivables	-	-	13,256,561,568	13,256,561,568
Refundable security deposits	-	-	41,422,457	41,422,457
	P 29,177,542,237	P -	P 13,297,984,025	P 42,475526,262
Financial liabilities:				
Interest-bearing loans and borrowings	P -	P -	P 23,899,762,792	P 23,899,762,792
Trade and other payables	-	-	14,630,899,514	14,630,899,514
ELS	-	-	5,259,137,443	5,259,137,443
Accrued interest payable	-	-	283,528,767	283,528,767
	P -	P -	P 44,073,328,516	P 44,073,328,516

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

29. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the face of the consolidated statements of financial position. Capital at the end of each reporting period is summarized as follows:

	2016	2015
Total liabilities	**P 42,077,912,539**	P 48,172,981,524
Total equity	**52,224,487,717**	50,085,651,034
Debt-to-equity ratio	**0.81 : 1:00**	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.

Corporate Information

Emperador Inc.
7/F 1880 Eastwood Avenue
Eastwood City CyberPark
188 E. Rodriguez Jr. Avenue
Bagumbayan, Quezon City
Tel. No. 709-2038 to 41
Fax No. 709-1966

Date of Incorporation
November 26, 2001

Date of Public Listing
December 19, 2011

Stock Transfer Agent
BDO Stock Transfer
Banco De Oro Unibank, Inc.
15/F South Tower
BDO Corporate Center
7899 Makati Avenue
Makati City
Tel. No. 878-4052

Subsidiary
Emperador Distillers, Inc.

Principal Auditors
Punongbayan & Araullo
A Member Firm within
Grant Thornton International Ltd.
20/F Tower 1, The Enterprise Center
6766 Ayala Avenue, Makati City
Tel. No. 886-5511

Officers
Winston S. Co - President and CEO
Katherine L. Tan - Treasurer
Kendrick Andrew L. Tan - Executive Director
Dina D.R. Inting - Chief Finance Officer
Corporate Information Officer and
Compliance Officer
Dominic V. Isberto - Corporate Secretary
Rolando D. Siatela - Assistant
Corporate Secretary

Investor Relations
Kenneth V. Nerecina
Email:
kvnerecina@emperadordistillers.com

EMPERADOR INC.