





# PRYCE CORPORATION

17/F, Pryce Center, 1179 Don Chino Roces Ave. cor. Bagtikan St., Makati City, Philippines  
Tel. No. 899-4401 Fax No. 899-6862

## NOTICE OF SPECIAL STOCKHOLDERS' MEETING

January 19, 2017

*To the Stockholders:*

Notice is hereby given that Pryce Corporation will hold a Special Stockholders Meeting on **Thursday, February 2, 2017**, at the **Parañaque A and B Function Rooms, Makati Shangri-La, Ayala Avenue corner Makati Avenue, Makati City** at **4 o'clock in the afternoon**, with the following:

### AGENDA

1. Call to Order/Certification of Notice and Determination of Quorum
2. Approval/Ratification of the placing and subscription transaction whereby Josefina Multi-Ventures Corporation sold 24,500,000 shares at the selling price of Php 5.00 per share through the facilities of the Philippine Stock Exchange, with the proceeds of the sale to be used to subscribe to 24,500,000 shares out of the above-mentioned increase in the capital stock of the Company, considering that the present authorized capital stock of the Company is already fully subscribed, and at the subscription price of Php 5.00 per share, or the total subscription price of one hundred twenty-two million five hundred thousand pesos (Php 122,500,000.00), as approved by the Board of Directors on December 7, 2016, including the eventual listing of the shares with the Philippine Stock Exchange.
3. Approval of the increase in the authorized capital stock of the Corporation from Php 2,000,000,000.00 divided into 2,000,000,000 shares with par value of Php 1.00 per share, to Php 2,098,000,000.00 divided into 2,098,000,000 shares, with par value of Php 1.00 per share, including the consequent amendment in Article Seventh of the Articles of Incorporation of the Corporation as approved by the Board of Directors on December 21, 2016.
4. Other Matters
5. Adjournment

For the purpose of this meeting, stockholders of record as of January 13, 2017 are entitled to attend and vote in this meeting. The Corporation is NOT SOLICITING ANY PROXIES. However, should you be unable to attend the meeting in person and wish to send a representative/proxy, kindly submit your proxy letter to the undersigned on or before January 19, 2017. Recording and validation of proxies will be held on January 19, 2017 at 9:00 a.m. at 17<sup>th</sup> Floor PRYCE CENTER 1179 Don Chino Roces Avenue corner Bagtikan Street, Makati City.

**SIMEON S. UMANDAL**  
*Corporate Secretary*

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

1. Check the appropriate box:  
 Preliminary Information Statement  
 Definitive Information Statement
2. Name of Registrant as specified in its charter: **PRYCE CORPORATION**
3. Province, country or other jurisdiction of incorporation or organization: **Philippines**
4. SEC Identification Number: **168063**
5. BIR Tax Identification Number: **000-065-142-000**
6. Address of principal office:  
**17<sup>th</sup> Floor PRYCE CENTER**  
**1179 Chino Roces Avenue**  
**corner Bagtikan Street**  
**Makati City 1203**
7. Registrant's telephone number, including area code: **(+632) 899-4401**
8. Date, time and place of the meeting of security holders:  
Date: **February 2, 2017**  
Time: **4 o'clock in the afternoon**  
Place: **Parañaque A and B Function Rooms, Makati Shangri-La, Ayala Avenue corner Makati Avenue, Makati City**
9. Approximate date on which the Information Statement is first to be sent or given to security holders:  
**January 19, 2017**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA as of November 30, 2016:

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding</u>
Total Common	2,000,000,000
Subscribed and Issued	1,998,750,000
Subscribed (partially paid)	1,250,000

11. Are any or all of registrant's securities listed in a Stock Exchange? Yes  No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:  
**Philippine Stock Exchange – Common Shares**

# PRYCE CORPORATION INFORMATION STATEMENT

This Information Statement is dated January 19, 2017 and is being furnished to stockholders of record of Pryce Corporation as of January 13, 2017 in connection with the Special Stockholders' Meeting on February 2, 2017.

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

---

## GENERAL INFORMATION

### **Date, time and place of meeting of security holders**

This Special Stockholders' Meeting of Pryce Corporation (the "Company") will be held on February 2, 2017 at 4 o' clock in the afternoon at the Parañaque A and B Function Rooms, Makati Shangri-La, Ayala Avenue corner and Makati Avenue, Makati City.<sup>1</sup> The complete mailing address of the registrant is:

PRYCE CORPORATION  
17<sup>th</sup> Floor Pryce Center  
1179 Chino Roces Avenue  
corner Bagtikan Street  
Makati City

The information statement will first be sent to security holders approximately on January 19, 2017.

### **Dissenters' Right of Appraisal**

A stockholder has a right to dissent and demand payment of the fair market value of his shares: (i) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (ii) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; (iii) in case of merger or consolidation; and, (iv) in case of an investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized under Section 42 of the Corporation Code.

This special meeting is being called for the following purposes:

---

**1** Per the Company's by-laws, stockholders' meetings shall be held in the principal office of the corporation or at any place designated by the Board in the city or municipality where the principal office of the Company is located. For purposes of Section 51 of the Corporation Code and Rule 20 of the Rules and Regulations implementing the Securities Regulation Code on the place of stockholders' meetings, Metro Manila is considered a city or municipality.

- (i) **to secure the approval of the stockholders to the proposed amendment of the Seventh Article of the Articles of Incorporation** of the Company, increasing the Company's authorized capital stock *from* two billion pesos (Php 2,000,000,000.00) divided into two billion (2,000,000,000) shares with par value of one peso (Php 1.00) per share, *to* two billion ninety-eight million pesos (Php 2,098,000,000.00) divided into two billion ninety-eight million (2,098,000,000) shares, with par value of one peso (Php 1.00) per share, thereby increasing the capital stock of the Company by ninety-eight million pesos (Php 98,000,000.00).
- (ii) **to approve / ratify the placing and subscription transaction** whereby Josefina Multi-Ventures Corporation ("Josefina") sold twenty-four million five hundred thousand (24,500,000) shares at the selling price of five pesos (Php 5.00) per share through the facilities of the Philippine Stock Exchange, with the proceeds of the sale to be used to subscribe to 24,500,000 shares out of the increase in the capital stock of the Company (considering that the present authorized capital stock of the Company is already fully subscribed) and at the subscription price of Php 5.00 per share, or the total subscription price of one hundred twenty-two million five hundred thousand pesos (Php 122,500,000.00).

Considering the foregoing purposes, the Company believes that there are no matters or proposed corporate actions that may give rise to a possible exercise by security holders of their appraisal rights. Should an action which may give rise to the right of appraisal be proposed at any time after this information statement is sent or at the meeting, any stockholder who *voted against* the proposed corporate action may exercise the right of appraisal by making a written demand within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action. Failure on the part of the stockholder to make the demand within such period shall be deemed a waiver of the appraisal right. Upon payment to the stockholder, the stockholder shall transfer his shares to the Corporation. No payment however shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment. Within ten (10) days after demanding payment for his shares, the dissenting stockholder shall submit his certificates of stock to the Corporation for notation that the shares represented are dissenting shares. All other matters respecting a stockholder's right of appraisal shall be governed by Title X of the Corporation Code.

### **Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

Josefina, seller and subscriber in the placing and subscription transaction above-mentioned, is a holding company of which Mr. Salvador P. Escaño, Chairman of the Board of Directors of this Company, owns 99.99% of the outstanding capital stock. Otherwise, no person who has been director or executive officer of the Company at any time since the beginning of the last fiscal year, or who is a nominee for election as director, or who is an associate of any of the foregoing, has a direct or indirect substantial interest, by security holdings or otherwise in any matter to be acted upon.

No Director has informed the Company of his intention to oppose any action to be acted upon.

## CONTROL AND COMPENSATION INFORMATION

### **Voting Securities and Principal Holders Thereof**

The Company has 2,000,000,000 subscribed and outstanding common shares as of November 30, 2016. Every stockholder shall be entitled to one vote for each share of stock held as of the record date.

All stockholders of record as of January 13, 2017 are entitled to notice of and to vote at this special stockholders' meeting.

No action will be taken with respect to the election of directors.

### Security Ownership of Certain Record and Beneficial Owners (as of November 30, 2016)

Based on the records of the Company's Stock Transfer Agent, BDO Unibank, Inc. (Trust Banking Group), the Company knows of no other person who is directly or indirectly the record and/or beneficial owner of more than 5% of the Company's voting securities as of November 30, 2016, except as set forth hereafter:

<b>Title of Class</b>	<b>Name, address of record owner and relationship with issuer</b>	<b>Name of Beneficial Owner and Relationship with Record Owner<sup>2</sup></b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>Percent to Total of Class</b>
Common	Guild Securities, Inc.  1215, Tower I Exchange Plaza, Makati City	Various <sup>3</sup>	Filipino	1,017,140,468	50.857
	PCD Nominee Corporation  37/F Tower I, the Enterprise Center, 6766 Ayala Avenue corner Paseo de Roxas, Makati City	Various <sup>4</sup>	Filipino	444,540,658	22.227
		Josefina Multi-Ventures Corporation <sup>5</sup>  17 <sup>th</sup> Floor Pryce Center, 1179 Chino Roces Avenue,	Filipino	133,114,512	6.656

<sup>2</sup> The Company knows of no right of any owner, director, or officer herein named to acquire beneficial ownership of any number of shares within thirty (30) days from the date of this statement or thereafter.

<sup>3</sup> Guild Securities, Inc. is a stock brokerage firm and a trading participant in the Philippine Depository and Trust Corporation (PDTC), holding shares for the account of its various clients.

<sup>4</sup> PCD Nominee Corporation, a corporation owned by the Philippine Depository and Trust Corporation (PDTC), acts as the legal owner of all shares lodged in the PDTC. The beneficial owners are the PDTC participants and their clients. The Company knows of no other single participant who has beneficial ownership of more than 5% of the Company's shares other than as stated above.

<sup>5</sup> The Board of Directors of Josefina Multi-Ventures Corporation has the power to decide how its shares will be voted and has authorized Mr. Salvador P. Escaño to vote the shares of Josefina Multi-Ventures Corporation.

		Makati City Affiliate of the Issuer			
	Hinundayan Holdings Corporation  17 <sup>th</sup> Floor Pryce Center, 1179 Chino Roces Avenue, Makati City  Affiliate of the Issuer	Hinundayan Holdings Corporation is also the beneficial owner <sup>6</sup>	Filipino	160,708,000	8.035

Security Ownership of Management (As of November 30, 2016)

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership <sup>(see footnote 2)</sup>		Citizenship	Percent to Total of Class
		Direct	Indirect		
Common	Salvador P. Escaño	33,492,660	26,513,250*	Filipino	3.000*
	Efren A. Palma	100	0	Filipino	0.000
	Ramon R. Torralba, Jr.	218,806	0	Filipino	0.011
	Xerxes Emmanuel F. Escaño	0	26,513,250**	Filipino	1.326**
	Ray W. Jovanovich	0	1,000	America	0.000
	Enerlito G. de Mesa	50	0	Filipino	0.000
	Roland Joey R. de Lara	100	0	Filipino	0.000
	Simeon S. Umandal	950	200,000	Filipino	0.010
	Benjamin P. Escaño	75,421	0	Filipino	0.004
	Sonito N. Mole	0	0	Filipino	0.000
	Jose Ma. C. Ordenes	1,449	0	Filipino	0.000
	Samuel H. Cinco	0	0	Filipino	0.000
	Feliciano B. Hatud	0	0	Filipino	0.000
	Erica P. Encabo	0	20,000	Filipino	0.000

\* Indirect shares in a joint account with Xerxes Emmanuel F. Escaño

\*\* Indirect shares in a joint account with Salvador P. Escaño

The following table furthermore shows direct/record ownership of its directors in the Company, with beneficial ownership, including without limitation, the power to vote the shares and to dispose of the same, being retained by the beneficial owner corporations through their respective Boards:

**6** The Board of Directors of Hinundayan Holdings Corporation has the power to decide how its shares will be voted and has authorized Mr. Salvador P. Escaño to vote the shares of Hinundayan Holdings Corporation.

Title of Class	Name of Record Owner	Name of Beneficial Owner	Amount and Nature of Record Ownership	Citizenship	Percent to Total of Class
Common	Salvador P. Escaño	Pryce Development Corporation	1,684,450	Filipino	0.084
	Ramon R. Torralba, Jr.	Pryce Development Corporation	90,000	Filipino	0.005

#### Voting Trust Holders of 5% Or More

The Company knows of no shareholder holding more than 5% of the Company's shares under a voting trust or similar agreement.

#### Changes in Control

The Company knows of no arrangement that may result in a change in its control, or of any change in control of the Company that had occurred since the beginning of its last fiscal year.

#### **Directors and Executive Officers**

No action will be taken with respect to the election of directors.

#### **Compensation of Directors and Executive Officers**

##### Executive Compensation

Following is the information as to the aggregate compensation paid to or estimated to be paid to the Company's Chief Executive Officer (CEO), and its four most highly compensated officers, and to all officers and directors as a group unnamed, during the last two fiscal years and in the ensuing fiscal year:

Name and Principal Position	Year	Salary (P, in '000)	Bonus and/or other annual compensation (P, in '000)	Total (P, in '000)
Salvador P. Escaño Chairman of the Board/CEO				
Efren A. Palma Senior Executive Vice President – Chief Finance Officer				
Benjamin P. Escaño Senior Vice President – Northern Mindanao Operations				
Jose Ma. C. Ordenes Treasurer; VP – Operations Monitoring; Alternate Corporate Information and Compliance Officer				



Aggregate compensation of above-named officers	2014	4,550	120	4,670
	2015	4,550	120	4,670
	2016 (est.)	4,550	120	4,670
All other officers and directors as a group unnamed	2014	5,940	338	6,278
	2015	5,940	338	6,278
	2016 (est.)	5,940	338	6,278

#### Standard and Other Arrangements

Each Director receives a *per diem* allowance of ten thousand pesos (P10,000) for his attendance in Board Meetings. Aside from this, there is no regular compensation for directors of the Company. Neither is there any other arrangement pursuant to which any director of the Company was compensated or is to be compensated, directly or indirectly, for the provision of service as Director.

#### Employment Contracts and Termination of Employment and Change-in-Control Arrangements.

Other than what may be granted under the Company's Retirement Plan, the Company has no compensatory plan or arrangement which results or will result from the resignation, retirement, or termination of any executive officer's employment with the Company or its subsidiary or from a change-in-control of the Company or a change in the executive officer's responsibilities following a change-in-control.

#### Warrants and Options Outstanding: Repricing

The Company has no outstanding warrants or options granted to its CEO, to the above executive officers, and to all its officers and directors as a group.

#### **Independent Public Accountants**

This meeting will not involve the election, approval, or ratification of the Company's accountant.

#### **Compensation Plans**

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

## ISSUANCE AND EXCHANGE OF SECURITIES

### **Authorization or Issuance of Securities Other than for Exchange**

At the meeting of the Board of Directors of the Corporation held last December 7, 2016, the Board approved the **placing and subscription transaction** whereby Josefina sold 24,500,000 shares at the selling price of Php 5.00 per share through the facilities of the Philippine Stock Exchange (the *placing tranche*), with the proceeds of the sale to be used to subscribe to 24,500,000 shares of the capital stock of the Company at the subscription price of Php 5.00 per share, or the total subscription price of Php 122,500,000.00 (the *subscription tranche*). The current authorized capital stock of the Company however of Php 2,000,000,000.00 is already fully subscribed.

Thereafter, at the meeting of the Board of Directors of the Corporation held last December 21, 2016, the Board approved the **increase in the authorized capital stock** of the Company *from* Php 2,000,000,000.00 divided into 2,000,000,000 common shares with par value of Php 1.00 per share, *to* Php 2,098,000,000.00 divided into 2,098,000,000 common shares, with par value of Php 1.00 per share, thereby increasing the capital stock of the Company by Php 98,000,000.00 divided into 98,000,000 common shares with par value of Php 1.00 per share, as well as the necessary amendment in the Seventh Article of the Articles of Incorporation of the Company to reflect the said increase.<sup>7</sup>

The common shares to be created, including the portion of said increase to be issued to Josefina pursuant to the approved placing and subscription transaction shall have the same rights and privileges as the existing common shares of the Company. The Company plans to apply for the listing of the 24,500,000 shares subscribed by Josefina on the boards of the Philippine Stock Exchange upon issuance.

No action is to be taken as to the issuance or registration of debt securities, stock options, convertible securities subject to redemption or call, securities other than common equity, or other securities.

As of December 13, 2016, the proceeds of the sale under the placing tranche in the total amount of Php 122,500,000.00 was deposited by Josefina to the account of Company as payment for its subscription to 24,500,000 shares under the subscription tranche. The Company will use the same for general working capital purposes.

The shareholders of the Company enjoy no pre-emptive right with respect to the issuance of new shares; thus, shareholders may experience a slight dilution in ownership (by around 1.2%) as a consequence of the issuance.

---

<sup>7</sup> At the meeting of the Board of Directors held last November 25, 2016, the Board approved the increase in the capital stock of the Corporation from Php 2,000,000,000.00 to Php 2,240,000,000.00, or by Php 240,000,000.00. This approval was revoked at the meeting of the Board held last December 21, 2016, where the Board thereby reduced the increase to Php 98,000,000.00.

## **Modification or Exchange of Securities**

No action is to be taken with respect to the modification of any class of securities of the Company, or the issuance or authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class.

## **Financial and Other Information**

### Financial Statements

The Company's Quarterly Report (SEC Form 17-Q) for the quarter ending September 30, 2016 is attached to this Information Statement and incorporated hereto by reference.

### Disagreements with Accountants

The Company and its current accountant, Diaz, Murillo, Dalupan, & Co. (DMD), have had no disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

### Presence of Accountants at the Annual Stockholders' Meeting

Representatives of DMD will be invited and are expected to be present at the meeting and will have the opportunity to make a statement if they so desire and will be expected to respond to appropriate questions.

## **Mergers, Consolidations, Acquisitions and Similar Matters**

No action is to be taken with respect to any transaction involving the merger or consolidation of the Company into or with any other person, the acquisition by the Company or any of its security holders of securities of another person, the acquisition by the Company of any other going business or of the assets thereof, the sale or other transfer of all or any substantial part of the assets of the Company, or the liquidation or dissolution of the Company.

## **Acquisition or Disposition of Property**

No action is to be taken with respect to the acquisition or disposition of any property.

## **Restatement of Accounts**

No action is to be taken with respect to the restatement of any asset, capital, or surplus account of the Company.

## OTHER MATTERS

### **Action with Respect to Reports**

No action is to be taken with respect to any report of the registrant or of its directors, officers or committees or minutes of any meeting of its security holders.

### **Matters Not Required to be Submitted**

No action is to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

### **Amendment of Charter, Bylaws or Other Documents**

The Company is submitting for the approval of its stockholders the amendment of the Seventh Article of its Articles of Incorporation to increase the Company's authorized capital stock *from* two billion pesos (Php 2,000,000,000.00) divided into two billion (2,000,000,000) shares, with par value of one peso (Php 1.00) per share *to* two billion ninety-eight million pesos (Php 2,098,000,000.00) divided into two billion ninety-eight million (2,098,000,000) shares with par value of one peso (Php 1.00) per share, and, accordingly, for the said article to read as follows:

“SEVENTH: That the amount of capital stock of the Corporation is **TWO BILLION NINETY-EIGHT MILLION PESOS (P2,098,000,000.00)** Philippine currency, divided into **TWO BILLION NINETY-EIGHT MILLION (2,098,000,000)** shares of Common Stock with the par value of ONE PESO (P1.00) per share.

“Holders of shares shall not enjoy any pre-emptive right with respect to the issue of new shares whether from unsubscribed capital stock or from the increase of the authorized capital stock or with respect to the disposition of treasury shares.”

### **Other Proposed Action**

The Company seeks the ratification and/or approval of the resolution of the Board of Directors dated December 7, 2016 approving the placing and subscription transaction where: (i) Josefina sold 24,500,000 shares at the selling price of Php 5.00 per share through the facilities of the Philippine Stock Exchange, (ii) the proceeds of the sale will be used to subscribe to 24,500,000 shares out of the increase in the capital stock of the Company, approval of which is also sought herein, considering that the present authorized capital stock of the Company is already fully subscribed, (iii) the subscription price is Php 5.00 per share, or the total subscription price of one hundred twenty-two million five hundred thousand pesos (Php 122,500,000.00), and, (iv) the shares issued will eventually be applied for listing with the Philippine Stock Exchange.

**Voting Procedures**

Vote Required

Motions in general require the affirmative vote of a majority of the shares of the Company’s common stock present or represented and entitled to vote. The approval of the proposed amendment to the Seventh Article of the Articles of Incorporation requires the vote of at least two-thirds (2/3) of the Company’s outstanding capital stock.

Method by which votes are to be counted.

Shares are traditionally voted by verbal motion and duly seconded during the meeting, unless otherwise required by law. A matter is approved when there is no objection or any such objections are otherwise overcome by the required affirmative vote. The Corporate Secretary is normally designated to count the votes to be cast.

\*\*\*\*\*

**UNDERTAKING**

**Upon the written request of any stockholder, the Company undertakes to furnish said stockholder a copy of its Annual Report (SEC Form 17-A) free of charge [exhibits however will be charged at cost]. Any written request for a copy of SEC Form 17-A may be directed to :**

**Mr. SIMEON S. UMANDAL**  
*Corporate Secretary*

-OR-

**Atty. ERICA P. ENCABO**  
*Corporate Information and  
Compliance Officer*

-OR-

**Mr. JOSE MA. C. ORDENES**  
*Treasurer; Alternate Corporate  
Information and Compliance  
Officer*

**PRYCE CORPORATION**

**17<sup>th</sup> Floor PRYCE CENTER 1179 Chino Roces Avenue corner Bagtikan Street, Makati City**

**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on December 23, 2016.

**PRYCE CORPORATION**

By:



**SIMEON S. UMANDAL**  
*Corporate Secretary*

SEC Number 168063  
File Number \_\_\_\_\_

**PRYCE CORPORATION**  
(formerly PRYCE PROPERTIES CORPORATION)

*Company's Full Name*

**17<sup>th</sup> Floor Pryce Center, 1179 Chino Roces Avenue  
corner Bagtikan St., Makati City**

*Company's Address*

899-44-01 (trunkline)  
*Telephone Number*

December 31

*Fiscal Year Ending  
(Month & Day)*

**SEC Form 17-Q**

*Form Type*

N/A

*Amendment Designation (if applicable)*

September 30, 2016

*Period Ended Date*

N/A

*Secondary License Type and File Number*

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

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

1. For the quarterly period ended September 30, 2016
2. Commission identification number 168063
3. BIR Tax Identification No. 000-065-142-000
4. PRYCE CORPORATION (formerly Pryce Properties Corporation)
5. Metro Manila, Philippines
6. Industry Classification Code:
7. 17<sup>th</sup> Floor Pryce Center, 1179 Chino Roces Avenue cor. Bagtikan St. Makati City 1203
8. (0632) 899-44-01 (Trunkline)
9. N. A.

---

Former name, former address and former fiscal year, if changed since last report

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

<u>Title of Each Class</u>	<u>No. of shares / Amount of Outstanding Debt*</u>
Issued Common Shares	1,998,750,000
Subscribed Common Shares	2,000,000,000

\*The company has no outstanding debt securities (bonded indebtedness or LTCPs).

11. Are any or all of the securities listed on a Stock Exchange?

Yes { / }    No { }

Philippine Stock Exchange                  Common Stock

12. Indicate by check mark whether the registrant:

(a) has filed reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes { / }    No { }

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes { / }    No { }

## PART 1 - FINANCIAL INFORMATION

### Item 1. Financial Statements.

Please see attached.

### Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations

Consolidated financial performance for the first nine months of 2016 outstripped performance indicators achieved over the comparative period in 2015. Revenue growth of 14.9% to P4.74 billion from P4.12 billion was underpinned by strong volume growth in liquefied petroleum gas (LPG), the group's main product. Gross profit improved by 23.90% from P1.04 billion to P1.29 billion while income from operations increased by 26.19% from P601.59 million to P759.15 million. Net income after tax for 2016 rose by a hefty 57.22% to P712.48 million from P453.17 million for the same nine-month period in 2015.

Revenue contribution by product and its respective share of total revenue for the January – September 2016 are as follows: LPG, P4.26 billion (89.95%); industrial gases, P 281.23 million (5.94%); real estate, P 143.90 million (3.04%); hotel operations, P25.77 million (0.54%) and pharmaceuticals, P25.29 million (0.53%).

LPG and industrial gases are the products of the subsidiary Pryce Gases, Inc. (PGI). Real estate sales and hotel operations are under the mother company, Pryce Corporation (PC), while vitamins and supplements are handled by Pryce Pharmaceuticals, Inc. Oro Oxygen Corporation (OOC), a fully-owned subsidiary of PGI, distributes LPG and industrial gases in Luzon.

#### Revenue and Volume Growth

Consolidated revenue for the period January-September 2016 registered a 14.9% improvement over the same period in 2015. Revenue growth in 2016 was largely accounted for by the 13.4% increase in revenue from LPG and gases from P4.0 billion in 2015 to P4.5 billion in 2016 and the doubling of real estate revenue realized from with the sale of a commercial property in Cagayan de Oro from P70.9 million P143.9 million. Revenue from hotel operations slightly which inched up from P23.7 million in 2015 to P25.8 million in 2016 showed an 8.51% growth. Revenue from pharmaceuticals turned in a growth of 5.6% from P23.9 million in 2015 to P25.3 million in 2016.

LPG sales volume jumped by 31% from 104,000 MT in 2015 to 136,000 MT in 2016. The sustained growth in sales is the combined result of lower LPG price, additional refilling plants that went into commercial operations during the period as well as promotional efforts launched to expand market reach. Volume of industrial gas cylinder refills rose by 18.2% to 644,629 in 2016 from 545,473 in 2015 with the resumption of credit sales to a select number of customers.

#### Price Movement

The world price of LPG (known as the Contract Price or CP) basically dovetailed the behavior of oil prices. From an average CP of \$434.39 per metric ton (MT) for the first nine months of 2015, CP continued its downtrend, averaging at \$328.78 per MT for the same period in 2016. While oil and, thus, LPG prices are expected to generally stay low, some upward pressure is being exerted by contending oil suppliers whose economies continue to be adversely affected by low oil prices. Competition from LPG sourced from the United States, however, will continue to play an important role in holding prices within a reasonably low price band.



### Competition and Market Share

With the resumption of operations in the third quarter of 2016 of an industry player which was temporarily sidelined during the early part of the year, competition in the LPG industry, particularly in Luzon, has become more intense in the said quarter. PGI's sales in Luzon, however, significantly expanded by 42.5% for the first nine months of 2016 compared to the same period in 2015. Visayas-Mindanao also registered an impressive growth of 21.9% in sales volume in 2016 compared to 2015.

Changes in market share among players may be expected as a result of competitors' moves. The marked increase in volume sales should enable PGI to achieve a slight gain in market share despite the more aggressive competitive environment in Luzon.

### Profitability

Net income for the first nine (9) months of 2016 leaped by 57.22% to P712.48 million from P453.2 million for the same period in 2015. This acceleration in net income due to the significant increase in sales volume and the uptick in gross profit margin from 25.2% in 2015 to 27.1% in 2016 absorbed the impact of increased operating expenses. Commencement of operations of seven (7) additional refilling plants in Luzon accounted for the bulk of the increase in operating expenses from P436 million in 2015 to P526.3 million in 2016. As a percentage of sales, however, operating expenses increased from 10.58% in 2015 to only 11.1% in 2016. The increased expenses will be offset by the expected ramp up in sales volume as the refilling plants grow their customer base.

### Liquidity

Compared to year-end 2015, all liquidity indicators as at September 30, 2016 registered marked improvements. Cash and marketable securities picked up by 4.1% while receivables declined by 26.5% between December 2015 and September 2016. Current ratio improved from 1.88x in 2015 to 2.20x in 2016.

Cash generated from operations basically supported the company's expansion moves. Debt to equity ratios fell from 0.63 in 2015 to 0.43 in 2016.

Profitable operations for the first nine months of 2016 wiped out the remaining deficit carried in the books. The company is heavily capitalized with equity accounting for 71.4% of total assets.

### Numerical Performance Indicators

REVENUE GROWTH	2016	2015	Percent Growth / Decline
REVENUE	P4,736,394,345	P4,121,991,570	14.91%

VOLUME GROWTH			
Principal product – Liquefied Petroleum Gas (LPG)			
	2016	2015	Percent Growth / (Decline)
LPG (in kgs)	135,939,977	103,768,625	31.0%

PROFITABILITY & LIQUIDITY	2016 (as of Sept. 30, 2016)	2015 (as of Sept. 30, 2015)
PROFITABILITY (after tax)		
Return on Assets	13.19%	9.33%
Return on Equity	21.14%	16.70%
Net Profit Margin	15.04%	10.99%
LIQUIDITY		
Current ratio	2.20	1.91
Debt to Equity ratio	0.43	0.53

### Balance Sheet Changes

Compared to the December 31, 2015 audited financial statements, the significant movements in balance sheet accounts are as shown below.

Account Name	% Increase or (Decrease)	Reason for Change
Cash	6.38%	Due to the increase in revenue
Trade and other receivables	(26.53%)	Collection of receivables
Inventories	(16.01%)	Smaller receipts of imported LPG
Advances to related parties	(21.89%)	Collection of advances
Property, plant and equipment	21.10%	Additional acquisition of assets
Trade and other payables	(32.95%)	Due to payment of suppliers and contractors
Income tax payable	52.16%	Increase in taxable income
Installment contracts payable	(74.53%)	Payment of amortization of acquired subdivision lots
Advances from related parties	(16.34%)	Payment of Advances
Retained earnings (deficit)	286.90%	Due to net income of 2016
Non-controlling interest	22.62%	Due to share in net Income 2016

### **PART II – OTHER INFORMATION**

For the period under review, no reports were filed with the SEC by way of SEC 17-C.

**SIGNATURES**

Pursuant to the requirements of the Revised Securities Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**PRYCE CORPORATION**

By:

  
**JOSE MA. C. ORDENES**  
SVP-Treasurer  
**SALVADOR P. ESCAÑO**  
Chairman & CEO

November 16, 2016

# **PRYCE CORPORATION AND SUBSIDIARIES**

## **Financial Statements**

**for the periods ended September 30, 2016 and 2015,  
and December 31, 2015 (audited)**

**PRYCE CORPORATION and SUBSIDIARIES**  
**Consolidated Statements of Financial Position**  
**As at September 30, 2016 (Unaudited) and December 31, 2015 (Audited)**

	2016	Audited 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash - note 6	351,029,423	329,990,764
Financial assets at fair value through profit or loss (FVPL) - note 7	390,160,302	382,205,805
Trade and other receivables (net) - note 8	266,673,773	362,983,279
Inventories - note 9	450,682,228	536,585,725
Real estate projects - note 10	820,328,527	852,717,790
Prepayments and other current assets - note 11	60,733,966	60,036,884
	<b>2,339,608,219</b>	<b>2,524,520,247</b>
<b>Noncurrent assets</b>		
Advances to related parties - note 21	1,280,600	1,639,463
Property, plant and equipment (net) - notes 12 and 13	3,271,576,836	2,701,465,152
Investment properties - note 14	109,957,888	109,957,888
Deferred tax assets	16,539,701	16,539,701
Goodwill - note 15	70,668,305	70,668,305
	<b>3,470,023,330</b>	<b>2,900,270,509</b>
<b>TOTAL ASSETS</b>	<b>5,809,631,549</b>	<b>5,424,790,756</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Trade and other payables - note 16	766,794,954	1,143,680,724
Income tax payable	45,070,739	29,620,693
Customers' deposits - note 17	148,408,044	154,981,477
Installment contracts payable - note 18	3,370,294	13,233,575
Short-term debts - note 19	100,000,000	-
	<b>1,063,644,031</b>	<b>1,341,516,469</b>
<b>Noncurrent liabilities</b>		
Installment contracts payable - note 18	36,109,111	36,109,111
Retirement benefit obligation - note 28	205,206,390	208,940,564
Advances from related parties - note 21	288,808,989	345,199,821
Deferred tax liabilities	68,350,708	68,350,708
	<b>598,475,198</b>	<b>658,600,204</b>
<b>TOTAL LIABILITIES</b>	<b>1,662,119,229</b>	<b>2,000,116,673</b>
<b>Equity</b>		
Equity attributable to equity holders of the Parent Company		
Capital stock - note 20	2,000,000,000	2,000,000,000
Additional paid-in capital	271,834,820	271,834,820
Retained earnings (deficit)	426,879,769	(228,400,903)
Fair value gain on real estate properties - note 30	1,030,726,843	1,030,726,843
Other comprehensive income	107,964,820	107,964,820
Treasury stock	-	(10,352,879)
	<b>3,837,406,252</b>	<b>3,171,772,701</b>
Non-controlling interest	310,106,068	252,901,382
<b>TOTAL EQUITY</b>	<b>4,147,512,320</b>	<b>3,424,674,083</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>5,809,631,549</b>	<b>5,424,790,756</b>

*(The accompanying notes are an integral part of these consolidated financial statements)*

**PRYCE CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**For the Period Ended September 30, 2016 and 2015**

	2016	2015
<b>REVENUES</b>		
Liquefied petroleum gases, industrial gases and fuels - note 22	4,541,437,707	4,003,446,101
Real estate - note 22	143,900,402	70,859,354
Hotel operations	25,769,086	23,747,342
Pharmaceutical products	25,287,150	23,938,773
	<b>4,736,394,345</b>	<b>4,121,991,570</b>
<b>COSTS - note 23</b>		
Liquefied petroleum gases, industrial gases and fuels	3,370,206,592	3,021,481,226
Real estate	38,295,258	22,858,621
Hotel operations	24,678,527	21,373,874
Pharmaceutical products	17,719,398	18,724,908
	<b>3,450,899,775</b>	<b>3,084,438,629</b>
<b>GROSS INCOME</b>	<b>1,285,494,570</b>	<b>1,037,552,941</b>
<b>OPERATING EXPENSES - note 24</b>	<b>526,340,393</b>	<b>435,965,529</b>
<b>INCOME FROM OPERATIONS</b>	<b>759,154,177</b>	<b>601,587,412</b>
<b>OTHER INCOME (CHARGES) - Net</b>		
Gain (Loss) on sale of financial assets at FVPL	14,608,430	3,126,484
Finance costs	(28,290,060)	(26,518,562)
Other income - net	84,632,918	(26,340,322)
	<b>70,951,288</b>	<b>(49,732,400)</b>
<b>NET INCOME BEFORE TAX</b>	<b>830,105,465</b>	<b>551,855,012</b>
Provision for Income Tax	(117,620,107)	(98,684,439)
<b>NET INCOME</b>	<b>712,485,358</b>	<b>453,170,573</b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Parent Company	655,280,672	412,566,490
Non-controlling interests	57,204,686	40,604,083
	<b>712,485,358</b>	<b>453,170,573</b>
<b>EARNINGS PER SHARE - note 29</b>	<b>0.3562</b>	<b>0.2266</b>

*(The accompanying notes are an integral part of these consolidated financial statements)*

**PRYCE CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**

	<b>Period July 1 to September 30</b>	
	<b>2016</b>	<b>2015</b>
<b>REVENUES</b>		
Liquefied petroleum gases, industrial gases and fuels	<b>1,587,644,934</b>	1,349,261,647
Real estate	<b>89,663,409</b>	12,553,880
Hotel operations	<b>7,527,208</b>	8,557,244
Pharmaceutical products	<b>8,564,944</b>	23,938,773
	<b>1,693,400,495</b>	1,394,311,544
<b>COST OF SALES</b>		
Liquefied petroleum gases, industrial gases and fuels	<b>1,150,530,437</b>	961,200,966
Real estate	<b>28,340,520</b>	2,871,368
Hotel operations	<b>7,324,974</b>	7,468,291
Pharmaceutical products	<b>6,848,515</b>	18,724,908
	<b>1,193,044,446</b>	990,265,533
<b>GROSS PROFIT</b>	<b>500,356,049</b>	404,046,011
<b>OPERATING EXPENSES</b>	<b>191,009,932</b>	124,089,946
<b>INCOME FROM OPERATIONS</b>	<b>309,346,117</b>	279,956,065
<b>OTHER INCOME (CHARGES)</b>	<b>15,909,419</b>	(100,825,047)
<b>NET INCOME BEFORE TAX</b>	<b>325,255,536</b>	179,131,018
Provision for Income Tax	<b>(46,054,022)</b>	(23,045,412)
<b>NET INCOME</b>	<b>279,201,514</b>	156,085,606
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Parent Company	<b>257,610,798</b>	142,100,336
Non-controlling interests	<b>21,590,716</b>	13,985,270
	<b>279,201,514</b>	156,085,606
<b>EARNINGS PER SHARE</b>	<b>0.1396</b>	0.0780

*(The accompanying notes are an integral part of these consolidated financial statements)*

PRYCE CORPORATION AND SUBSIDIARIES  
Consolidated Statements of Changes in Equity  
For the Period Ended September 30, 2016 and 2015 and December 31, 2015

	September 30 2016	September 30 2015	December 31 2015 Audited
<b>CAPITAL STOCK</b>	<b>2,000,000,000</b>	2,000,000,000	2,000,000,000
<b>ADDITIONAL PAID-IN CAPITAL</b>	<b>271,834,820</b>	271,834,820	271,834,820
<b>FAIR VALUE GAIN ON REAL ESTATE PROPERTIES</b>	<b>1,030,726,843</b>	1,030,726,843	1,030,726,843
<b>OTHER COMPREHENSIVE INCOME</b>	<b>107,964,820</b>	111,955,178	107,964,820
<b>RETAINED EARNINGS (DEFICIT)</b>			
At beginning of period	<b>(228,400,903)</b>	(770,290,188)	(770,290,188)
Net income for the period	<b>712,485,358</b>	455,840,755	589,060,642
Transfer of revaluation reserve deducted from operations through additional depreciation charges	-	-	5,700,511
Reversal of non-controlling interest share on net income in prior years due to PGI's increase in equity interest in OOC	-	-	(6,885,073)
Non-controlling interest share in net income for the period	<b>(57,204,686)</b>	-	(45,986,795)
At end of period	<b>426,879,769</b>	(314,449,433)	(228,400,903)
<b>TREASURY STOCK</b>	-	-	(10,352,879)
	<b>3,837,406,252</b>	3,100,067,408	3,171,772,701
<b>NON-CONTROLLING INTEREST</b>			
At beginning of period	<b>252,901,382</b>	23,710,873	23,710,873
Addition (reversal) during the period:			
Non-controlling interest share due to dilution of Parent Company's equity ownership in PGI from 98.23% in 2014 to 91.04% in 2015	-	207,561,208	206,914,587
Non-controlling interest share due to PGI's increase in equity interest in OOC from 74.13% in 2014 to 89.73% in 2015	-	-	(23,710,873)
Non-controlling interest share in net income for the period	<b>57,204,686</b>	-	45,986,795
At end of period	<b>310,106,068</b>	231,272,081	252,901,382
<b>TOTAL EQUITY</b>	<b>4,147,512,320</b>	3,331,339,489	3,424,674,083



**PRYCE CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**For the Period Ended September 30, 2016 and 2015 and December 31, 2015**

	September 30 2016	September 30 2015 (As Restated)	December 31 2015 Audited
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	830,105,465	551,855,012	717,411,489
Adjustments for :			
Depreciation - notes 12 and 13	166,498,853	176,539,660	250,908,859
Loss on petroleum exploration	-	-	113,513,796
Unrealized loss (gain) on financial assets at FVPL - note 7	(31,239,833)	98,897,794	33,742,885
Retirement benefit expense	16,261,293	24,357,279	25,773,753
Finance costs - note 25	28,290,060	26,518,562	21,071,191
Loss (gain) on sale of financial assets at FVPL - note 26	(14,608,430)	(3,126,484)	(12,680,058)
Unrealized foreign exchange loss (gain)	-	4,067,348	(8,434,099)
Dividend income - note 26	(3,954,727)	(4,015,013)	(4,809,722)
Interest income - note 26	(186,342)	(81,153)	(1,453,736)
Loss (gain) on sale of property, plant and equipment	-	-	(7,944)
Operating income before working capital changes	991,166,339	875,013,005	1,135,036,414
Decrease (increase) in assets:			
Trade and other receivables	96,309,506	109,617,537	(1,674,242)
Inventories	85,903,497	(6,675,150)	10,379,731
Prepayments and other current assets	(697,082)	11,515,430	11,169,014
Real estate projects	32,389,263	43,590,693	(11,186,767)
Increase (decrease) in liabilities:			
Trade and other payables	(376,984,114)	(604,979,035)	(232,354,883)
Customers' deposits	(6,573,433)	21,600,555	13,436,479
Net cash generated from operations	821,513,976	449,683,035	924,805,746
Interest received	186,342	81,153	1,453,736
Income taxes paid	(102,170,061)	(88,429,626)	(108,623,390)
Retirement benefits paid	(19,995,467)	(933,590)	(7,214,907)
Net cash generated from operating activities	699,534,790	360,400,972	810,421,185
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment - notes 12 and 13	(736,610,537)	(231,398,099)	(604,648,941)
Additions to financial assets at FVPL - note 7	(7,823,723)	(208,948,888)	(149,053,027)
Investment in petroleum exploration	-	-	(113,513,796)
Proceeds from sale of financial assets at FVPL	56,070,368	41,059,002	94,856,195
Settlement of debts using assets held for dacion en pago	-	124,731,801	-
Dividends received - note 26	3,954,727	4,015,013	4,809,722
Granting of advances to related parties	-	(39,991)	-
Proceeds from sale of property, plant and equipment	-	-	2,311,278
Other noncurrent assets	-	(117,294,930)	-
Proceeds from (payment of) advances from related parties	(56,031,968)	(15,574,662)	816,617
Net cash used in investing activities	(740,441,133)	(403,450,754)	(764,421,952)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds received from short-term debts	255,000,000	-	220,000,000
Proceeds from issuance of capital stock	-	206,510,267	206,500,000
Payment of short-term debts	(155,000,000)	(40,000,000)	(470,000,000)
Payment of restructured debts covered by the Rehabilitation Plan	-	(98,341,307)	(118,690,186)
Settlement (availment) of advances from related parties	-	-	(38,663,997)
Finance costs paid	(28,191,716)	(23,813,297)	(21,071,191)
Payment of installment contracts payable	(9,863,281)	-	(12,592,068)
Purchase of treasury stock	-	-	(10,352,879)
Payment of debts for dacion en pago covered by the Rehabilitation Plan	-	(294,731,932)	(6,877,226)
Net cash generated from (used in) financing activities	61,945,003	(250,376,269)	(251,747,547)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	-	-	737,588
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>21,038,659</b>	<b>(293,426,051)</b>	<b>(205,010,726)</b>
<b>CASH - note 6</b>			
<b>AT BEGINNING OF PERIOD</b>	<b>329,990,764</b>	<b>535,001,490</b>	<b>535,001,490</b>
<b>AT END OF PERIOD</b>	<b>351,029,423</b>	<b>241,575,439</b>	<b>329,990,764</b>

*(The accompanying notes are an integral part of these consolidated financial statements.)*

## PRYCE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

As at and for the period ended September 30, 2016 and December 31, 2015

(Expressed in Philippine Peso)

#### 1. CORPORATE INFORMATION

**Pryce Corporation** (the “Parent Company”) and its Subsidiaries (collectively referred to as the “Group”) were incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on various dates as follows:

<u>Name of Company</u>	<u>Date of Incorporation</u>
Pryce Corporation (Parent Company)	September 7, 1989
Pryce Gases, Inc. (PGI)	October 8, 1987
Oro Oxygen Corporation (OOC)	April 4, 2006
Pryce Pharmaceuticals, Inc. (PPhI)	March 10, 2000

The Parent Company is primarily engaged in acquiring, purchasing, leasing, holding, selling or otherwise dealing in land and or real estate or any interest or right therein as well as real or personal property of every kind and description including but not limited to shares of stock in industrial, commercial, manufacturing and any other similar corporations. The Parent Company’s shares are listed in the Philippine Stock Exchange (PSE). The Parent Company’s stock price as of September 30, 2016 is ₱3.70 per share.

The Parent Company, after filing the relevant petition, was placed under corporate rehabilitation by the Commercial Court (RTC-Makati, then Branch 138, now Branch 149) when it approved the Company’s rehabilitation plan on January 17, 2005. The Company’s rehabilitation plan was successfully implemented so that the Court ordered the closure and termination of the Company’s rehabilitation proceedings on July 28, 2015.

The Parent Company’s registered office address is 17<sup>th</sup> Floor Pryce Center, 1179 Don Chino Roces Avenue cor. Bagtikan Street, Makati City.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries, and the corresponding percentages of ownership of the Parent Company as at September 30, 2016 and December 31, 2015:

<u>Name of Subsidiary</u>	<u>Nature of Business</u>	<u>Ownership and Voting Interest</u>	
		<u>2016</u>	<u>2015</u>
Pryce Gases, Inc. (PGI)	Manufacturer/Distributor of Industrial Gases and Liquefied Petroleum Gas (LPG)	<b>91.04%</b>	91.04%
Oro Oxygen Corporation (OOC)	Trading and marketing in general merchandise, industrial, medical and other gases and Liquefied Petroleum Gas (LPG)	<b>90.69%</b>	89.73%
Pryce Pharmaceuticals, Inc. (PPhI)*	Trading of pharmaceutical products	<b>88.61%</b>	88.61%

*\* Includes indirect equity ownership of 13.61% in 2016 and 2015.*

#### Pryce Gases, Inc. (PGI)

PGI is primarily engaged in the manufacture, production, purchase, sale and trade of all kinds of liquids and gases and other chemicals, other allied or related products, lease, operate, manage and construct and/or install for or on account of others, plants, equipment and machineries for the manufacture or production or distribution of the desired liquids and gases and other allied products.

On October 21, 2014, the Company was registered with the Board of Investments (BOI) under Article 39 (a) of Executive Order (EO) No. 226, otherwise known as Omnibus Investment Code of 1987 (as amended by Republic Act (RA) No. 7369 and further amended by Republic Act (RA) 7918), as a new industry participant with new investment in storage, marketing and distribution of petroleum products. As a registered enterprise with the BOI, the Company is entitled to all benefits and incentives provided for under RA 7918 and E.O. 226. Under the income tax holiday period, the Company has three (3) tanks with 2,100 metric tons (MT) gross capacity for each tank located in San Fabian, Pangasinan. The incentive was availed of by the Company since January 1, 2014 for a period of five (5) years.

On February 5, 2015, the Board of Directors (BOD) approved the increase in the authorized capital stock (ACS) of the Company from ₱2.5 billion to ₱3.7 billion at ₱1 par value per share. On May 22, 2015, the Securities and Exchange Commission (SEC) approved the increase in authorized capital stock of the Company. Due to the subscription made by a new stockholder on the increase in ACS of PGI, the Parent Company's equity interest was diluted from 98.23% in 2014 to 91.04% in 2015.

PGI was also placed under corporate rehabilitation proceedings by the Commercial Court (same as mentioned above), the petition for which was filed / initiated by two foreign creditors. PGI's rehabilitation plan was approved on October 10, 2003. With the settlement of its debts and successful implementation of its rehabilitation plan, the Commercial Court ordered the termination and closure of PGI's rehabilitation proceedings on August 27, 2015.

As at September 30, 2016, PGI has 8 liquefied petroleum gas (LPG) marine-fed terminals and 41 refilling plants of varying storage capacities.

PGI's registered office address is 17<sup>th</sup> Floor Pryce Center, 1179 Don Chino Roces Avenue cor. Bagtikan Street, Makati City.

#### Oro Oxygen Corporation (OOC)

OOC is primarily engaged in the purchase, sale and distribution and manufacture and/or production of all kinds of gases including LPG, industrial gases, such as, oxygen, acetylene, hydrogen, nitrogen, argon, carbon dioxide, nitrous oxide, compressed air and helium and other allied or related products, including its containers, equipment and other receptacles.

On July 13, 2015, a Deed of Assignment was executed between Mindanao Gardens, Inc. (the "Assignor") and Pryce Gases, Inc. (the "Assignee"), wherein MGI transfers, conveys, sells, cedes and assigns all its rights, title and interest in the 30,595,949 shares of OOC, with a par value of ₱1 per share, to PGI. Consequently, PGI increased its equity interest to 98.56% of the outstanding capital stock of OOC.

On April 12, 2016, a Deed of Assignment with Subscription to Shares was executed between Pryce Gases, Inc. (the “Subscriber-Assignor”) and Oro Oxygen Corporation (the “Assignee Corporation”), wherein PGI absolutely assigns, transfers and conveys unto OOC ₱367,500,000 (the “Advances”) of its advances made to the latter, for and in consideration of which, OOC hereby allows PGI to subscribe, as PGI hereby subscribes, to 367,500,000 shares of OOC, at the par value of ₱1 per share, full payment of which is hereby acknowledged by OOC through the foregoing assignment of the Advances as payment on the said subscription. As a result, PGI further increased its equity interest from 98.56% in 2015 to 99.62% of the outstanding capital stock of OOC.

As at September 30, 2016, OOC has 5 liquefied petroleum gas (LPG) refilling plants of varying storage capacities.

OOC’s registered office address is 1<sup>st</sup> Lower Level Pryce Plaza Hotel, Carmen Hill, Cagayan de Oro City.

Pryce Pharmaceuticals, Inc. (PPhI)

PPhI is primarily engaged in the trading of pharmaceutical products on wholesale and retail basis.

PPhI’s registered office address is LGF Skyland Plaza, corner Gil Puyat Avenue and Tindalo Street, Makati City.

On July 2, 2015, the Parent Company and its subsidiary, PGI, subscribed to 7.5 million and 1.495 million common shares of PPhI at a subscription price of ₱1 per share for a total consideration of ₱7.5 million and ₱1.495 million, respectively. As a result of the subscription, the Parent Company owns 75% direct equity interest and 13.61% indirect equity interest (through PGI) in PPhI.

**2. STATEMENT OF COMPLIANCE**

The consolidated financial statements of the Group have been prepared in conformity with Philippine Financial Reporting Standards (PFRS), except for the recognition of fair value gain on real estate properties transferred by the Parent Company to PGI as equity contribution, which have been taken up in the books and records of the Parent Company at cost instead of fair value as required under PFRS 3, *Business Combination*. This was a case of an extremely rare circumstance in which management concluded that compliance with a requirement in PFRS would be so misleading that it would conflict with the objectives of the consolidated financial statements set out in the Framework. Because of this circumstance, the management of the Parent Company reduced the perceived misleading aspects of compliance by complying with the disclosures stated in Note 30. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by the former Standing Interpretations Committee (SIC), the Philippine Interpretations Committee (PIC) and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

3. **BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**

**Basis of presentation and measurement**

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for land, buildings and structures, machinery and equipment and oxygen and acetylene cylinders, which have been measured using the revaluation model, and financial assets at fair value through profit or loss (FVPL), which have been measured at fair value.

The consolidated financial statements are presented in accordance with PAS 1 (Revised 2007), *Presentation of financial statements*. The Group presents all items of income and expenses in a single consolidated statement of comprehensive income.

**Foreign currency-denominated transactions and translations**

*(a) Functional and presentation currency*

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Philippine Peso (₱) the Group's functional and presentation currency.

*(b) Transactions and balances*

Transactions denominated in foreign currencies are recorded using the applicable exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are translated using the applicable rate of exchange at the end of each reporting period. Foreign exchange gains or losses are recognized in the consolidated statement of comprehensive income.

**Changes in accounting policies and disclosures**

The accounting policies adopted are consistent with those of the previous financial years, except for the following new and amended PFRSs, which were adopted as at January 1, 2015.

*Annual Improvements to PFRSs 2010 – 2012 Cycle*

The annual improvements address the following issues:

*PFRS 2 (Amendment), Share-based Payment – Definition of vesting condition*, focuses on the amendment of the definitions of “vesting condition” and “market condition” and added definitions for “performance condition” and “service condition”, which are previously included in the definition of vesting conditions.

*PFRS 3 (Amendment), Business Combinations – Accounting for contingent consideration in a business combination*, clarifies that contingent consideration that is not classified as equity shall be measured at fair value at each reporting date and changes in fair value shall be recognized in profit or loss, irrespective of whether it is within the scope of PAS 39, Financial Instruments: Recognition and Measurement.

*PFRS 8 (Amendment), Operating Segments – Aggregation of operating segments and Reconciliation of the total of the reportable segments' assets to the entity's assets*, requires disclosure of judgments made by management in applying the aggregation criteria to operating segments which includes (a) a brief description of the operating segments that have been aggregated and (b) the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. These amendments also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly to the chief operating decision maker.

*PAS 16 (Amendment), Property, Plant and Equipment – Revaluation method: proportionate restatement of accumulated depreciation*, clarifies that when an item of property, plant and equipment is revalued, the carrying amount of asset is adjusted to the revalued amount. At the date of revaluation, the asset is treated in one of the following ways: (a) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses, or (b) the accumulated depreciation is eliminated against the gross carrying amount of the asset.

*PAS 24(Amendment), Related Party Disclosures – Key management personnel*, clarifies that a management entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

*PAS 38 (Amendment), Intangible Assets – Revaluation method: Proportionate restatement of accumulated amortization*. This amendment clarifies that when an intangible asset is revalued, the carrying amount of asset is adjusted to the revalued amount. At the date of revaluation, the asset is treated in one of the following ways: (a) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses, or (b) the accumulated amortization is eliminated against the gross carrying amount of the asset.

The application of the above improvements has no impact on the disclosures and amounts recognized on the Group's consolidated financial statements.

The above improvements are effective for annual periods beginning on or after July 1, 2014 and shall be applied retrospectively.

#### *Annual Improvements to PFRSs 2011 – 2013 Cycle*

The annual improvements address the following issues:

*PFRS 3 (Amendment), Business Combinations – Scope exceptions for joint ventures*. This amendments clarify that PFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

*PFRS 13 (Amendment), Fair Value Measurement – Portfolio exception*, clarifies that the scope of the portfolio exception defined in paragraph 52 of PFRS 13 applies to all contracts within the scope of, and accounted for in accordance with, PAS 39 Financial Instruments: Recognition and

Measurement or PFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in PAS 32 Financial Instruments: Presentation.

*PAS 40 (Amendment), Investment Property.* These amendments clarify the interrelationship between PAS 40 and PFRS 3 Business Combinations. The amendment states that judgment is needed in determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. Determining whether a specific transaction meets the definition of a business combination and includes an investment property requires the separate application of both PFRS 3 and PAS 40.

The application of the above improvements has no impact on the disclosures and amounts recognized on the Group's consolidated financial statements.

The above improvements are effective for annual periods beginning on or after July 1, 2014 and shall be applied retrospectively.

*PAS 19 (Amendment), Employee Benefits – Defined Benefit Plans: Employee Contributions.* The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. If contributions from employees or third parties are linked to service, those contributions reduce the service cost as follows:(a) if the amount of the contributions is dependent on the number of years of service, an entity shall attribute the contributions to periods of service, i.e. either using the plan's contribution formula or on a straight-line basis; or (b) if the amount of the contributions is independent of the number of years of service, the entity is permitted to recognize such contributions as a reduction of the service cost in the period in which the related service is rendered. The amendments are effective for annual periods beginning on or after July 1, 2014.

The amendment has no impact on the consolidated financial statements as the Group does not have contributions from employees or third parties that are linked to period of service.

#### **New accounting standards and amendments to existing standards effective subsequent to January 1, 2015**

Standards issued but not yet effective up to the date of the Group's consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

##### *Annual Improvements to PFRSs 2012-2014 Cycle*

The annual improvements addressed the following issues:

*PFRS 5 (Amendment), Non-current Assets Held for Sale and Discontinued Operations – Reclassification of Asset from Held for Sale to Held for Distribution or Vice Versa .* The amendment adds specific guidance in for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

*PFRS 7 (Amendment), Financial Instruments: Disclosures – Continuing Involvement in a Transferred Asset and Offsetting Disclosures in Condensed Interim Financial Statements.* The

amendment provides additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

*PAS 19 (Amendment), Employee Benefits – Discount Rate for Post-Employment Benefits.* The amendment clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level.

*PAS 34 (Amendment), Interim Financial Reporting – Disclosure of Information Elsewhere in the Interim Report.* The amendment clarifies the requirements relating to information required by PAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendment requires that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms at the same time as the interim financial statements.

The management is still evaluating the impact of the above improvements on the Group's consolidated financial statements.

The above improvements are effective for annual periods beginning on or after January 1, 2016 and shall be applied retrospectively. However, early application of these amendments is permitted.

*PFRS 11 (Amendment), Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations.* The amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in PFRS 3 to: (1) apply all of the business combinations accounting principles in PFRS 3 and other PFRSs, except for those principles that conflict with the guidance in PFRS 11; and, (2) disclose the information required by PFRS 3 and other PFRSs for business combinations. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). The amendments apply prospectively to acquisitions of interests in joint operations in which the activities of the joint operations constitute businesses, as defined in PFRS 3, for those acquisitions occurring from the beginning of the first period in which the amendments apply. Amounts recognized for acquisitions of interests in joint operations occurring in prior periods are not adjusted. The amendment is effective for annual periods beginning on or after January 1, 2016.

The amendment will not have impact on the consolidated financial statements as the Group interest in joint operations was written-off in 2015.

*PFRS 14, Regulatory Deferral Accounts.* This new standard permits an entity which is a first-time adopter of Philippine Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of PFRS and in subsequent financial statements. Entities which are eligible to apply this standard are not required to do so, and so can choose to apply only the requirements of PFRS 1 when first applying PFRSs. However, an entity that elects to apply this standard in its first PFRS financial statements must continue to apply it in subsequent financial statements. This standard cannot be applied by entities that have already adopted PFRSs. The



standard is effective and applicable on first annual financial statements for annual periods beginning on or after January 1, 2016.

The standard will not have an impact on the consolidated financial statements, since the Group is no longer a first-time adopter of PFRS on its mandatory effective date.

*PAS 16 (Amendment), Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation.* This amendment clarifies that a depreciation method that is based on revenue generated by an activity that includes the use of an asset is not appropriate. This is because such methods reflects a pattern of generation of economic benefits that arise from the operation of the business of which an asset is part, rather than the pattern of consumption of an asset's expected future economic benefits. The amendment is effective for annual periods beginning on or after January 1, 2016.

The amendment will not have impact on the consolidated financial statements as the Group's depreciation method is not based on revenue.

*PAS 38 (Amendment), Intangible Assets – Clarification of Acceptable Methods of Amortization.* This amendment introduces rebuttable presumption that a revenue-based amortization method for intangible assets is inappropriate for the same reasons as in PAS 16. However, the IASB states that there are limited circumstances when the presumption can be overcome, (a) the intangible asset is expressed as a measure of revenue (the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold); and (b) it can be demonstrated that revenue and the consumption of economic benefits of the intangible asset are highly correlated (the consumption of the intangible asset is directly linked to the revenue generated from using the asset). The amendment is effective for annual periods beginning on or after January 1, 2016.

The amendment will not have impact on the consolidated financial statements as the Group's amortization method is not based on revenue.

*PAS 16, Property, Plant and Equipment, and PAS 41, Agriculture – Bearer Plants (Amendment).* The amendment clarifies that bearer plants are within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with PAS 16. The amendments also introduce the definition of 'bearer plants' 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. Moreover, it also clarifies that produce growing on bearer plants remains within the scope of PAS 41. The amendments are effective for annual periods beginning on or after January 1, 2016.

The amendment will not have impact on the consolidated financial statements as the Group has no bearer plants.

*PAS 27 (Amendment), Separate Financial Statements – Equity Method in Separate Financial Statements.* This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in the separate financial statements. The amendment is effective for annual periods beginning on or after January 1, 2016.

The amendment will not have impact on the Group's consolidated financial statements.

*PFRS 10, Consolidated Financial Statements, and PAS 28, Separate Financial Statements – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment).* The amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows: (1) require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in PFRS 3 Business Combinations); or (2) require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. The amendments are effective and applicable on a prospective basis to a sale or contribution of assets occurring in annual periods beginning on or after January 1, 2016.

The amendment will not have impact on the Group's consolidated financial statements.

*PFRS 10, Consolidated Financial Statements, PFRS 12, Disclosure of Interests in Other Entities and PAS 28, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception (Amendment).* The amendment clarifies that (a) the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value in accordance with PFRS 10. The amendment further clarifies that a subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity. Moreover, the amendment clarifies that in applying the equity method to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries. Clarification is also made that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by PFRS 12. The amendments are effective and applicable for annual periods beginning on or after January 1, 2016.

The amendment will not have impact on the consolidated financial statements as the Group is not an investment entity and does not have any holding company, subsidiary or joint venture that qualifies as an investment entity.

*PAS 1 (Amendment), Presentation of Financial Statements – Disclosure Initiative.* This amendment gives some guidance on how to apply the concept of materiality in practice. This also provides additional guidance for line items to be presented in statement of financial position and statement of comprehensive income and also introduce new requirements regarding the use of subtotals. Further, the amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of PAS 1. Guidance and examples are also removed with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful. The amendments are effective and applicable for annual periods beginning on or after January 1, 2016.

The management does not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

*PFRS 9, Financial Instruments.* The standard requires all recognized financial assets that are within the scope of PAS 39 Financial Instruments: Recognition and Measurement to be

subsequently measured at amortized cost or at fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely for payments of principal and interest on the outstanding balance are generally measured at amortized cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. For financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or increase an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. The standard is to be effective no earlier than the annual periods beginning January 1, 2018, with earlier application permitted.

The management does not anticipate that the application of PFRS 9 will have a significant impact on the financial statements as the Group's financial assets and financial liabilities pertain only to debt securities that will continue to be measured at amortized cost.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Parent Company and all subsidiaries it controls. Control is achieved when the Parent Company has power over the investee, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect instruments. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company.

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these three elements of control. When the Parent Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Parent Company considers all relevant facts and circumstances in assessing whether or not the Parent Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Parent Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Parent Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Parent Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are fully consolidated from the date on which control is transferred to the Parent Company. Consolidation ceases when control is transferred out of the Parent Company. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate. A change in ownership interest of a subsidiary, without a change in control is accounted for as an equity transaction.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets and liabilities acquired is considered as goodwill, which is shown as part of "Other noncurrent asset" account in the consolidated statement of financial position. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition), is accounted as bargain purchase and is shown as part of "Other income (net)" account in the consolidated statements of comprehensive income in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intercompany balances and transactions, intercompany profits and expenses and gains and losses are eliminated in the consolidation.

#### **Business Combinations and Goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business acquisition over the fair values of the identifiable net assets and liabilities acquired. Subsequent to initial recognition, it is measured at cost less any accumulated impairment losses.

Should the fair values of the identifiable net assets and liabilities acquired exceeds the cost of business acquisition, the resulting gain is recognized as a bargain purchase in the consolidated statement of comprehensive income. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of the CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of

in this circumstance is measured based on the relative values of the operation disposed of and portion of the CGU retained.

When a subsidiary is sold, the difference between the selling price and the net assets plus the carrying amount of goodwill is recognized in the consolidated statement of comprehensive income.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the amount of the cash-generating unit (or group of cash-generating units) to which the goodwill has been allocated (or to the aggregate carrying amount of a group of cash-generating units to which the goodwill relates but cannot be allocated), an impairment loss is recognized immediately in the consolidated statement of comprehensive income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill at the end of each reporting period.

#### **Non-controlling interests**

Non-controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within the equity section of the consolidated statement of financial position, separate from the controlling interest of the Parent Company's equity. Non-controlling interest shares in the losses even if the losses exceed the non-controlling equity interest in the subsidiary. A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Non-controlling interest represents the 8.96% interest in PGI not owned by the Parent Company, 9.31% interest in OOC not owned by the Parent Company and 11.39% interest in PPhI not owned by the Parent Company. The non-controlling stockholders' share in losses of PGI, OOC and PPhI are limited to the investment made. Any additional losses are for the account of the Group.

#### **Change in the Group's ownership interests in subsidiaries without change in control**

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### **Disposal of subsidiaries**

When the Group ceases to have control, any retained interest in the entity is re-measured at its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest in associate, joint venture, or financial asset. In addition, any amounts

previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in the other comprehensive income are reclassified to profit or loss.

### **Segment reporting**

The strategic steering committee is the Group's chief operating decision-maker. Management has determined the operating segments consistent with the internal reporting reviewed by the strategic steering committee for purposes of allocating resources and assessing performance.

### **Financial instruments**

#### *Initial recognition, measurement and classification of financial instruments*

The Group recognizes financial assets and financial liabilities in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

#### *Initial measurement*

Financial instruments are initially recognized at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments includes transaction costs, except for those financial assets and liabilities at fair value through profit or loss (FVPL) where the transaction costs are charged to expense in the period incurred.

#### *Classification*

On initial recognition, the Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) financial assets and available-for-sale (AFS) financial assets. The Group also classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market.

Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at the end of each reporting period.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

The Group does not hold financial assets at AFS or HTM financial assets and FVPL financial liabilities as at September 30, 2016 and December 31, 2015.

**Financial assets at fair value through profit or loss (FVPL)**

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading, unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on financial assets at FVPL are recognized in the consolidated statement of comprehensive income under “Fair value adjustments” account.

Financial assets may be designated by management at initial recognition at FVPL when any of the following criteria is met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets are part of a group of financial assets, which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets at fair value through profit or loss (FVPL) are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial assets and is included in the “Fair value gain (loss)” line item in the consolidated statements of comprehensive income. Fair value is determined in the manner described in Note 33.

This category includes the Group’s investment in listed equity securities presented under “Financial assets at fair value through profit or loss (FVPL)” account in the consolidated statement of financial position (see Note 7).

*Other financial liabilities*

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the amortization process. Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs.

As at September 30, 2016 and December 31, 2015, included in other financial liabilities are the Group’s trade and other payables, customers’ deposits, installment contracts payable, short-term debts and advances from related parties (see Notes 16, 17, 18, 19 and 21).

### **Determination of fair value and fair value hierarchy**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring fair value measurement, such as financial assets at FVPL, and for non-recurring measurement, such as investment properties.

External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.



Fair value measurement disclosures of financial and non-financial assets are presented in Note 33 to the consolidated financial statements.

### **“Day 1” Difference**

When the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference amount.

### **Amortized cost of financial instruments**

Amortized cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated, taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs.

Gains and losses are recognized in consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. These financial assets are included in current assets if maturity is within 12 months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or, when appropriate, a shorter period, to the net carrying amount on initial recognition

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

As at September 30, 2016 and December 31, 2015, included under loans and receivables are the Group’s cash, trade and other receivables and advances to related parties (see Notes 6, 8, and 21).

### **Derecognition of financial assets and financial liabilities**

#### *(a) Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### *(b) Financial liabilities*

A financial liability is derecognized when the obligation under the liability was discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

### **Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

### **Impairment of financial assets**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a

result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the contracted parties or a group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*(a) Financial assets carried at cost*

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the current market rate of return of a similar financial asset.

*(b) Loans and receivables*

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of loss is measured as a difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of loss is recognized in the consolidated statement of comprehensive income.

If in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, and the increase or decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account.

If a future write-off is later recovered, the recovery is recognized in the consolidated statement of comprehensive income under “Other income (net)” account. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group.

### **Cash**

Cash includes cash on hand and deposits held at call with banks.

### **Real estate projects**

Real estate projects are initially recognized at cost and are subsequently carried at the lower of cost and net realizable value. Cost consists of acquisition cost and expenditures for the development and improvement of subdivision and memorial park lots, and construction of the condominium units. Net realizable value is the estimated selling price less cost to complete and sell. The cost of real estate projects as disclosed in the Group's consolidated statements of financial position is determined using the specific identification and cost allocation for non-specific cost.

When the net realizable value of the real estate projects is lower than the cost, the Group provides for an allowance for the decline in the value of the real estate projects and recognizes the write-down as an expense in profit or loss. The amount of any reversal of any write-down of real estate projects, arising from an increase in net realizable value, is recognized as a reduction in the amount of real estate projects recognized as an expense in the period in which the reversal occurs.

When real estate projects are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

### **Inventories**

Inventories are composed of four product lines such as, (1) LPG, cylinders, stoves and accessories, (2) industrial gases (3) fuel and (4) pharmaceutical products.

LPG, cylinders, stoves and accessories include LPG bulk, content, cylinders and accessories such as burners and regulators.

Industrial gases' primary materials for processing is the liquid oxygen and calcium carbide purchased for production of oxygen and acetylene, respectively, which are produced and become ready for distribution in the market.

Fuel is composed of diesel, gasoline and lubricants.

Pharmaceutical products are composed of medicinal drugs.

Inventories are initially measured at cost and subsequently measured at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- *Finished goods* – Cost includes cost of raw materials used, direct labor and the applicable allocation of fixed and variable overhead costs. This refers to LPG already filled in the cylinders. Unit cost is accounted by adding the production cost to the beginning inventories

and divided by the beginning quantity and production. Production cost includes the merchandise inventory cost, bulk cost and refilling cost.

Cost of pharmaceutical products is determined primarily on the basis of first-in, first-out (FIFO) method.

- *Raw materials* – Cost is determined primarily on the basis of moving average cost. Raw materials maintained at year end pertain to calcium carbide to be used in the production of acetylene under industrial gases product line.
- *General supplies* – Cost is determined using the first-in, first-out (FIFO) method. General supplies include accountable forms, office supplies, cylinder maintenance, electrical and oxygen supplies used for production.

Net realizable value for finished goods is the estimated selling price in the ordinary course of business less the estimated cost of marketing and distribution. Net realizable value for raw materials and materials and supplies is the current replacement cost.

When the net realizable value of the inventories is lower than the cost, the Group provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in profit or loss. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

#### **Prepayments and other current assets**

Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account is mainly composed of prepaid maintenance, insurance, rent, taxes and licenses and other prepaid items. Prepaid rentals and insurance premiums and other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in the consolidated statement of comprehensive income when incurred. Creditable withholding tax is deducted from income tax payable on the same year the revenue was recognized. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current assets, otherwise, these are classified as other noncurrent assets.

Claims for input VAT and other prepaid taxes are stated at fair value less provision for impairment, if any. Allowance for unrecoverable input VAT and prepaid taxes, if any, is maintained by the Group at a level considered adequate to provide for potential uncollectible portion of the claims.

The Group, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses.

#### **Property, plant and equipment**

Property, plant and equipment are initially measured at cost. Subsequent to initial recognition, they are stated at cost less accumulated depreciation and any impairment in value, except for land and land improvements, buildings and structures, and hotel and office equipment, which are carried at revalued amounts, as determined by an independent appraiser, less any accumulated

depreciation and any impairment in value. Additions subsequent to the date of appraisal are stated at cost.

The initial cost of property, plant and equipment consists of its purchase price and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use and the initial estimate of the future costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to expense in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standards of performance, the expenditures are capitalized as an additional costs of property, plant and equipment.

Independent appraisal on land and land improvements, buildings, and hotel and office equipment was performed by an independent firm of appraisers. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Following initial recognition at cost, land, land improvements, buildings, hotel and office equipment are carried at revalued amounts, which are the fair values at the date of revaluation, as determined by independent appraisers, less subsequent accumulated depreciation (on buildings) and any accumulated impairment losses. Revalued amounts are fair market values determined in appraisals by external professional valuers unless market-based factors indicate immediate impairment risk.

Fair value is determined by reference to market-based evidence, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recognized in other comprehensive income and credited to the revaluation reserves account in the equity section of the consolidated statement of changes in equity. Any revaluation deficit directly offsetting a previous surplus in the same asset is charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and the remaining deficit, if any, is recognized in the consolidated statement of comprehensive income. Annually, an amount from the "Revaluation reserve" account is transferred to retained earnings for the depreciation relating to the revaluation surplus. Upon disposal of revalued assets, amounts included in "Revaluation reserve" account relating to them are transferred to retained earnings.

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

	<u>In Years</u>
Building and structures	20-40
LPG plant, machinery and equipment	20
Oxygen and acetylene cylinders	15
Land improvements	5-15
Machinery and equipment	9-10
Hotel and office equipment	9
Transportation equipment	5-6
Furniture, fixtures and equipment	5

Leasehold improvements are depreciated over the lease term or estimated useful lives of the improvements, whichever is shorter.

Construction in progress is stated at cost. This includes cost of construction and other direct costs, and is not depreciated until such time that the relevant assets are completed and put into operational use.

The useful lives and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

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

An item of property, plant and equipment 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 is included in the consolidated statement of comprehensive income in the year the item is derecognized.

### **Investment properties**

Investment properties, which are properties held to earn rentals and/or for capital appreciation, is measured initially at cost. Cost includes purchase price and any other cost directly attributable to bringing the assets to its working condition and location for its intended use. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and impairment loss, if any.

Subsequent expenditures relating to an item of investment property that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Investment properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is

the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statement of comprehensive income.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statement of comprehensive income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for that asset in prior years.

Investment properties are derecognized when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

As at September 30, 2016 and December 31, 2015, included in investment properties are the Group's land and memorial lawn lots, which are held for lease and capital appreciation, respectively.

#### **Impairment of non-financial assets other than goodwill**

The carrying values of assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their estimated recoverable amount.

The estimated recoverable amount is the greater of net selling price or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the estimated recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses, if any, are recognized in the consolidated statement of comprehensive income, which are recognized as reduction in the revaluation reserve and any excess as a charge to current operations.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statement of comprehensive income. However, the increase in carrying amount of an asset due to recovery of an impairment loss is recognized to the



extent it does not exceed the carrying amount that would have been determined had no impairment loss been recognized for that asset in prior years.

### **Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables include non-trade payables and accrued expenses (mainly utilities).

Trade payables and accrued expenses are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer) while non-trade payables are classified as current liabilities if payment is due within one year or less. If not, these are presented as noncurrent liabilities.

### **Customers' deposits**

Revenue on sales of residential units and memorial lots are recognized in full upon receipts of sufficient down payment and collectability of the sales price is reasonably assured. Accumulated collections on residential units and memorial lots contracts that have not yet meet the Group's specific revenue recognition criteria are recognized as customers' deposits.

### **Borrowings and borrowing cost**

#### *(a) Borrowings*

Borrowings are initially recognized at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method. Difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

#### *(b) Borrowing cost*

Borrowing costs are generally recognized as expense in the year in which these costs are incurred, except for those borrowing costs that are directly attributable to the development of real estate project which are capitalized as part of the cost of the projects. The capitalization of borrowing costs as part of the cost of such assets: (a) commences when the expenditure and borrowing costs for the assets are being incurred and activities that are necessary to prepare the assets for their intended sale are in progress; (b) is suspended during the extended periods in which active development of the assets are interrupted; and (c) ceases when substantially all activities necessary to prepare the assets for their intended sale are completed.

## **Leases**

### *Group as a Lessee*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

## **Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statement of comprehensive income, 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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each reporting date, the Group reassesses the need to recognize previously unrecognized deferred income tax asset.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, carry-forward benefits of unused tax credits from excess of MCIT over RCIT and unused NOLCO can be utilized. Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax asset against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### **Retirement benefit obligation**

#### *a.) Retirement obligations*

The Group provides retirement benefits to employees through a defined benefit plan. A defined benefit plan is a pension plan that determines the amount of pension benefit an employee would receive upon retirement, usually dependent on several factors such as age, salary and length of service.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan asset, if any, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. The defined benefit cost comprises of the service cost, net interest on the defined benefit liability or asset and the remeasurement of net defined benefit liability or asset.

Retirement benefit expense comprises the following:

- Service cost
- Net interest on the defined benefit liability or asset
- Remeasurement of net defined benefit liability or asset

Service cost, which includes current service cost and gains and losses on settlement are recognized as expense in the consolidated statement of comprehensive income.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified in the consolidated statement of comprehensive income in subsequent periods. All remeasurements are recognized in “Remeasurement gains on retirement benefit obligation” account under other comprehensive income, and is presented in the consolidated statement of financial position, are not reclassified to another equity account in subsequent periods.

*(b) Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognizes termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

*(c) Other long-term benefits*

The Group's net obligation in respect of long-term benefits other than pension plans is the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the end of the reporting period of high quality bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. The Group recognized the net total of service cost, net interest on the net defined benefit liability (asset), and remeasurements of the net defined benefit liability (asset) in profit or loss.

*(d) Profit-sharing and bonus plans*

The Group can recognize a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group can recognize a provision where it is contractually obliged or where there is a past practice that has created a constructive obligation.

**Equity**

*(a) Capital stock*

Capital stock represents the par value of the shares issued and outstanding as at reporting date.

*(b) Additional paid-in capital*

Additional paid-in-capital includes any premiums received on the issuance of capital stock. Incremental costs directly attributable to the issue of new shares are deducted from additional paid-in-capital, net of tax. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

*(c) Deficit*

Deficit represents accumulated earnings and losses of the Group, and any other adjustments to it as required by other standards, less dividends declared.

*(d) Treasury stock*

Where any member of the Group purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Parent Company until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Parent Company's equity holders.

**Revenue recognition**

Revenue is recognized when it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, while expenses are recognized upon utilization of the service or at the date they are incurred. The following specific recognition criteria must also be met before revenue or expense is recognized:

- *Revenue on sales of residential units and memorial lots*

Revenues are recognized in full when substantially complete and upon receipt of sufficient down payment, provided that the profit is reliably determinable; that is, the collectability of the sales price is reasonably assured and the earning process is virtually complete, that is the seller is not obliged to perform significant activities after the sale to earn the profit.

Accumulated collections on contracts not yet recognized as revenue are recorded under the "Customers' deposits" account in the consolidated statement of financial position.

- *Revenues arising from hotel operations*

Revenues are recognized when services are rendered, while those from banquet and other special events are recognized when the events take place. These are shown under "Hotel operations" account in the consolidated statement of comprehensive income.

- *Sale of goods*

Revenue from sale of goods, shown under "Liquefied petroleum gases, industrial gases and fuel" and "pharmaceutical products" accounts, are recognized when the risks and rewards of ownership of the goods have passed to the buyer. Sale of goods is measured at the fair value of the consideration received or receivable, excluding discounts, returns and value-added tax (VAT).

- *Rental income from operating lease*

Rental income is recognized when actually earned in accordance with the terms of the lease agreement.

- *Interest income*

Interest is recognized as it accrues using the effective interest method (i.e., the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

- *Dividend income*

Dividend income is recognized when the Group's right to receive payment is established. The right to receive payment is usually established when the dividends is declared by the board of directors.

- *Other comprehensive income*

Other comprehensive income (OCI) comprise items of income and expenses (including items previously presented under the consolidated statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS.

- *Other income*

Other income is recognized when earned.

### **Cost and expense recognition**

Expenses are recognized in the consolidated statement of comprehensive income when decrease in the future economic benefit related to a decrease in an asset or an increase in liability has arisen that can be measured reliably.

Expenses are recognized in consolidated statement of comprehensive income: on the basis of a direct association between the cost incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefit or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the consolidated statement of financial position of an asset.

Cost of real estate projects sold before completion of the development and construction is determined based on the actual development costs incurred to date plus estimated cost to complete the project as determined by the Group's technical staff and contractors. These estimates are reviewed periodically to take into consideration the changes in cost estimates.

Cost of goods sold is recognized as expense when the related goods are sold.

### **Provisions and contingencies**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and the amount can be estimated

reliably. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement.

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

#### **Related party relationships and transactions**

Related party relationship exists when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

#### **Earnings per share**

Earnings per share is computed by dividing net income by the weighted average number of common shares issued, subscribed and outstanding during the year with retroactive adjustments for stock dividends declared.

#### **Events after the reporting period**

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

### **5. SIGNIFICANT ACCOUNTING JUDGMENTS AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The preparation of the consolidated financial statements in compliance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances at the end of the reporting period. Actual results could differ materially from such estimates.

Estimates and judgments 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.

**Significant accounting judgments in applying the Group's accounting policies**

*(a) Functional currency*

The Group considers the Philippine Peso (₱) as the currency that most fairly represents the economic effect of the underlying transactions, events and conditions. The Philippine Peso (₱) is the currency of the primary economic environment in which the Group operates. It is the currency in which the Group measures its performance and reports its operating results.

*(b) Revenue recognition on real estate transactions*

The management requires certain judgments in selecting an appropriate revenue recognition method for real estate transactions based on sufficiency of payments by the buyer and completion of the project. The Group believes the sufficient level of payments as determined by management in recognizing revenue is appropriate.

*(c) Operating lease*

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or 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.

The Group classified the lease as operating lease, since the Group believes that the lessor does not transfer substantially all the risks and benefits on the ownership of the assets.

*(d) Distinction between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment. The Group accounts for all its properties as investment properties.

*(e) Allowance for impairment of trade and other receivables*

The Group maintains allowance for impairment on potentially uncollectible receivables, due from related parties and advance payments to suppliers and contractors, and writing off accounts considered uncollectible. Allowance is made for specific group of accounts, where objective evidence of impairment exists.

The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers, the customers'



current credit status based on known market forces, average age of accounts, collection experience and historical loss experience. These factors are used by the Group as a basis in making judgments whether or not to record allowance for impairment.

The management assessed trade receivables pertaining to sales of real estate to be good, since the Group retains the title of the property until fully paid. The Group considers the carrying amounts of trade and other receivables to be a reasonable approximation of their fair values. Further, it has determined that any changes occurred affecting the balance of allowance for impairment is insignificant.

*(f) Allowance for impairment on real estate projects*

The real estate projects are stated at costs, which are lower than their net realizable values. It is management's evaluation that the stated costs of the real estate projects are lower than their net realizable value as at the end of reporting period, and that there are no indications of impairment as at the reporting date.

*(g) Impairment of prepayments and other current assets*

Prepayments and other current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized whenever there is existing evidence that the carrying amount is not recoverable. The Group's management evaluated that based on their review; there were no indicators of impairment as at September 30, 2016 and December 31, 2015.

*(h) Impairment of property, plant and equipment*

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized whenever there is existing evidence that the carrying amount is not recoverable. Management believes that there are no indications that the property, plant and equipment are impaired as at September 30, 2016 and December 31, 2015.

*(i) Income taxes*

Significant judgment is required in determining the provision for income taxes. Recognition of deferred income taxes depends on management's assessment of the probability of available future taxable income against which the temporary difference can be applied. Realization of future tax benefit related to the deferred tax assets is dependent on many factors, including the Group's ability to generate taxable income during the periods in which those temporary differences are expected to be recovered. Management has considered these factors in reaching its conclusion to provide a full valuation allowance on deferred tax assets in as much as management assessed that the carry forward benefit is not realizable in the near future.

*(j) Provisions and contingencies*

The management exercises its judgment to distinguish between provisions and contingencies. Policies on provisions and contingencies are discussed in Note 4.

The Group is involved in litigations, claims and disputes arising in the ordinary course of business. Management believes that the ultimate liability, if any, with respect to such

litigations, claims and disputes will not materially affect the financial position and results of operations of the Group.

### **Significant accounting estimates and assumptions**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed as follows:

#### *(a) Determining net realizable value of inventories*

Management determines estimated selling price of inventories by taking into account the most reliable evidence available at the time the estimates are made. The Group's primary operations are primarily and continuously subject to price changes in the active market; thus, may cause significant adjustments to its inventories within the next financial year.

As at September 30, 2016 and December 31, 2015, the carrying amount of inventories amounted to ₱450.7 million and ₱536.6 million, respectively (see Note 9).

#### *(b) Determining net realizable value of real estate projects*

In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the time the estimates are made. These are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's real estate projects within the next financial year.

As at September 30, 2016 and December 31, 2015, the net carrying amounts of real estate projects amounted to ₱820.3 million and ₱852.7 million, respectively (see Note 10).

#### *(c) Useful lives of property, plant and equipment*

Estimates are made on the useful lives of the Group's property, plant and equipment based on the periods over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technological or commercial obsolescence, or other limits on the use of such assets. In addition, estimates are based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by the changes in estimates brought about by the factors mentioned above.

As at September 30, 2016 and December 31, 2015, the carrying amounts of property, plant and equipment, net of accumulated depreciation of ₱3.82 billion and ₱3.54 billion, amounted to ₱3.272 billion and ₱2.701 billion, respectively (see Notes 12 and 13).

#### *(d) Impairment of goodwill*

Determining whether goodwill is impaired requires estimation of the value of cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows

are less than expected, a material impairment loss may arise.

The carrying amount of goodwill as at September 30, 2016 and December 31, 2015 amounted to ₱70.7 million. No impairment was recognized for the period ended September 30, 2016 and December 31, 2015.

*(e) Retirement benefit obligation*

The present value of the retirement benefit obligation depends on a number of factors that are determined on an actuarial basis using the number of assumptions. The assumptions used in determining the retirement benefit expense include the discount rate and salary increase rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligation. In determining the appropriate discount rate, the Group considers the interest rates of government bonds and have terms of maturity approximating the terms of the related retirement benefit obligation.

Other key assumptions for retirement benefit obligation are based in part on current market conditions.

The carrying amount of the Group's retirement benefit obligation as at September 30, 2016 and December 31, 2015 are ₱205.2 million and ₱208.9 million, respectively (see Note 28).

*(f) Recognition and realizability of deferred tax assets*

Deferred tax assets are recognized for all unused tax losses and future tax credits. At end of the reporting period, the Group reviews its deferred tax assets 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 assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on industry trends and projected performance in assessing the sufficiency of taxable income.

As at September 30, 2016 and December 31, 2015, the estimates of future taxable income indicate that certain temporary differences will be realized in the future, to which the Group recognized deferred tax assets amounting to ₱16.54 million, net of valuation allowance amounting to ₱55.3 million.

*(g) Impairment of nonfinancial assets other than goodwill*

Management is required to perform test of impairment when impairment indicators are present. Property, plant and equipment are periodically reviewed to determine any indications of impairment. Management is required to make estimates to determine future cash flows to be generated from the continued use and ultimate disposition of these assets in order to determine the value in use. Though it believes that the estimates and assumptions used in the determination of recoverable amounts are reasonable and appropriate, significant changes in these assumptions may materially affect the assessment of the recoverable amounts and any resulting impairment loss could have a material adverse effect in the results of operations.

As at September 30, 2016 and December 31, 2015, the net carrying amounts of property, plant and equipment amounted to ₱3.272 billion and ₱2.701 billion, respectively (see Notes 12 and 13).

**6. CASH**

This account consists of:

	<b>2016</b>	<b>2015</b>
Cash on hand	₱ 3,050,487	₱ 32,408,979
Cash in banks	347,978,936	297,581,785
	<b>₱ 351,029,423</b>	<b>₱ 329,990,764</b>

There are no legal restrictions on the Group's cash as at September 30, 2016 and December 31, 2015.

**7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVPL)**

The movement of the account is as follows:

	<b>2016</b>	<b>2015</b>
Cost		
Balance January 1	₱ 369,120,955	₱ 302,244,065
Additions	7,823,723	149,053,027
Disposals	( 31,109,059)	( 82,176,137)
	<b>345,835,619</b>	<b>369,120,955</b>
Fair value gain (loss)	44,324,683	13,084,850
Balance September 30 and December 31	<b>₱ 390,160,302</b>	<b>₱ 382,205,805</b>

This consists of equity securities from various listed companies in the Philippines. The fair values of these securities have been determined directly by reference to published prices quoted in the active market at the end of the reporting period.

The movements of the fair value gain (loss) as at September 30, 2016 and December 31, 2015 are as follows:

	<b>2016</b>	<b>2015</b>
Balance January 1	₱ 13,084,850	₱ 46,827,735
Realized fair value gain	-	-
Fair value gain (loss) during the period	31,239,833	( 33,742,885)
Balance September 30 and December 31	<b>₱ 44,324,683</b>	<b>₱ 13,084,850</b>

The Group recognizes the fair value gain (loss) on financial assets at FVPL under "Fair value gain (loss)" account, which is presented as part of "Other income (charges)" account in the consolidated statements of comprehensive income.

**8. TRADE AND OTHER RECEIVABLES (NET)**

This account consists of:

	2016	2015
Current:		
Trade	₱ 220,909,220	₱ 314,666,976
Less: Allowance for impairment loss	23,111,347	23,111,347
	<b>197,797,873</b>	291,555,629
Advances to officers and employees	29,509,611	35,579,985
Refundable deposits	13,133,409	9,303,098
Advances to contractors and suppliers	9,573,793	8,762,642
Cylinder deposits	-	1,903,304
Others	24,137,482	23,357,016
	<b>76,354,295</b>	78,906,045
Less: Allowance for impairment loss	7,478,395	7,478,395
	<b>68,875,900</b>	71,427,650
Net	<b>₱ 266,673,773</b>	₱ 362,983,279

Trade receivables of PGI and OOC are usually due within 30 to 120 days and do not bear any interest. All trade receivables are subject to credit risk exposure. However, the Group has no significant concentration of credit risk as the amounts recognized represent a large number of receivables from various customers.

Advances to officers and employees are non-interest bearing except for advances for car plan availment. These non-interest bearing advances include advances for travel, purchases of materials and for other valid purposes needed by the company's operations.

Other receivables include, among others, advances made for various land acquisition and various activities related to expansion.

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

	2016	2015
Balance January 1	₱ 30,589,742	₱ 50,827,761
Provision for the period	-	-
Write-off for the period	-	( 20,238,019)
Balance September 30 and December 31	<b>₱ 30,589,742</b>	₱ 30,589,742

Management considers the carrying amounts of trade and other receivables to be a reasonable approximation of their fair values. Further, it has determined that any changes occurred affecting the balance of allowance for impairment is insignificant.

**9. INVENTORIES**

This account consists of:

	2016	2015
Finished goods:		
LPG, cylinders, stoves and accessories	₱ 354,661,962	₱ 371,584,869
Industrial gases	11,348,830	9,956,793

Fuel	-	68,216
Pharmaceutical products	<b>4,253,310</b>	4,868,563
	<b>370,264,102</b>	386,478,441
In-transit LPG	-	60,969,238
Material and supplies	<b>79,178,769</b>	80,370,835
Raw materials	<b>1,239,357</b>	8,767,211
	<b>₱ 450,682,228</b>	₱ 536,585,725

The inventories are stated at costs, which are lower than their net realizable values.

In-transit LPG inventories are under the cost, insurance and freight shipping term (CIF). The title and risk of loss shall pass to the buyer upon delivery of the goods to the carrier.

## 10. REAL ESTATE PROJECTS

Real estate projects consist of the following:

	2016	2015
Memorial park lots:		
Cagayan de Oro Gardens	<b>₱ 69,882,620</b>	₱ 74,661,704
Zamboanga Memorial Gardens	<b>69,761,802</b>	71,740,838
Mt. Apo Gardens	<b>63,672,829</b>	63,735,003
Pryce Gardens – Pagadian	<b>49,757,835</b>	49,615,067
Pryce Gardens – Manolo Fortich	<b>33,430,903</b>	28,257,030
North Zamboanga Gardens	<b>18,201,445</b>	18,527,122
Ma. Cristina Gardens	<b>14,553,342</b>	17,195,224
Pryce Gardens – Alabel	<b>23,544,096</b>	23,557,836
Pryce Gardens – Bislig	<b>15,446,595</b>	15,734,334
Ozamis Memorial Gardens	<b>15,566,050</b>	15,715,719
Pryce Gardens – Malita	<b>13,397,599</b>	13,470,164
Pryce Gardens – Malaybalay	<b>11,316,069</b>	11,316,069
	<b>398,531,185</b>	403,526,110
Subdivision lots:		
Puerto Heights Village	<b>30,770,005</b>	30,770,005
Villa Josefina Resort Village	<b>68,538,020</b>	68,538,020
Saint Joseph Homes	<b>11,208,661</b>	11,980,499
	<b>110,516,686</b>	111,288,524
Condominium units:		
Pryce Tower	<b>₱ 98,768,412</b>	₱ 98,768,412
Land held for future development:		
Cagayan de Oro	<b>137,400,028</b>	164,022,528
Davao	<b>47,133,094</b>	47,133,094
Misamis Oriental	<b>27,979,122</b>	27,979,122
	<b>212,512,244</b>	239,134,744
	<b>₱ 820,328,527</b>	₱ 852,717,790

The real estate projects are stated at costs which are lower than their net realizable values.

**11. PREPAYMENTS AND OTHER CURRENT ASSETS**

This account consists of:

	<b>2016</b>	<b>2015</b>
Prepaid rent	<b>₱ 26,471,514</b>	₱ 27,172,997
Prepaid taxes and licenses	<b>8,702,839</b>	7,086,331
Prepaid insurance	<b>8,477,031</b>	6,711,376
Prepaid maintenance	-	3,587,389
Deferred charges	<b>5,346,623</b>	3,282,727
Inventory materials	<b>2,898,195</b>	2,260,493
Foods and materials inventory	<b>1,602,348</b>	1,580,910
Input tax	<b>467,189</b>	216,778
Excess tax credit	<b>277,013</b>	577,619
Others	<b>6,491,214</b>	7,560,264
	<b>₱ 60,733,966</b>	₱ 60,036,884

Prepaid maintenance pertains to maintenance cost incurred for the requalification procedures on LPG bulk tanks and other machinery.

Deferred charges represent project development cost in progress.

Others include, among others, terminal refilling and other plant repairs that are amortized within one (1) year.

**12. PROPERTY, PLANT AND EQUIPMENT AT REVALUED AMOUNTS (NET)**

Reconciliations of net carrying amounts at the beginning and end of 2016 and 2015, and the gross carrying amounts and the accumulated depreciation of property, plant and equipment are shown below:

**As at September 30, 2016**

	Net carrying amounts, January 1, 2016	Additions	Depreciation	Disposal	Net carrying amounts, September 30, 2016
Land and improvements	₱ 488,102,652	₱ 47,275,503	(₱ 635,006)	-	534,743,149
Buildings and structures	160,372,411	19,561,564	( 13,708,344)	-	166,225,631
Machinery and equipment	9,977,485	1,297,168	( 2,429,800)	-	8,844,853
Oxygen and acetylene cylinders	88,778,270	30,344	( 15,167,595)	-	73,641,019
Hotel and office equipment	9,922,905	635,129	( 993,115)	-	9,564,919
	<b>₱ 757,153,723</b>	<b>₱ 68,799,708</b>	<b>(₱ 32,933,860)</b>	-	<b>₱ 793,019,571</b>

	Cost	Accumulated depreciation	Net carrying amounts, September 30, 2016
Land and improvements	₱ 549,519,558	(₱ 14,776,409)	₱ 534,743,149
Buildings and structures	596,294,421	( 430,068,790)	166,225,631
Machinery and equipment	222,994,569	( 214,149,716)	8,844,853
Oxygen and acetylene cylinders	719,928,031	( 646,287,012)	73,641,019
Hotel and office equipment	74,586,631	( 65,021,712)	9,564,919
	<b>₱ 2,163,323,210</b>	<b>( 1,370,303,639)</b>	<b>₱ 793,019,571</b>

As at December 31, 2015

	Net carrying amounts, January 1, 2015	Additions	Depreciation	Disposal	Net carrying amounts, December 31, 2015
Land and improvements	₱ 350,835,216.00	₱ 138,051,313	(₱ 783,877)	-	₱ 488,102,652
Buildings and structures	174,365,404	2,825,358	( 16,818,351)	-	160,372,411
Machinery and equipment	12,818,560	253,087	( 3,094,162)	-	9,977,485
Oxygen and acetylene cylinders	112,122,769	-	( 21,041,165)	( 2,303,334)	88,778,270
Hotel and office equipment	10,861,736	385,247	( 1,324,078)	-	9,922,905
	₱ 661,003,685	₱ 141,515,005	(₱ 43,061,633)	(₱ 2,303,334)	₱ 757,153,723

	Cost	Accumulated depreciation	Net carrying amounts, December 31, 2015
Land and improvements	₱ 501,823,455	(₱ 13,720,803)	₱ 488,102,652
Buildings and structures	567,620,509	( 407,248,098)	160,372,411
Machinery and equipment	220,138,803	( 210,161,318)	9,977,485
Oxygen and acetylene cylinders	711,802,595	( 623,024,325)	88,778,270
Hotel and office equipment	73,289,463	( 63,366,558)	9,922,905
	₱ 2,074,674,825	( 1,317,521,102)	₱ 757,153,723

Depreciation charged to operations was allocated to the following for the period ended:

	September 30, 2016	December 31, 2015
Cost of sales	₱ 22,619,603	₱ 27,993,429
Operating expenses	10,314,257	15,068,204
	₱ 32,933,860	₱ 43,061,633

The fair market value of the properties was determined by an independent appraiser in prior years. The valuation, which conforms to International Valuation Standards, was determined by reference to recent market transactions between market participants at the measurement date. The revaluation reserves, net of applicable deferred income taxes, were credited to “Other comprehensive income” and are shown in “Revaluation reserves” in the stockholders equity.

While fair market value of the property, plant and equipment was not determined as at September 30, 2016 and December 31, 2015, the Group’s management believes that the fair value does not differ materially from its carrying amount.

**13. PROPERTY, PLANT AND EQUIPMENT AT COST (NET)**

Reconciliations of the net carrying amounts at the beginning and end of 2016 and 2015, and the gross carrying amounts and the accumulated depreciation of property, plant and equipment at cost are as follows:

As at September 30, 2016

	Net carrying amounts, January 1, 2016	Additions	Depreciation	Net carrying amounts, September 30, 2016
LPG plant machinery and equipment	₱ 1,029,615,384	₱ 303,149,726	(₱98,689,908)	₱ 1,234,075,202
Machinery and equipment	353,804,125	32,890,273	( 10,847,362)	375,847,036
Transportation equipment	77,717,280	19,846,876	( 17,173,218)	80,390,938



Leasehold improvement	3,833,407	8,813,674	( 902,038)	11,745,043
Furniture, fixtures and equipment	19,059,857	11,730,955	( 5,606,009)	25,184,803
Construction in progress	453,133,402	288,825,163	-	741,958,565
Building and structures	7,147,974	2,554,162	( 346,458)	9,355,678
	<b>₱ 1,944,311,429</b>	<b>₱ 667,810,829</b>	<b>(₱133,564,993)</b>	<b>₱ 2,478,557,265</b>

	Cost	Accumulated depreciation	Net carrying amounts, September 30, 2016
LPG plant machinery and equipment	₱ 3,144,422,773	(₱ 1,910,347,571)	₱ 1,234,075,202
Machinery and equipment	516,947,769	( 141,100,733)	375,847,036
Transportation equipment	359,268,208	( 278,877,270)	80,390,938
Leasehold improvement	26,362,324	( 14,617,281)	11,745,043
Furniture, fixtures and equipment	124,178,386	( 98,993,583)	25,184,803
Construction in progress	741,958,565	-	741,958,565
Building and structures	12,024,608	( 2,668,930)	9,355,678
	<b>₱ 4,925,162,633</b>	<b>(₱ 2,446,605,368)</b>	<b>₱ 2,478,557,265</b>

As at December 31, 2015

	Net carrying amount, January 1, 2015	Additions	Depreciation	Net carrying amounts, December 31, 2015
LPG plant machinery and equipment	₱ 1,157,449,310	₱ 24,780,012	(₱152,613,938)	₱ 1,029,615,384
Machinery and equipment	319,828,271	52,936,014	( 18,960,090)	353,804,125
Transportation equipment	70,760,940	33,332,206	( 27,437,866)	77,717,280
Leasehold improvement	5,036,096	-	( 1,202,689)	3,833,407
Furniture, fixtures and equipment	21,091,814	5,220,094	( 7,170,669)	19,059,857
Construction in progress	106,186,340	346,947,062	-	453,133,402
Building and structures	7,609,948	-	( 461,974)	7,147,974
	<b>₱ 1,687,881,267</b>	<b>₱ 464,277,388</b>	<b>(₱207,847,226)</b>	<b>₱ 1,944,311,429</b>

	Cost	Accumulated depreciation	Net carrying amounts, December 31, 2015
LPG plant machinery and equipment	₱ 2,774,813,238	(₱ 1,745,197,854)	₱ 1,029,615,384
Machinery and equipment	476,826,588	( 123,022,463)	353,804,125
Transportation equipment	328,036,096	( 250,318,816)	77,717,280
Leasehold improvement	16,947,296	( 13,113,889)	3,833,407
Furniture, fixtures and equipment	108,630,099	( 89,570,242)	19,059,857
Construction in progress	453,133,402	-	453,133,402
Building and structures	9,239,474	( 2,091,500)	7,147,974
	<b>₱ 4,167,626,193</b>	<b>(₱ 2,223,314,764)</b>	<b>₱ 1,944,311,429</b>

Depreciation charged to operations was allocated to the following for the period ended:

	September 30, 2016	December 31, 2015
Cost of sales	<b>₱ 94,536,471</b>	₱ 140,743,958
Operating expenses	<b>39,028,522</b>	67,103,268
	<b>₱ 133,564,993</b>	<b>₱ 207,847,226</b>

Construction in progress as at September 30, 2016 and December 31, 2015 pertains mainly to LPG plant and refilling plants. As at January 1, 2015, portion of the construction in progress amounted to ₱434.36 million has already been completed and transferred under "LPG plant, machinery and equipment" account.

**14. INVESTMENT PROPERTIES**

This account consists of:

	2016	2015
Memorial lawn lots	₱ 72,930,747	₱ 72,930,747
Land	37,027,141	37,027,141
	<b>₱ 109,957,888</b>	<b>₱ 109,957,888</b>

The land pertains to three (3) parcels of land located in Luzon, which were acquired in 2014. These parcels of land are held for lease by one of its subsidiaries.

The memorial lawn lots are located in various memorial parks owned and operated by the Parent Company in Mindanao. With the termination of the corporate rehabilitation on August 27, 2015 and PGI's intention to hold these assets for capital appreciation, the memorial lawn lots have been reclassified to investment properties.

The investment properties are not subject to any liens or encumbrances.

The Group considers the carrying amount of investment properties to be a reasonable approximation of their fair values. The approximation is assessed by management based on the recent purchase of adjacent memorial lots by the Parent Company.

**15. GOODWILL**

Goodwill mainly comprises the excess of the cost of business acquisition over the fair value of the identifiable assets and liabilities acquired by the Group.

	2016	2015
Attributable to:		
Investment in subsidiaries by Parent Company		
Pryce Gases, Inc. (PGI)	₱ 68,897,066	₱ 68,897,066
Pryce Pharmaceuticals, Inc. (PPhI)	1,771,239	1,771,239
	<b>₱ 70,668,305</b>	<b>₱ 70,668,305</b>

**Acquisition of PGI**

The recoverable amount of PGI's cash generating units (CGUs) was based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to cash flow projections of 8.0%. Cash flows beyond the five-year period are extrapolated using the steady growth rate of 1.0%. The carrying value of goodwill amounted to ₱68,897,066 as at September 30, 2016 and December 31, 2015. No impairment loss was recognized for goodwill arising from the acquisition of PGI.

The calculations of value in use for the PGI CGU are most sensitive to the following assumptions:

- Budgeted gross margin – The management determined budgeted gross margin based on past performance and its expectations for the market development.

- Growth rate – The projected growth rate is based on a conservative steady growth rate that does not exceed the compounded annual growth rate of the global LPG industry.
- Pre-tax discount rate – Discount rates reflect management’s best estimate of the risks associated with the specific CGU. This is the benchmark rate used by management to measure operating performance.

On the assessment of the value in use of PGI, management believes that no reasonably possible change in any of the aforementioned assumptions would cause the carrying value of the CGU to exceed their recoverable amount.

#### Acquisition of PPhI

On July 2, 2015, the Parent Company and its subsidiary, PGI, subscribed to 7.5 million and 1.495 million common shares of PPhI, respectively, at a subscription price of ₱1 per share for a total consideration of ₱7.5 million and ₱1.495 million, respectively. As a result of the subscription, the Parent Company owns 75% direct equity interest and 13.61% indirect equity interest (through PGI) in PPhI.

The following table summarizes the consideration transferred for the fair value of the net assets acquired assumed at the acquisition date.

Net assets	₱ 7,638,348
Share of non-controlling shareholders	( 1,909,587)
	5,728,761
Total consideration transferred	( 7,500,000)
Goodwill	₱ 1,771,239

## 16. TRADE AND OTHER PAYABLES

	2016	2015
Accounts payable:		
Trade	₱ 585,183,147	₱ 969,409,021
Nontrade	17,077,272	5,815,480
Accrued expenses:		
Salaries, wages and benefits	14,508,602	12,398,890
Interest	817,374	-
Others	6,101,635	9,141,279
Deposits for park interment services	45,210,003	63,406,359
Cylinder and autogas kit deposits	86,439,448	45,538,392
Due to government agencies	11,457,473	25,343,177
Reserve fund liability	-	8,608,970
Deferred income	-	4,019,156
	<b>₱ 766,794,954</b>	<b>₱ 1,143,680,724</b>

Other accrued expenses pertain to accrual of utilities, maintenance and security agency fees.

Cylinder and autogas kit deposits pertain to deposits made by customers for its 50 kg cylinders lent out by the Group.

Deferred income pertains to interest related to the car plans offered by the Company to certain officers and employees.

Due to government agencies include SSS, HDMF and PHIC payable and withholding taxes payable.

**17. CUSTOMERS' DEPOSITS**

This account represents advance payments on residential units and memorial lots sold to customers but have not yet meet the Group's specific revenue recognition criteria. Such deposits will be applied against receivables upon recognition of related revenues.

The customers' deposits amounted to ₱148,408,044 and ₱154,981,477 as at September 30, 2016 and December 31, 2015, respectively.

**18. INSTALLMENT CONTRACTS PAYABLE**

On June 25, 2014, the Parent Company entered into a memorandum of agreement with a universal banking corporation (the "Bank") wherein the Bank awarded to the Parent Company the privilege to purchase all of the Bank's rights, titles and interests in and to the 110 residential vacant subdivision lots located at Villa Josefina Resort Village, Dumoy, Toril, Davao City and St. Joseph Homes Subdivision, Sirawan, Toril, Davao City with a total aggregate area of 27,936 square meters more or less for a total consideration of ₱80 million payable in twenty (20) equal quarterly amortizations with fixed interest at the rate of five percent (5%) per annum.

The outstanding balance as at September 30 and December 31 follows:

	2016	2015
Current portion	₱ 3,370,294	₱ 13,233,575
Non-current portion	36,109,111	36,109,111
	<b>₱ 39,479,405</b>	<b>₱ 49,342,686</b>

**19. SHORT-TERM DEBTS**

On September 28, 2016, a ₱100 million unsecured short-term debt from a local bank by PGI, which is payable within 1 year from the date of loan release and renewable upon maturity. Interest rate is at 5% per annum, subject to a penalty in case of default in payment. As at September 30, 2016, the loan is outstanding.

**20. EQUITY**

*Capital stock*

Details of this account are as follows:

	2016	2015
Common stock – ₱1 par value		
Authorized – 2,000,000,000 common shares	<b>₱ 2,000,000,000</b>	<b>₱ 2,000,000,000</b>

Issued – 1,998,750,000 common shares	<b>₱ 1,998,750,000</b>	₱ 1,998,750,000
Subscribed – 1,250,000 common shares	<b>1,250,000</b>	1,250,000
<b>Total</b>	<b>₱ 2,000,000,000</b>	₱ 2,000,000,000

Track record of the Parent Company

The Parent Company was incorporated on September 7, 1989 with an authorized capital stock of ₱1,000,000,000 divided into 600,000,000 shares of Class A common stock with the par value of ₱1.00 per share and 400,000,000 shares of Class B common stock with the par value of ₱1.00 per share. On March 30, 1990, it obtained the SEC’s approval of the registration of its capital stock for sale to the public and on October 29, 1991, 150,000,000 of its Class ‘A’ shares were listed at the Makati Stock Exchange at the issue/offer price of ₱1.00 per share and 50,000,000 of its Class ‘B’ shares were likewise so listed at the same issue/offer price of ₱1.00 per share. On March 21, 1994, the SEC approved the declassification of the Parent Company’s capital stock made through an amendment of the Articles of Incorporation. Thus, the Parent Company’s capital stock stood at ₱1,000,000,000 divided into 1,000,000,000 common shares with the par value of ₱1.00 per share.

On July 31, 1996, the SEC approved the increase of the capital stock of the Parent Company from ₱1,000,000,000 divided into 1,000,000,000 shares with the par value of ₱ 1.00 per share to ₱2,000,000,000 divided into 2,000,000,000 shares with the par value of ₱1.00 per share.

The Parent Company’s shares are listed in the Philippine Stock Exchange (PSE). As at September 30, 2016 and December 31, 2015, the Parent Company’s stock price amounted to ₱3.70 per share and ₱2.38 per share, respectively.

As at September 30, 2016 and December 31, 2015, the Parent Company’s capital stock is fully subscribed and has 369 equity holders.

**21. RELATED PARTIES**

The Group, in the normal course of business, has transactions with related parties. The following are the specific relationship, amount of transaction, account balances, the terms and conditions and the nature of the consideration to be provided in settlement.

Relationships

<u>Related parties</u>	<u>Relationship</u>
Pryce Plans, Inc. (PPI)	Under common control
Pryce Finance and Leasing Corporation (PFLC)	Under common control
Mindanao Gardens, Inc. (MGI)	Under common control
Central Luzon Oxygen and Acetylene Corporation (CLOAC)	Under common control
Hinundayan Holdings Corporation (HHC)	Under common control
Josefina Multi-Ventures Corporation (JMVC)	Under common control
Pryce Development Corporation (PDC)	Under common control
Chairman and officer (KMP)	Key management personnel

Transactions

- a) The Group has unsecured non-interest bearing advances to its other related parties with no definite repayment terms and no guarantee. There are no provisions for impairment loss recognized as expense at the end of the reporting period.

The outstanding balances arising from these transactions, which are to be settled in cash, are as follows:

Related party	Amount of transactions		Outstanding balances	
	2016	2015	2016	2015
PPI	(P 58,863)	P -	P 1,280,600	P 1,339,463
PDC	( 300,000)	300,000	-	300,000
Net	(P 358,863)	P 300,000	P 1,280,600	P 1,639,463

- b) The outstanding balances arising from the transactions for advances from related parties, which are to be settled in cash, are as follows:

Related party	Amount of transactions		Outstanding balances	
	2016	2015	2016	2015
MGI	P -	P 30,300,583	P 136,127,550	P 136,127,550
JMVC	(45,626,463)	105,731,438	75,679,638	121,306,101
KMP	-	-	49,293,300	49,293,300
HHC	(10,364,369)	34,386,126	24,033,248	34,397,617
CLOAC	-	-	3,675,253	3,675,253
PFLC	(400,000)	400,000	-	400,000
	(P56,390,832)	P 170,818,147	P 288,808,989	P 345,199,821

#### Josefina Multi-Ventures Corporation (JMVC)

The Parent Company's trade creditors entered into various deeds of assignment with JMVC wherein the trade creditors sold, conveyed, transferred and assigned to JMVC all of their rights and interests (including rights as mortgagees and benefits under the rehabilitation plan) to the loan obligation of the Parent Company for and in consideration of the equivalent amount of the outstanding obligation.

#### Hinundayan Holdings Corporation (HHC)

The Parent Company's LTCP holders (creditors) entered into a deed of assignment with HHC wherein the former sold, conveyed, transferred and assigned to HHC all of their rights and interests (including rights as mortgagees and benefits under the rehabilitation plan) the LTCPs issued by the Parent Company for and in consideration of the equivalent amount of the outstanding obligation.

## 22. REVENUES

The details of this account are as follows:

- a) Liquefied petroleum gases, industrial gases and fuels

	2016	2015
LPG, cylinders, stoves and accessories:		
Content	₱ 3,930,302,512	₱ 3,498,950,483
Autogas	213,379,793	187,804,785
Cylinders	111,772,866	50,144,549
Stoves and accessories	4,750,679	2,084,745
<b>Sub-total</b>	<b>4,260,205,850</b>	3,738,984,562
Industrial gases:		
Oxygen	205,132,913	183,316,295
Acetylene	55,841,395	58,020,413
Other gases	20,257,549	21,237,136
<b>Sub-total</b>	<b>281,231,857</b>	262,573,844
Fuels:		
Diesel	-	1,887,695
Gasoline	-	-
Lubricants	-	-
<b>Sub-total</b>	<b>-</b>	1,887,695
	<b>₱ 4,541,437,707</b>	<b>₱ 4,003,446,101</b>

b) Real estate

Revenue from real estate amounted to ₱143,900,402 and ₱70,859,354 for the first nine months of 2016 and 2015, respectively.

Accumulated collections on contracts not yet recognized as revenue and recorded under the “Customers’ deposits” account amounted to ₱148,408,044 and ₱154,981,477 as at September 30, 2016 and December 31, 2015, respectively (see Note 17).

**23. COST OF SALES**

a) Cost of sales on LPG, industrial gases and fuels consists of:

	2016	2015
LPG, cylinders, stoves and accessories:		
Content	₱ 2,993,462,553	₱ 2,696,326,571
Autogas	125,426,569	153,489,817
Cylinders	111,583,063	48,137,539
Stoves and accessories	3,142,941	1,472,516
<b>Sub-total</b>	<b>3,233,615,126</b>	2,899,426,443
Industrial gases:		
Oxygen	98,725,990	83,926,486
Acetylene	28,642,556	29,423,920
Other gases	9,222,920	7,133,105
<b>Sub-total</b>	<b>136,591,466</b>	120,483,511
Fuels:		
Diesel	-	1,571,272
Gasoline	-	-
Lubricants	-	-
<b>Sub-total</b>	<b>-</b>	1,571,272
	<b>₱ 3,370,206,592</b>	<b>₱ 3,021,481,226</b>

- b) Cost of sales on hotel operations amounted to ₱24,678,527 and ₱21,373,874 for the first nine months of 2016 and 2015, respectively.
- c) Cost of sales on pharmaceutical products

	2016	2015
Beginning inventory – note 9	₱ 4,868,563	₱ 5,361,255
Add: Purchases	17,104,145	18,712,604
Total goods available for sale	21,972,708	24,073,859
Less: Ending inventory – note 9	4,253,310	5,348,951
	<b>₱ 17,719,398</b>	<b>₱ 18,724,908</b>

- d) Cost of real estate amounted to ₱38,295,258 and ₱22,858,621 for the first nine months of 2016 and 2015, respectively. The cost of real estate recognized in the consolidated statements of comprehensive income on disposal is determined with reference to the specific costs incurred on the property sold.

## 24. OPERATING EXPENSES

This account consists of:

	2016	2015
Selling expenses:		
Salaries, wages and benefits	₱ 58,509,124	₱ 56,023,168
Freight and handling	16,697,193	15,612,144
Repairs and maintenance	26,202,695	8,102,059
Outside services	24,343,212	17,430,167
Depreciation – notes 12 and 13	14,802,834	13,084,383
Fuel and oil	5,948,263	5,662,263
Rent and utilities	12,575,927	9,889,888
Materials and supplies	5,250,687	3,853,341
Travel and transportation	6,861,110	5,413,700
Commissions	18,889,329	15,192,873
Taxes and licenses	3,394,518	5,835,474
Representation and entertainment	1,356,969	884,839
Advertisements	1,319,667	904,222
Insurance	1,177,260	1,146,800
Training and seminars	829,780	961,940
Dues and subscriptions	246,506	224,487
Professional fees	555,935	1,011,801
Others	2,588,741	1,987,177
	<b>201,549,750</b>	<b>163,220,726</b>

General and administrative expenses:

Salaries, wages and benefits	₱ 93,959,008	₱ 90,155,934
Depreciation – notes 12 and 13	34,539,945	30,530,226
Repairs and maintenance	33,663,972	23,815,243
Travel and transportation	12,449,917	11,982,965
Taxes and licenses	19,516,434	14,344,961



Fuel and oil	<b>11,010,210</b>	10,854,601
Outside services	<b>10,440,802</b>	9,285,860
Rent and utilities	<b>12,544,668</b>	12,766,516
Materials and supplies	<b>10,245,654</b>	8,402,440
Freight and handling	<b>28,222,186</b>	16,439,300
Advertisements	<b>11,582,072</b>	1,716,977
Representation and entertainment	<b>2,425,043</b>	1,501,216
Insurance	<b>6,611,200</b>	4,893,077
Dues and subscriptions	<b>4,027,671</b>	3,391,176
Professional fees	<b>5,305,052</b>	2,753,762
Donation	<b>3,208,253</b>	956,591
Meetings and conferences	<b>3,504,691</b>	2,554,238
Training and seminars	<b>930,478</b>	822,635
Others	<b>20,603,387</b>	25,577,085
	<b>324,790,643</b>	272,744,803
	<b>₱ 526,340,393</b>	₱ 435,965,529

## 25. FINANCE COSTS

This account consists of:

	2016	2015
Importations	₱ 24,730,095	₱ 21,425,504
Installment contracts payable	1,728,081	-
Restructured debts	-	3,200,464
Short-term debts	1,831,884	1,892,594
	<b>₱ 28,290,060</b>	<b>₱ 26,518,562</b>

## 26. OTHER INCOME (NET)

This account consists of:

	2016	2015
Other income (loss):		
Gain on settlement of debts	₱ 45,626,463	₱ 45,225,953
Gain on sale of financial assets at FVPL	14,608,430	3,126,484
Dividends	3,954,727	4,015,013
Sale of scrap and junked materials	3,833,334	18,499,559
Interest income from banks	186,341	81,153
Unrealized gain (loss) on financial assets at FVPL	31,239,833	(98,897,794)
Others	(207,780)	4,735,794
	<b>₱ 99,241,348</b>	<b>(₱23,213,838)</b>

**27. OTHER COMPREHENSIVE INCOME**

	2016	2015
<i>Remeasurement gains on retirement benefit obligation</i>		
At beginning of period	₱ 18,643,586	₱ 18,643,586
Remeasurement gain during the period	-	-
Effect of deferred income tax	-	-
At end of period	<b>18,643,586</b>	18,643,586
<i>Revaluation reserve</i>		
At beginning of period	<b>89,321,234</b>	93,311,592
Transfer of revaluation reserve deducted from operations through additional depreciation charges – note 12	-	( 5,700,511)
Deferred income tax effect on revaluation reserve charged to operations through additional depreciation	-	1,710,153
At end of period	<b>89,321,234</b>	89,321,234
Total other comprehensive income	<b>₱ 107,964,820</b>	₱ 107,964,820

**28. RETIREMENT BENEFIT OBLIGATION**

The Group maintains a retirement benefit plan covering all employees on regular employment status. The retirement plan of the Group is unfunded. The plans are noncontributory defined benefit plans that provide retirement benefits equal to the following: (a) 150% of monthly final salary for every year of service rendered for the first 20 years; (b) 175% of monthly final salary for every year of service rendered in excess of 20 years but not more than 25 years; and (c) 200% of monthly final salary for every year of service rendered in excess of 25 years. The plans use the projected unit credit method of actuarial valuation in its retirement benefit cost computation.

The plan uses the projected unit credit method of actuarial valuation in its retirement benefit cost computation.

The amounts of retirement benefit obligation recognized in the statements of financial position are the present value of the retirement benefit obligation as the retirement program is unfunded. As at September 30, 2016 and December 31, 2015, the present value of the retirement benefit obligation amounted to ₱205,206,390 and ₱208,940,564, respectively.

The Group has not yet established a formal retirement plan asset for its employees. The Group maintains unfunded defined benefit obligation as at September 30, 2016 and December 31, 2015.

**29. EARNINGS PER SHARE**

Earnings per share are computed based on the weighted average number of common shares outstanding during the year. The number of shares used to compute basic earnings per share was 2,000,000,000 for the first nine months of 2016 and 2015, respectively.

	2016	2015
Net income	₱ 712,485,358	₱ 453,170,573
Weighted average number of common shares	<b>2,000,000,000</b>	2,000,000,000
	<b>₱ 0.356</b>	₱ 0.227

**30. FAIR VALUE GAIN ON TRANSFERRED REAL ESTATE PROPERTIES THRU DACION EN PAGO COVERED BY THE REHABILITATION PLAN**

In 2004, the Parent Company transferred real estate properties to PGI, its subsidiary, in exchange for PGI's shares of stock as capital/ equity contribution. The application for the increase in capital stock to ₱2.1 billion by PGI was approved by the SEC on June 30, 2004. Furthermore, the BIR issued a certification on November 5, 2004 and December 29, 2004 certifying the transferred real estate properties in exchange for shares of stock is a tax free exchange.

PGI recognized the transferred real estate properties from Parent Company based on the par value of its capital stock issued to the Parent Company, which is equivalent to the fair values of the real estate properties transferred based on Court Order issued by the Regional Trial Court.

The Parent Company recognized the real estate properties transferred to PGI as equity contribution at cost (carrying amount) instead of fair value of the asset given up as required under PFRS 3, Business Combination. This was a case of an extremely rare circumstance in which management concludes that compliance with a requirement in PFRS would be so misleading that it would conflict with the objectives of financial statements set out in the Framework. Because of this circumstance, the management of the Parent Company reduced the perceived misleading aspects of compliance by complying with the following disclosures.

The Parent Company's management decided to use the carrying value (cost of the real estate properties transferred to PGI) mainly due to the following reasons:

- i) Both the Parent Company and subsidiary are under rehabilitation and the basis for the measurement of the real estate properties transferred was based on Court Order by the Regional Trial Court handling the rehabilitation and not on the basis of the parties involved;
- ii) At the time of transfer, PGI's net asset carrying amounts was below the par value per share of its shares of stock due to its continued losses which resulted to a deficit amounting to ₱989,836,714 as at December 31, 2004. The fair value recognition on the transfer of Parent Company's real estate properties to PGI in exchange of PGI's shares of stock in the Parent Company's books and records would result to:
  - Recognition of a substantial amount of unrealized fair value gain on real estate properties; and
  - Overvalued carrying amount of its investment in subsidiary (PGI) because of the continued losses incurred by PGI that reduces the net carrying amounts of PGI's net assets.

**PGI real estate properties transferred to creditors by way of dacion en pago covered by the rehabilitation plan**

In 2005 and 2004, PGI transferred significant portion of the above real estate properties to its creditors by way of dacion en pago based on fair values as determined in the Court Order issued by the Regional Trial Court on the rehabilitation plan of PGI. The difference between the fair value and cost (as reported in the books and records by the parent company) of these transferred properties amounted to ₱129 million in 2005 and ₱902 million in 2004 or an aggregate amount of ₱1.03 billion. Subsequent to 2005, there was no real estate properties of PGI transferred to creditors by way of dacion en pago.

The ₱1.03 billion as at September 30, 2016 and December 31, 2015 represents the net difference

between the fair value and the related cost the parent company's real estate properties transferred to PGI creditors in settlement of its debts covered by the rehabilitation plan. This amount was arrived at in the elimination process of intercompany account balances and such difference was accounted for as "Fair value gain on real estate properties" account and presented under equity section in the consolidated statement of financial position.

Effect of Parent Company's recognition of real estate properties transferred to PGI at cost

Had the Parent Company applied the fair value method of accounting on the recognition of its transferred real estate properties to PGI, the fair value gain on real estate properties should have been recognized as income and increases the consolidated retained earnings and reduces the consolidated deficit as at September 30, 2016 and December 31, 2015, respectively, by ₱1.03 billion.

**31. OPERATING LEASE AGREEMENTS**

PGI has entered in various operating lease agreements for its Visayas and Mindanao sales offices with various local companies for a period of one (1) year renewable thereafter upon mutual agreement of both parties.

**32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group is exposed to a variety of financial risks which result from both its operating and financing activities. The Group's risk management is in the Board of Directors (BOD), and focuses on actively securing the Group's short-to medium-term cash flows by minimizing the exposure to financial markets.

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

- *Credit risk*

Generally, the maximum credit risk exposure of financial assets is the carrying amount of financial assets as shown in the face of consolidated statement of financial position.

The Group's trade and other receivables are actively monitored to avoid significant concentration of credit risk. The maximum amount of exposure to credit risk as at September 30, 2016 and December 31, 2015 are as follows:

	<b>2016</b>	<b>2015</b>
Cash in banks (excluding cash on hand)	<b>₱ 347,978,936</b>	₱ 297,581,785
Trade and other receivables	<b>266,673,773</b>	362,983,279
Due from related parties	<b>1,280,600</b>	1,639,463
	<b>₱ 615,933,309</b>	₱ 662,204,527

Credit quality information

As at September 30, 2016 and December 31, 2015, the credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. 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. Trade receivables consist of a large number of customers in various industries and areas.

Based on historical information about customer default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good. The Group classifies advances to related parties as neither past due nor impaired. Advances to related parties generally have no specific credit terms. The Group does not hold any collateral as security on these receivables.

The management continues to review advances to related parties for any legally enforceable right to offset with liabilities with the expressed intention of the borrower related parties to settle on a net basis.

- *Liquidity risk*

The Group has exposure to liquidity risk because of payment of finance costs. The Group manages liquidity by identifying events that would trigger liquidity problems, providing contingency plans, identifying potential sources of funds and monitoring compliance of liquidity risk and policy.

- *Price risk*

This is a risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market.

The Group is exposed to such risk because of its equity securities classified as financial assets at fair value through profit or loss (FVPL). The Group is continuously monitoring the market prices of these securities.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

	Increase (Decrease) in Basis Points	Effect in Income After Tax
<b>2016</b>	<b>100</b>	<b>(₱27,311,221)</b>
	<b>50</b>	<b>( 13,655,611)</b>
	<b>(100)</b>	<b>27,311,221</b>
	<b>( 50)</b>	<b>13,655,611</b>
2015	100	(₱26,754,406)
	50	( 13,377,203)
	(100)	26,754,406
	( 50)	13,377,203

- *Interest rate risk*

The Group's exposure to interest rate risk relates primarily to the Parent Company and PGI's financial instruments with floating interest rate. Floating rate of financial instruments are subject to cash flow interest rate risk. Re-pricing of floating rate financial instruments is done every quarter.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Parent Company's installment contracts payable in 2016 and 2015 and PGI's short-term debts in 2016 (see Notes 18 and 19). The impact on the Group's equity is immaterial.

	Increase (Decrease) in Basis Points	Effect in Income After Tax
<b>2016</b>	<b>100</b>	<b>(₱ 9,763,558)</b>
	<b>50</b>	<b>( 4,881,779)</b>
	<b>(100)</b>	<b>9,763,558</b>
	<b>( 50)</b>	<b>4,881,779</b>
2015	100	(₱ 3,453,988)
	50	( 1,726,994)
	(100)	3,453,988
	( 50)	1,726,994

*Capital risk objective and management*

The primary objective of the Group's management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The capital that the Group manages includes all components of its equity as shown in the consolidated statement of financial position.

The Group monitors its capital gearing by measuring the ratio of interest-bearing debt to total capital and net interest-bearing debt to total capital. Interest-bearing debt includes all short term and long term debt while net interest-bearing debt includes all short term and long term debt net of cash and financial assets at FVPL.

As at September 30, 2016 and December 31, 2015, the Group's ratios of interest-bearing debt to total capital are as follow:

	<b>2016</b>	<b>2015</b>
Total interest-bearing debt (a)	<b>₱ 139,479,405</b>	<b>₱ 49,342,686</b>
Total equity	<b>3,837,406,252</b>	<b>3,171,772,701</b>
Total interest-bearing debt and equity (b)	<b>₱ 3,976,885,657</b>	<b>₱ 3,221,115,387</b>
Gearing ratio (a/b)	<b>4%</b>	<b>2%</b>

As at September 30, 2016 and December 31, 2015, the Group's ratios of net interest-bearing debt to total capital are as follows:

	2016		2015	
Total interest-bearing debt	₱	139,479,405	₱	49,342,686
Less: Cash		347,978,936		297,581,785
Financial assets at FVPL		390,160,302		382,205,805
Net interest-bearing debt (a)	(	598,659,833)	(	630,444,904)
Total equity		3,837,406,252		3,171,772,701
Net interest-bearing debt and equity (b)	₱	3,238,746,419	₱	2,541,327,797
Gearing ratio (a/b)		(18%)		(25%)

### 33. FAIR VALUE INFORMATION

#### *Assets measured at fair value*

The following table gives information about how the fair values of the Group's assets, which are measured at fair value at the end of each reporting period, are determined (in particular, the valuation technique(s) and inputs used).

	Fair value as at		Fair value hierarchy	Valuation techniques
	Sept. 30, 2016	Dec. 31, 2015		
Financial assets at FVPL	₱ 390,160,302	₱ 382,205,805	Level 1	Quoted prices in an active market

#### *Assets and liabilities not measured at fair value but fair values are disclosed*

The following gives information about how the fair values of the Group's assets and liabilities, which are not measured at fair value but the fair values are disclosed at the end of each reporting.

- Due to the short-term maturities of cash and cash equivalents, trade and other receivables, trade and other payables, current portion of installment contracts payable, and short-term debts, their carrying amounts approximate their fair values.
- The carrying amount and fair value of the categories of noncurrent financial and non-financial assets and financial liabilities presented in the consolidated statements of financial position are shown as follows:

	2016		2015		Fair value hierarchy	Input used
	Carrying Value	Fair Value	Carrying Value	Fair Value		
<b>Assets</b>						
Advances to related parties	₱ 1,280,600	₱ 1,252,810	₱ 1,639,463	₱ 1,635,976	Level 3	(b)
Investment properties	109,957,888	109,957,888	109,957,888	109,957,888	Level 2	(a)
<b>Liabilities</b>						
Installment contracts payable	36,109,111	30,451,294	36,109,111	30,681,163	Level 3	(b)
Advances from related parties	288,808,989	243,556,466	345,199,821	293,309,135	Level 3	(b)

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

- (a) The fair value is determined by applying the market comparison approach. The valuation model is based on the market price of comparable real estate properties in the area in which the Group's investment properties are located.
- (b) Advances to and from related parties and installment contracts payable

The methods and assumptions used by the Company in estimating the fair value of the financial instruments are as follows:

Significant unobservable input	Relationship of unfavorable inputs
Discounted cash flows are determined by reference to prevailing interest savings rate at 0.734% in 2016 and 0.071% in 2015.	The higher the discount rate, the lower the fair value.
Discounted cash flows are determined by reference to prevailing bank lending rate at 5.845% in 2016 and 5.580% in 2015.	The higher the discount rate, the lower the fair value.

The table below shows the sensitivity analysis of the above unobservable inputs to the valuation model to the carrying amount of the due to and from related parties as at September 30, 2016 and December 31, 2015:

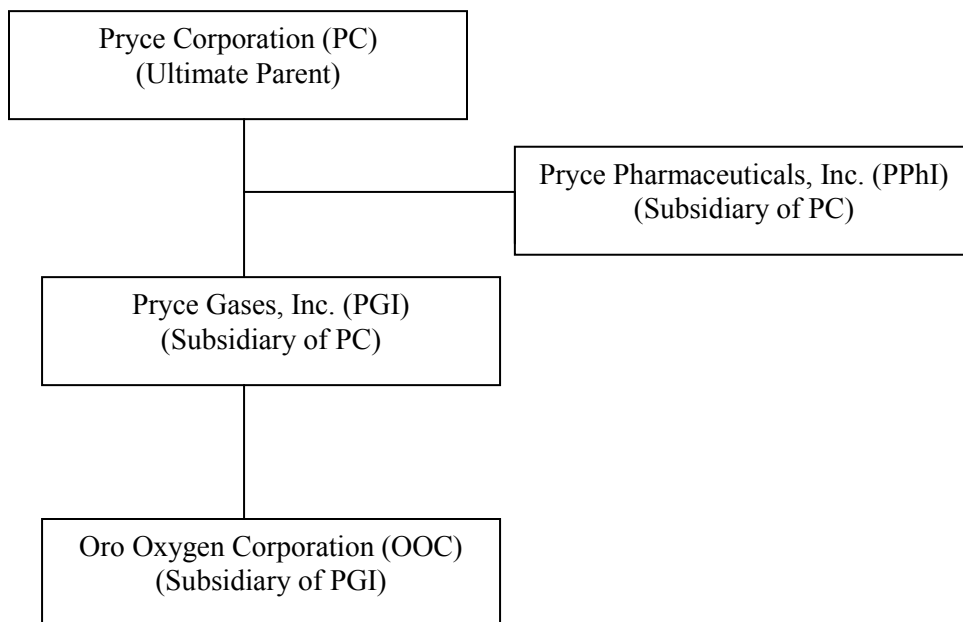
	Change in Unobservable Input to Valuation Model	Increase (Decrease) in carrying amount		
		Advances from related parties	Advances to related parties	Installment contracts payable
<b>2016</b>	<b>.05%</b>	<b>(P 344,834)</b>	<b>(P 1,864)</b>	<b>(P 43,114)</b>
	<b>-.05%</b>	<b>345,486</b>	<b>1,867</b>	<b>43,195</b>
2015	.05%	(P 416,317)	(P 2,450)	(P 43,548)
	-.05%	417,106	2,455	43,631

There has been no transfer from one fair value hierarchy level to another.

\* \* \*



**PRYCE CORPORATION AND SUBSIDIARIES**  
**ANNEX A – MAP OF CONGLOMERATE OR GROUP**  
**OF COMPANIES WITHIN WHICH THE COMPANY BELONGS**  
SEPTEMBER 30, 2016



**PRYCE CORPORATION AND SUBSIDIARIES**  
**ANNEX B**  
**STANDARDS, AMENDMENTS AND INTERPRETATIONS**  
**EFFECTIVE JANUARY 1, 2011**

The Group's consolidated financial statements used all applicable standards, interpretations and amendments in force on or after January 1, 2011. These are applied as the basis of the accounting policies in the preparation of the audited financial statements as at December 31, 2011. Below is the list of standards, interpretations and amendments effective on or after January 1, 2011:

	<b>Effective date</b>	
<b><i>New amendments interpretations to existing standards effective in 2011</i></b>		
PAS 24 (Revised), Related Party Disclosures	1/1/2011	Adopted
Amendment to PAS 32: Classification of Rights Issues	2/1/2010	Not applicable
Philippine Interpretation IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments	7/1/2010	Not applicable
Amendment to Philippine Interpretation IFRIC 14, PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1/1/2011	Not applicable
<b><i>2010 improvements to PFRS (effective for the annual periods on or after January 1, 2011)</i></b>		
PFRS 1 (Revised), First-time Adoption of Philippine Financial Reporting Standards	1/1/2011	Not applicable
PFRS 3 (Revised), Business Combinations	7/1/2010	Adopted
PFRS 7, Financial Instruments: Disclosures	1/1/2011	Adopted
PAS 1 (Revised), Presentation of Financial Statements	1/1/2011	Adopted
PAS 27 (Revised), Consolidated and Separate Financial Statements	7/1/2010	Adopted
PAS 34 Interim Financial Reporting	1/1/2011	Adopted
Philippine Interpretation IFRIC 13, Customer Loyalty Programs	1/1/2011	Not applicable

**PRYCE CORPORATION AND SUBSIDIARIES**  
**SCHEDULE A – FINANCIAL ASSETS**  
 SEPTEMBER 30, 2016

Name of issuing entity and associate of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Valued based on market quotation at end of reporting period	Income received and accrued
Alliance Global Group	100	1,590	1,590	
First Philippine Holdings	4,500	327,825	327,825	
Ginebra San Miguel	531,256	6,895,703	6,895,703	
Global Estate Resorts	20,000	20,200	20,200	
Phinma Corporation	804,380	9,330,808	9,330,808	
RCBC	1,100,602	39,511,612	39,511,612	
San Miguel Corporation	1,220,465	99,589,984	99,589,984	
SMC-Purefoods	142,841	30,996,553	30,996,553	
Swift Foods, Inc.	20,000	3,000	3,000	
Top Frontier	896,401	203,483,027	203,483,027	
	<b>4,740,545</b>	<b>390,160,302</b>	<b>390,160,302</b>	

PRYCE CORPORATION AND SUBSIDIARIES

Schedule B Receivables form Directors, Officers & Employees  
FOR THE PERIOD ENDED SEPTEMBER 30 , 2016

Name of Debtor	Designation of Debtor	Balance at start of the period	Additions	Amount Collected	Amount Written off	Current	Non current	Balance at end of period
1. Baisa, Emerson	Officer	1,050,876	136,815			136,815	1,050,876	1,187,691
2. Villegas, Franz Jonas	Officer	0	1,076,735	(325,891)		38,837	712,007	750,844
3. Palma, Efren	Officer	928,936	219,001	(407,528)		85,938	654,471	740,409
4.Dy, Carlitos	Officer	897,754	313,400	(532,831)		242,450	435,873	678,323
5. Villalobos, Randy	Officer	470,200	400,057	(194,967)		318,252	357,038	675,290
6. Abuyog, Rudy	Officer	1,238,518	25,575	(649,393)		93,500	521,200	614,700
7.Competente, Roque	Officer	599,728	189,978	(193,673)		155,347	440,686	596,033
8. Paasa, Christy Ann	Officer	620,595	346,900	(388,481)		22,354	556,660	579,014
9. Sulatre, Alexis	Officer	834,202	18,001	(278,294)		49,882	524,027	573,909
10. Lim, Jose Angelo	Officer	491,932	529,520	(505,093)		244,854	271,505	516,359
11. Encabo Erica	Officer	622,561	3,565	(134,194)		38,836	453,096	491,932
12. Villanueva, Raul	Officer	1,282,545		(809,451)		45,000	428,094	473,094
13. Sarraga, Darwin	Officer	500,689	275,267	(307,042)		339,433	129,481	468,914
14. Angcos, Agnes	Officer	0	788,681	(354,667)		50,783	383,231	434,014
15. Escano, Rafael	Officer	813,240	639,473	(1,021,224)			431,489	431,489
16. Ramis, Frecil	Officer	480,601	123,526	(221,513)		30,206	352,408	382,614
17. Aguadera, Jonax	Officer	544,315		(171,040)		373,275	0	373,275
18. Gubalani , Concepcion	Officer	470,200	133,927	(231,582)		30,206	342,339	372,545
19. Mosquera, Leo	Officer	469,374	134,753	(231,582)		30,206	342,339	372,545
20. Gomez, Roger	Officer	101,569	610,558	(339,582)		30,206	342,339	372,545
21. Gaid, Carmeli	Officer	414,222	298,943	(382,165)		23,757	307,243	331,000
22. Martin, Emiliano	Officer	438,469	215,641	(360,133)		32,189	261,788	293,977
23. Hatud Feliciano	Officer	729,668	10,605	(475,256)			265,017	265,017
24. Delima, Robin	Officer	307,412	202,471	(263,953)		20,494	225,436	245,930
25. Laot, Herminigildo	Staff	0	220,031			220,031		220,031
26. Fajardo, Ruben Jr.	Staff	0	215,000			215,000		215,000
27. Magallano, Joedim	Officer	0	229,905	(21,271)		208,634		208,634
28. Lagunay , Jose	Officer	203,097	248,502	(266,438)		185,161		185,161
29. Bertulfo, Magno	Staff	0	181,607			181,607		181,607
30. Trazo, Benjie	Staff	140,792	62,305	(25,175)		177,922		177,922
31. Pagunsan, Ernesto	Staff	0	132,312			132,312		132,312
32. Sumillano, Jeremy	Officer	15,000	145,986	(30,285)		130,701		130,701
33. Arevalo, Junnifer	Staff	0	144,344	(15,650)		128,694		128,694
34.Tangcawan, Evelyn	Staff	0	120,352			120,352		120,352
35. Defeles, Maricel	Staff	0	120,000			120,000		120,000
36. Various employees	with below 100K bal	20,913,490	3,128,230	(8,573,984)		12,515,853	2,951,883	15,467,736
<b>TOTAL</b>		<b>35,579,985</b>	<b>11,641,965</b>	<b>(17,712,339)</b>		<b>16,769,086</b>	<b>12,740,525</b>	<b>29,509,611</b>

**PRYCE CORPORATION AND SUBSIDIARIES**  
**SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES**  
**WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

Name and designation of creditor	Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
Pryce Gases, Inc.	Oro Oxygen Corporation	642,819,138	335,838,878	765,158,178	-	-	213,499,838	213,499,838
Oro Oxygen Corporation	Pryce Gases, Inc.	-	258,258,150	-	-	-	258,258,150	258,258,150
Oro Oxygen Corporation	Pryce Corporation	90,200,000	-	-	-	-	90,200,000	90,200,000
Pryce Gases, Inc.	Pryce Pharmaceuticals, Inc.	4,700,000	-	4,700,000	-	-	-	-
Pryce Corporation	Pryce Gases, Inc.	1,114,118	10,175,881	2,087,637	-	-	9,202,362	9,202,362
Pryce Pharmaceuticals, Inc.	Pryce Gases, Inc.	261,650	-	261,650	-	-	-	-
		739,094,906	604,272,909	772,207,465	-	-	571,160,350	571,160,350

**PRYCE CORPORATION AND SUBSIDIARIES**  
**SCHEDULE D – INTANGIBLE ASSETS - OTHER ASSETS**  
 SEPTEMBER 30, 2016

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending balance
Goodwill	P 70,668,305	P -	P -	P -	P -	P 70,668,305

**PRYCE CORPORATION AND SUBSIDIARIES**  
**SCHEDULE E – LONG TERM DEBT**  
 SEPTEMBER 30, 2016

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long term debt" in related statement of financial position	Amount shown under caption "Long-term debt" in the related statement of financial position
Installment contracts payable		₱3,370,294	₱36,109,111

**PRYCE CORPORATION AND SUBSIDIARIES**  
**SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS**  
**FROM RELATED COMPANIES)**  
 SEPTEMBER 30, 2016

Name of related party	Balance at beginning of period	Balance at end of period
Mindanao Gardens, Inc.	₱ 136,127,550	₱ 136,127,550
Josefina Multi-Ventures Corporation	121,306,101	75,679,638
Hinundayan Holdings Corporation	34,397,617	24,033,248
PioVelo	32,766,300	32,766,300
Salvador Escañó	16,527,000	16,527,000
Central Luzon Oxygen and Acetylene Corporation	3,675,253	3,675,253
Pryce Finance and Leasing Corporation	400,000	-
	<b>₱ 345,199,821</b>	<b>₱ 288,808,989</b>



**PRYCE CORPORATION AND SUBSIDIARIES**  
**SCHEDULE G – GUARANTEES OF SECURITIES OF OTHER ISSUERS**  
SEPTEMBER 30, 2016

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

---

**Not Applicable**

**PRYCE CORPORATION AND SUBSIDIARIES**  
**SCHEDULE H – CAPITAL STOCK**  
 SEPTEMBER 30, 2016

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares reversed for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	2,000,000,000	2,000,000,000	–	512,681,212	60,523,786	1,426,795,002

**PRYCE CORPORATION AND SUBSIDIARIES**  
**FINANCIAL SOUNDNESS**  
September 30, 2016 and December 31, 2015

	<b>2016</b>	2015
<b>Profitability ratios (after tax):</b>		
Return on assets	<b>13.19%</b>	11.31%
Return on equity	<b>21.14%</b>	20.98%
Net profit margin	<b>15.04%</b>	10.20%
<b>Solvency and liquidity ratios:</b>		
Current ratio	<b>2.200</b>	1.880
Debt to equity ratio	<b>0.430</b>	0.630
<b>Financial leverage ratio:</b>		
Asset to equity ratio	<b>1.510</b>	1.710
Debt to asset ratio	<b>0.290</b>	0.370
Interest rate coverage ratio	<b>30.34</b>	35.05

**PRYCE CORPORATION (Parent Company)**  
**Aging of Accounts Receivable**  
**As of September 30, 2016**

Type of Accounts Receivable	Total	1-30 days	31-90 days	91-180 days	Over 180 days	1-2 Years	3-5 years	5 Years - above	Past due accounts
<b>a. Trade Receivables</b>									
1. Subdivision	-	-	-	-	-	-	-	-	-
2. Low-cost housing	1,863,718	230,206	267,851	332,625	358,540	376,969	297,527		
3. Memorial Parks	48,596,131	8,340,795	7,786,089	6,899,821	6,220,984	5,601,645	5,396,883		8,349,914
4. Hotel	753,866	603,093	150,773						
5. Head Office	45,503	45,503	-						
Totals	51,259,219	9,219,597	8,204,713	7,232,446	6,579,524	5,978,614	5,694,410	-	8,349,914
Less: Allow. For Doubtful Acct.	7,415,618								7,415,618
<b>Sub Total</b>	<b>43,843,601</b>	<b>9,219,597</b>	<b>8,204,713</b>	<b>7,232,446</b>	<b>6,579,524</b>	<b>5,978,614</b>	<b>5,694,410</b>	<b>-</b>	<b>934,296</b>
<b>b. Non-trade Receivables</b>									
Advances to Officers & Employees	4,222,149	499,825	594,710						3,127,614
Advances to Suppliers & Contractors	1,249,203	409,489	329,124						510,590
Others	1,838,567	398,643	382,517					-	1,057,407
Totals	7,309,919	1,307,957	1,306,351	-	-	-	-	-	4,695,611
Less: Allow. For Doubtful Acct.	4,612,551								4,612,551
<b>Sub Total</b>	<b>2,697,368</b>	<b>1,307,957</b>	<b>1,306,351</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>83,060</b>
<b>Grand Total</b>	<b>46,540,968</b>	<b>10,527,554</b>	<b>9,511,064</b>	<b>7,232,446</b>	<b>6,579,524</b>	<b>5,978,614</b>	<b>5,694,410</b>	<b>-</b>	<b>1,017,356</b>

**Accounts Receivable Description**

Type of Receivables	Nature/Description	Collection period
1. Installment Receivables	<b>Subdivision</b> <b>Low cost housing</b> <b>Memorial parks</b> <b>Condominium Office</b> <b>Commercial lot</b> <b>Hotel</b> <b>Head Office</b>	1-7 years 1-15 years 1-3 years 1-5 years 1-3 years 1-30 days 1-3 months