COVER SHEET

1 6 8 0 6 3
S.E.C. Registration Number

P R Y C E
C O R P O R A T I O N

(Company's Full Name)

1 7 / F P R Y C E C E N T E R C H I N O
R O C E S A V E N U E M A K A T I C I T Y
(Business Address: No. Street City/ Town / Province)

Atty. Erica P. Encabo
Contact Person

(02) 899-4401
Company Telephone Number

1 2 | 3 1
Month | Day
Fiscal Year

2 0 - I S
FORM TYPE

0 6 | 2 3
Month | Day
ANNUAL MEETING

Secondary License Type, if Applicable

C F D
Dept. Requiring this Doc.

Amended Articles Number/Section

370 (as of April 30, 2016)
Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

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 ANNUAL STOCKHOLDERS' MEETING

May 18, 2016

To the Stockholders:

Notice is hereby given that the Annual Stockholders' Meeting of Pryce Corporation will be held on **Thursday, June 23, 2016,** at the **Makati 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 of Minutes of Previous Meeting/s
3. President's Report
4. Approval of Annual Report and Audited Financial Statements
5. Ratification of Acts of the Board of Directors and Management
6. Election of Board of Directors
7. Appointment of External Auditor
8. Approval of Management's Authority to Offer for Sale or to Sell any or all of the Memorial Parks of the Company to Finance LPG-related Expansion Activities
9. Other Matters
10. Adjournment

For the purpose of this meeting, stockholders of record as of **June 3, 2016** 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 June 13, 2016 at 17th Floor PRYCE CENTER 1179 Don Chino Roces Avenue corner Bagtikan Street, Makati City, for recording and validation.

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:
   17th 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: **June 23, 2016**
   Time: **4 o'clock in the afternoon**
   Place: **Makati A and B Function Room, 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:
   June 9, 2016

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA as of April 30, 2016**:**

Title of Each Class	*Number of Shares of Common Stock Outstanding*
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 June 9, 2016 and is being furnished to stockholders of record of Pryce Corporation as of June 3, 2016 in connection with the Annual Stockholders' Meeting on June 23, 2016.

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

The Annual Stockholders' Meeting of Pryce Corporation (the "Company") for the current year (2016-2017) will be held on June 23, 2016 at 4 o' clock in the afternoon at the Makati A and B Function Room, Makati Shangri-La, Ayala Avenue corner and Makati Avenue, Makati City.[1] The complete mailing address of the registrant is:

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

The information statement will first be sent to security holders approximately on June 9, 2016.

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.

There are no matters or proposed corporate actions that may give rise to a possible exercise by

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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.

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

Other than election to office, 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 April 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 June 3, 2016 are entitled to notice of and to vote at the Company's Annual Stockholders' Meeting.

With respect to the election of directors, a stockholder, in person or by proxy, may vote such number of shares for as many persons as there are directors to be elected or he may accumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by a stockholder shall not exceed the total number of shares owned by him multiplied by the whole number of directors to be elected. There are no conditions precedent to the exercise of the cumulative voting rights. The Company is not soliciting discretionary authority to cumulate votes.

Security Ownership of Certain Record and Beneficial Owners (as of April 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 April 30, 2016, except as set forth hereafter:

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner[2]	Citizenship	No. of Shares Held	Percent to Total of Class
Common	Guild Securities, Inc. 1215, Tower I Exchange Plaza, Makati City	Various[3]	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[4]	Filipino	444,540,658	22.227
		Josefina Multi-Ventures Corporation[5] 17th Floor Pryce Center, 1179 Chino Roces Avenue, Makati City Affiliate of the Issuer	Filipino	133,114,512	6.656
	Hinundayan Holdings Corporation 17th Floor Pryce Center, 1179 Chino Roces Avenue, Makati City Affiliate of the Issuer	Hinundayan Holdings Corporation is also the beneficial owner[6]	Filipino	160,708,000	8.035

2 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.

3 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.

4 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.

5 The Board of Directors of Josefina Multi-Ventures Corp. 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 Corp.

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.

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

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (see footnote 2)		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**
	Simeon S. Umandal	950	200,000	Filipino	0.010
	Enerlito G. de Mesa	50	0	Filipino	0.000
	Roland Joey R. de Lara	100	0	Filipino	0.000
	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
	Erica P. Encabo	0	57,000	Filipino	0.003

** 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:

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

Directors/Independent Directors, and Executive Officers

The following are certain information on the incumbent Directors and Independent Directors, and the Executive Officers of the Company as at April 30, 2016:

Name	Age	Citizenship	Position		
			Board	Executive Officer	Corporate Governance Committee Membership/s
Salvador P. Escaño	64	Filipino	Director – Chairman of the Board	Chief Executive Officer	*Chair,* Nomination; *Member,* Compensation and Remuneration.
Efren A. Palma	50	Filipino	Director	President	
Ramon R. Torralba, Jr.	71	Filipino	Director	---	*Chair,* Compensation and Remuneration
Xerxes Emmanuel F. Escaño	25	Filipino	Director	---	*Member,* Audit; *Member,* Nomination.
Simeon S. Umandal	74	Filipino	Director	FVP – Corporate Secretary	---
Enerlito G. de Mesa	70	Filipino	Independent Director	---	*Chair,* Audit; *Member,* Compensation and Remuneration.
Roland Joey R. de Lara	62	Filipino	Independent Director	---	*Member,* Audit; *Member,* Nomination.
Benjamin P. Escaño	63	Filipino	---	SVP – Head, Northern Mindanao Operations	---
Sonito N. Mole	58	Filipino	---	Regional Head – Southern Mindanao Operations	---
Jose Ma. C. Ordenes	57	Filipino	---	Treasurer; VP – Operations Monitoring; Alternate Corporate Information and Compliance Officer	---
Erica P. Encabo	36	Filipino	---	Corporate Information and Compliance Officer	---

Salvador P. Escaño is concurrently director and Chairman of the Boards of Pryce Gases, Inc. ("PGI"), Pryce Development Corporation, Pryce Plans, Inc., Mindanao Gardens, Inc., Josefina Multi-Ventures Corporation, Hinundayan Holdings Corp., and Pryce Pharmacueticals, Inc. (PPhI) Mr. Escaño is likewise also a Director of Oro Oxygen Corporation ("OOC") and of Crown Equities, Inc. the latter also an issuer of securities. He also served as Director of Basic Petroleum & Minerals, Inc. until 1989. He was previously General Manager of Anselmo Trinidad and Co., (HK) Ltd., a Hongkong-based stockbrokerage firm from 1978 to 1981 and a member of the Board of Governors of the Makati Stock Exchange from 1989 to 1991. Mr. Escaño holds a Master's degree in Business Administration from the University of the Philippines.

Efren A. Palma is a Certified Public Accountant. He is also concurrently a director of PGI, Hinundayan Holdings Corporation, and PPhI. He joined SGV & Co. in 1986, after which he worked for the Alcantara Group of Companies in 1989 as senior internal auditor. He was later promoted as Finance Manager for one of the construction companies of the Alcantaras in Iligan City before joining PGI in 1996. He holds a Bachelor's Degree in Commerce from Immaculate Concepcion College in Ozamis City.

Ramon R. Torralba is likewise a director of PGI, Hinundayan Holdings Corp., and PPhI. He previously served as president of Tower Securities, Inc., a stockbrokerage firm, from 1989 to 1992. Atty. Torralba is a law graduate from Ateneo de Manila University and a member of the Integrated Bar of the Philippines.

Xerxes Emmanuel F. Escaño is also a director of PGI, OOC, and Hinundayan Holdings Corp. He has also been Managing Director of PPhI since January 1, 2015. Prior to this, he was connected with Teach for the Philippines before becoming Procurement Manager for Procter & Gamble. In the latter capacity, his functions included overseeing the entire end-to-end procurement process for all marketing, sales, research and administrative orders for the company's regional headquarters in Singapore and Malaysia. He holds a Bachelor's Degree in Management from the Ateneo de Manila University.

Simeon S. Umandal has been connected with the Pryce Group since 1981. He is currently the Corporate Secretary of various companies within the Group, including Pryce Development Corporation, and is a director of Josefina Multi-Ventures Corporation. He is also the First Vice President for Corporate Services and Corporate Secretary of PGI. He holds a Bachelor's degree in Business Administration from the University of the East.

Enerlito G. de Mesa has been an independent director of the Company since 2010. He has over thirty years of experience in business and management gained both in the Philippines and in the United States. While in the United States, he was employed in managerial and managerial support positions with companies providing management services and legal solutions. He holds a Bachelor's Degree in Commerce from the Polytechnic University of the Philippines.

Roland Joey R. de Lara has been an independent director of the Company since 2013. He is the Chief Executive Officer of Klinserv, Inc. and is Managing Director in Honor Merit Philippines, Inc. In previous capacities, he became the Operations Manager of Threshold Pacific Shipping Co. and Maritime Shipping Co. He finished his Bachelor's degree in Business Administration in Xavier University in Cagayan de Oro City. He has likewise previously served as independent director of the Company for the years 2003-2006 and again in 2009-2010.

Benjamin P. Escaño holds a Master's degree in Business Management from the Asian Institute of Management and a Bachelor's degree in Agriculture from the Xavier University in Cagayan de Oro. His work experience includes 17 years with Dole Philippines, Inc. in the fields of agriculture and financial analysis.

Sonito N. Mole joined the Pryce Group thru PGI in 1987 as an area sales manager. He later moved to PC in 1990 as operations head for the company's southern Mindanao operations. He is a graduate of the University of Visayas with a Bachelor's Degree in Marine Transportation.

Jose Ma. C. Ordenes has been connected with the Company since 1993. Previous to this position as Vice President for Operations Monitoring, he was Purchasing Manager and later Assistant Vice President for Treasury. He holds a Bachelor's degree in Mechanical Engineering from the University of Santo Tomas. Before joining the Pryce Group, his work experience included teaching math and engineering subjects. Subsequently, he worked as an engineering foreman at Batangas Bay Carries, Inc. (which provides the marine transport services, and was then a subsidiary, of Pilipinas Shell Petroleum Corporation).

Erica P. Encabo joined the Pryce Group in 2006 as legal officer of PGI. She also serves as corporate secretary for other companies within and outside the Group. She holds a Bachelor's Degree in Philosophy from the Ateneo de Manila University and a Bachelor of Laws Degree from the University of the Philippines. She is a member of the Integrated Bar of the Philippines.

Nominees and Term of Office

Per the Company's By-Laws, the members of the Board of Directors shall be elected during the regular meeting of the stockholders and shall hold office for (1) year and until their successors are elected and qualified.

The following are nominated for election to the Board of Directors for the year 2016-2017:

Salvador P. Escaño
Ramon R. Torralba, Jr.
Efren A. Palma
Xerxes Emmanuel F. Escaño
Ray W. Jovanovich
Enerlito G. de Mesa (Independent Director)
Roland Joey R. de Lara (Independent Director)

All of the above nominees are incumbent directors except for Ray W. Jovanovich Information on the incumbent directors can be viewed in the immediately preceding section (on '*Directors/Independent Directors, and Executive Officers').*

Meanwhile, Mr. Ray W. Jovanovich began his investment career in 1988 in Hong Kong and spent 25 years managing portfolios on behalf of global institutions. A pioneer in Asia's emerging markets, he developed the world's first investment funds for Thailand, Indonesia, the Philippines, and India in the late 1980s. In the final decade of his career, Mr. Jovanovich served as Chief Investment Officer—Asia for Amundi. He retired at the end of 2011 in order to focus on educational initiatives and philanthropy, and now lectures on a variety of Asian topics at universities in both America and Asia. He also continues to do project work for the International Monetary Fund on China-related issues.

All, including the independent directors, were nominated by Hinundayan Holdings Corporation (HHC). HHC, beneficial owner of 8.035% of the Company, is a firm of which Mr. Salvador P. Escaño holds 64.92% of the total outstanding capital stock. HHC and the independent directors have no existing relationship,[7] apart from the directorship herein disclosed, and the Company and the independent directors have no existing relationship. The Board of Directors of HHC has the power to decide how its shares in the Company are to be voted. Pursuant to the Company's Revised Manual on Corporate Governance, these nominees passed through the Nomination Committee for pre-screening and evaluation and have been evaluated to have all of

7 The independent directors are persons who, apart from their fees and shareholdings, are independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with their exercise of independent judgment in carrying out their responsibilities as directors in the Company. The independent directors are not directors, officers or substantial stockholders of the Company, HHC or its related companies or any of its substantial shareholders (other than as independent director of any of the foregoing), nor a relative or nominee of any of the foregoing. They do not own more than two percent (2%) of the Company, HHC, or its related companies or its substantial shareholders. They have not been employed in any executive capacity or as professional adviser by the Company, HHC, or any of its related companies or by any of its substantial shareholders within the last five (5) years nor are they retained as professional adviser by the Company, any of its related companies or any of its substantial shareholders within the last five (5) years, either personally or through their firms. They had not engaged and do not engage in any transaction whether by themselves or with other persons or through a firm of which they are partners or companies of which they is director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial or insignificant.

the qualifications and none of the disqualifications of a director/independent director.

Significant Employees

The Company recognizes the contributions of all its employees as significant to achieve the purposes and objectives of the Company.

Family Relationships

Messrs. Salvador P. Escaño and Benjamin P. Escaño are brothers. Mr. Xerxes Emmanuel F. Escaño is the son of Mr. Salvador P. Escaño.

Involvement in Certain Legal Proceedings

The following are the cases pending against the directors and officers of the Company and its subsidiaries, PGI, PPhI, and OOC. The disclosure hereunder notwithstanding, it must be emphasized that these cases were filed due to alleged malfeasance by the said directors/officers in their capacity as such and in connection with the performance of their official functions.

1. *Pilipinas Shell Petroleum Corporation versus Pryce Gases, Inc., et al.*
   Department of Justice (DOJ), Manila
   I.S. No. 2005-56 for Trademark Infringement,
   Unfair Competition, Violation of BP 33,
   Theft and Estafa.

   The directors and officers of PGI were implicated in this case because of the alleged existence of conspiracy. Neither the directors nor the officers issued any directive whatsoever, much less, passive acquiescence to commit fraud or crime for that matter. There is no basis, therefore, for the allegation of conspiracy. A Resolution was issued by the DOJ dismissing the case. Shell filed a motion for reconsideration. Accordingly, the respondents filed their Comment and/or Opposition thereto, Shell filed its Reply thereafter and the respondents in turn filed their Rejoinder. PGI is still awaiting the resolution of Shell's motion for reconsideration.

2. *People of the Philippines vs. Benjamin P. Escaño/Pryce Corporation*
   Criminal Case No. 06-16036
   Regional Trial Court, Branch 6, Iligan City

   Complainant filed a complaint against the respondents for failure to give a senior citizen's discount for the burial services of decedent, a senior citizen. Respondents replied stating that, the law being specific as to what burial services are covered by the discount, interment fees cannot be construed as part of burial services. Since interment fees are not included in the coverage, the maxim *expressio unius est exclusio alterius* should apply. The prosecutor however disagreed with respondents and the Information was filed with the court. Settlement was made between the defendant and the complainant in August 2015. The court's termination / dismissal of the case was issued in September 2015.

3. *Bernabe C. Alajar, vs. Raul R. Villanueva, et al.*
NPS Docket No. XV 16-INV-15H-00628, Office of the City Prosecutor, Taguig City; and,
NPS Docket No. XV 18m –INV-15H-03386, Office of the Provincial Prosecutor, Rizal.
For: Violation of Sec. 155 in relation to Sec. 170 of RA 8263, BP 33, and RA 623.

The Complaints were filed indiscriminately against all the directors and officers of PGI and OOC because of presumed consent and acquiescence to commit the alleged offenses. There is no allegation in the Complaints however that states with particularity the identity of alleged offenders or how the alleged offenders are connected with the companies, much less the actual personal participation of the companies' boards of directors and officers in the commission of the alleged offenses. Complainant further bases his Complaints, among others, on noticeably intercalated invoices, for which counter-charges of falsification have already been filed. The cases are still at the preliminary investigation stage.

Apart from the foregoing, the Company is not aware of the occurrence during the past five (5) years of any of the following events that are material to an evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter, or control person of the Company:

(a) Any bankruptcy petition filed by or against any business in which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior;

(b) Any conviction by final judgment in a criminal proceeding or being subject to a pending criminal proceeding;

(c) Being subject to any order, judgment, or decree permanently or temporarily limiting in any way such person's involvement in any type of business, securities, commodities, or banking activities; or,

(d) Being found by any court, the Commission, or an Exchange or other trading market or self-regulatory organization to have violated a securities or commodities law or regulation.

Certain Relationships and Related Transactions

The Company is not aware of any transaction during the last two years, not in the ordinary course of business, with the Company or its subsidiary in which a director, executive officer, or stockholder owning 10% or more of total outstanding shares of the Company, and members of their immediate family had or is to have a direct or indirect material interest.

Resignation of Director

No director has resigned or declined to stand for re-election to the board of directors since the date of the last annual meeting of security holders because of a disagreement with the registrant on any matter relating to the registrant's operations, policies or practices.

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

Current Public Accountant

Since 2004, the SEC-accredited accounting firm of Diaz Murillo Dalupan & Company (DMD) has served as the Company's external auditor, having offered the most economical audit proposal package to the Company as evaluated by the Board Audit Committee. In selecting an external auditor, the Board Audit Committee considers the standing and level of proficiency of the auditor/firm in the industry and evaluates if the fees charged are commensurate with such standing, as against the proposals submitted by other comparable firms. Pursuant to SRC Rule 68, Ms. Rosemary D. de Mesa was the signing partner for 2009, Atty. Bethuel V. Tanupan has served as the signing partner for 2010 and 2011, and, for 2012, Ms. Rosemary de Mesa again served as signing partner. For the years 2013, 2014, and 2015, Mr. Jozel Francisco C. Santos, Jr. serves as signing partner. The Management recommends the reappointment of DMD as external auditor for the year 2016.

Following are the fees paid to DMD for the years 2013, 2014, and 2015:

Year	External Audit Fee [8]	Tax Fees [9]	Other Fees [10]	Aggregate Fees
2013	P 550,000.00	---	---	P 550,000.00
2014	P 560,714.00	---	---	P 560,714.00
2015	P 571,929.00	---	---	P 571,929.00

Resignation of Principal Accountant

There has been no resignation or dismissal of principal accountant nor the engagement of a new principal accountant during the Company's last two (2) fiscal years.

Disagreements with Accountants

The Company and DMD have had no disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

8 In general, services include the examination of evidence supporting the amounts and disclosures in the financial statements for the respective years ending December 31 and assessing the accounting principles and significant estimates of management and evaluating the overall financial statement presentation, with a view to the expression of the auditor's opinion on the fairness of the presentation of the financial statements in conformity with Philippine Financial Reporting Standards in all material respects. Audit fees above are VAT-exclusive.

9 No engagement.

10 No engagement.

Presence of Accountants at the Annual Stockholders' Meeting

Representatives of DMD 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.

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

No action is to be taken with respect to the authorization or issuance of any securities otherwise than for exchange for outstanding securities of the Company.

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 and Management Report

The Company's Audited Financial Statements for the fiscal year 2015, its Quarterly Report (SEC Form 17-Q) for the quarter ending March 31, 2016 and its Management Report containing Management's discussion and analysis and plan of operation, substantially as stated in its Annual Report for the year ending December 31, 2015 (SEC Form 17-A), are attached to this Information Statement and incorporated hereto by reference.

Resignation of Principal Accountant

There has been no resignation or dismissal of principal accountant nor the engagement of a new principal accountant during the Company's last two (2) fiscal years.

Disagreements with Accountants

The Company and 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 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[11] apart from the ratification of the authority granted by the Board to Messrs. Salvador P. Escaño and/or Efren A. Palma and/or Jose Ma. C. Ordenes to sell any or all of the Company's memorial parks or to transfer the same to a subsidiary (yet to be incorporated) to facilitate the sale, with the proceeds of the sale to be invested in or advanced to PGI to be used in financing LPG-related expansion activities of the latter.

It should be emphasized however that the possible disposition of the memorial parks is at its exploratory stage and the authority, for which ratification is requested, is granted to capitalize on any opportunity that might require expeditious decisions and actions.

General Character and Location of the Property/ies

The memorial park/s subject thereof will be any or all of the following:

Memorial Park	*Location*	*Character / Type*	*Total Gross Area (has.)*
CAGAYAN DE ORO GARDENS	Lumbia, Cagayan de Oro City	Class A Prime	20.76
MARIA CRISTINA GARDENS	Sta. Filomena, Iligan City	Class A Prime	27.60
ZAMBOANGA MEMORIAL GARDENS	Sinunuc, Zamboanga City	Class A Prime	49.16
NORTH ZAMBOANGA GARDENS	Polanco, Zamboanga del Norte	Class A	25.19
OZAMIZ MEMORIAL GARDENS	Dimaluna, Ozamiz City	Class A	9.32
MT. APO MEMORIAL GARDENS	Riverside, Calinan District, Davao City	Class A	19.81

11 Aside from the registrant being essentially a real estate company, with the acquisition and disposition of real properties being essentially in the ordinary course of business.

PRYCE GARDENS CDO – MANOLO FORTICH	Mambatangan, Manolo Fortich, Bukidnon	Class A	12.14
PRYCE GARDENS –MALAYBALAY	Laguitas, Malaybalay City, Bukidnon	Class A	4.94
PRYCE GARDENS – MALITA	Bolita, Malita, Davao del Sur	Boutique	6.17
PRYCE GARDENS – BISLIG	Kahayag, Bislig, Surigao del Sur	Boutique	5.76
PRYCE GARDENS –ALABEL	Spring, Alabel, Sarangani	Boutique	4.90
PRYCE GARDENS –PAGADIAN	Poloyogan, Pagadian City	Boutique	8.96

Nature, Amount, and Fairness of Consideration

Should the park/s be sold directly by the Company, consideration may be in the form of cash unless a different form of consideration will be submitted for the approval of, and actually approved by, the Board considering the purpose for the sale.

If the park/s or a number of them be spun-off to a subsidiary (under a tax-free exchange) to facilitate the sale, the consideration shall be the shares to be issued by the subsidiary formed for that purpose.

Valuation may take into account a number of factors such as the book value of the assets and inventory of the unsold memorial lots, the prospective stream of revenues or cash flows, and the value of the contract receivables, among others. If necessary, the opinion of an independent third party may be secured to fairly appraise the property.

Name and Address of Transferee and Material Relationship to the Issuer of Affiliate; and, Other Material Feature/s of the Transaction

Considering that the planned sale is exploratory in nature, there is as yet no transferee and no other material features of the transaction apart from what is stated above, that the proceeds will be used to assist PGI in financing LPG-related expansion activities.

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

The Company will submit for approval:

(1) The Annual Report of Management for the year ending December 31, 2015;
(2) The Audited Financial Statements of the Company for the year ending December 31, 2015; and,
(3) The Minutes of the 2015 Annual Stockholders' Meeting held on June 24, 2015 with the following significant items, among others, though no matter therein will be submitted for the approval of the

stockholders as action on the said matters have already been obtained in the previous annual meeting: (i) approval of the minutes of the 2014 annual stockholders' meeting; (ii) approval of the Annual Report and the Financial Statements of the Company for the year ended December 31, 2014; (iii) ratification of all acts and transactions entered into by the Board of Directors and its Officers from June 1, 2014 to May 31, 2015; (iv) election of the members of the board of directors; and, (v) re-appointment of the accounting firm of Diaz Murillo Dalupan and Company as the external auditor of the Company.

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

No action is to be taken with respect to any amendment of the Company's Articles of Incorporation or By-Laws.

Other Proposed Action

The Company seeks the ratification and approval of all acts and resolutions of the Board of Directors and the Management in the ordinary course of business from June 1, 2015 to May 31, 2016. The major resolutions and acts of the Board and Management relate to: the authority to subscribe to the unsubscribed portion of the authorized capital stock of PPhI at par value and to authorize Mr. Jose Ma. C. Ordenes to sign the subscription agreement and other related documents for the purpose; the authority to enter into transactions involving the acquisition of real estate properties for land development and/or future use and the sale of the Company's real estate properties, along with the authority granted to Messrs. Benjamin P. Escaño and Samuel H. Cinco to sign all necessary documents for the purpose; the authority granted to Messrs. Efren A. Palma and/or Jose Ma. C. Ordenes to sign the Deed of Absolute Sale of the properties from UCPB located at the Company's Villa Josefina Resort Village and St. Joseph Subdivision; the authority granted to Mr. Benjamin P. Escaño to sign the Petition for Declaratory Relief with the Regional Trial Court in Misamis Oriental / Cagayan de Oro City, to seek clarification on whether interment services are subject to the discounts granted under the Expanded Senior Citizens Act of 2010; the authority to file criminal, civil, and/or administrative complaint/s against Sunstar Taxi and its operator and/or driver for reckless imprudence resulting in damage to property with the proper courts in Pampanga / City of San Fernando; the authority granted to Mr. Feliciano B. Hatud to apply for and obtain from the South Luzon Tollways Corporation an E-Pass Electronic Toll Collection Transponder or RFID E-Pass for the Corporation's utility vehicles; the authority granted to Messrs. Efren A. Palma or Jose Ma. C. Ordenes to negotiate and obtain a healthcare plan for its employees from a reputable health care company; the authority granted to Ms. Jenita C. Bernasor and Engr. Concordio J. Cagampang to apply for and obtain an accreditation with the Department of Tourism for Pryce Plaza Hotel; the authority to file a civil, criminal, and/or administrative complaint against the members, officers, and/or employees of the City Planning Development Coordinator, the Sangguniang Panglungsod, and the Office of the City Mayor, all of Cagayan de Oro City, who may be involved in the illegal grant of the Development Permit to Forest Lake Development, Inc. in the construction of its memorial park in the city; the appointment of Ms. April Mae Belandres to represent the Company for the second conciliation conference in SEAD 10-02-00125 with the National Labor Relations X; the appointment of Messrs. Sonito N. Mole and Andy

M. Catayas as the designated representatives of the Company to sign the necessary documents with the Pag-Ibig Home Development Mutual Fund as well as other government and private lending/financing institutions in connection with the housing loan applications of buyers of the Company's socialized housing units/lots; the authority to restore the bank accounts of the Company temporarily transferred to PGI, specifically those maintained with the United Coconut Planters Bank; the approval of the Board of Directors of the postponement of the Annual Meeting of Stockholders for the year 2016; the approval of the Board of Directors of the Audited Financial Statements of the Corporation for the Fiscal Year Ending December 31, 2015, as well as the issuance thereof for whatever legal purpose/s it may serve; and the scheduling of the Annual Stockholders' Meeting on June 23, 2016 at 4:00 p.m. at the Makati AB Function Room, Makati Shangri-la, corner Ayala and Makati Avenues, Makati City;

Ratification will also be requested for the resolutions of the Board granting authority to Messrs. Salvador P. Escaño and/or Efren A. Palma and/or Jose Ma. C. Ordenes to sell any or all of the Company's memorial parks or to transfer the same to a subsidiary to facilitate the sale, with the proceeds of the sale to be invested in or advanced to PGI to assist in financing LPG-related expansion activities of the latter.

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. Certain proposed actions however may require the vote of at least two-thirds (2/3) of the Company' outstanding capital stock. The Corporate Secretary is normally designated to count the votes to be cast.

Method by which votes are to be counted.

In the election of Directors, voting shall be cumulative. Thus, a stockholder, in person or by proxy, may vote such number of shares for as many persons as there are directors to be elected or he may accumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by a stockholder shall not exceed the total number of shares owned by him multiplied by the whole number of directors to be elected. The top seven (7) nominees with the most number of votes will be elected as directors. If the number of nominees does not exceed the number of directors to be elected, all the votes shall be cast in favor of the nominees.

****

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
PRYCE CORPORATION
17th Floor PRYCE CENTER
1179 Chino Roces Avenue
corner Bagtikan Street
Makati City

-OR-

Atty. ERICA P. ENCABO
Corporate Information and Compliance Officer
PRYCE CORPORATION
17th Floor PRYCE CENTER
1179 Chino Roces Avenue
corner Bagtikan Street
Makati City

-OR-

Mr. JOSE MA. C. ORDENES
Treasurer; Alternate Corporate Information and Compliance Officer
PRYCE CORPORATION
17th 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 May 25, 2016.

PRYCE CORPORATION
By:

SIMEON S. UMANDAL
Corporate Secretary

CERTIFICATION OF INDEPENDENT DIRECTOR

I, ROLAND JOEY R. DE LARA, of legal age and with address at Unit 326 South Star Plaza, South Superhighway, Bangkal, Makati City, after having been duly sworn in accordance with law, hereby depose and state that:

1. I am nominated as an independent director of PRYCE CORPORATION.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Honor Merit Phils., Inc.	Managing Director	21 years
Klinserv, Inc.	CEO	21 years

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of PRYCE CORPORATION as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I am not a securities broker-dealer, i.e., I do not hold any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Philippine Stock Exchange, associated person or salesman, and an authorized clerk of the broker or dealer.

5. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.

6. I shall inform the corporate secretary of PRYCE CORPORATION of any changes in the abovementioned information within five (5) days from its occurrence.

Done this May 12, 2016 at Makati City.

ROLAND JOEY R. DE LARA
Nominee

REPUBLIC OF THE PHILIPPINES)
Makati City) SS.

SUBSCRIBED AND SWORN to before me on May 12, 2016 at Makati City, affiant exhibiting to me his Senior Citizen's ID No. 11500 of Gingoog City issued on June 19, 2012.

TIN 179-558-285-000

Doc. No. 008;
Page No. 02;
Book No. I;
Series of 2016.

ATTY. ERIC VINCENT H. BUGAOAN
Notary Public/Makati City/Until December 31, 2017
Appointment No. M-328
PTR No. 5326500/Makati/01-06-16
IBP No. 1018713/La Union/01-06-16
Roll of Attorney's No. 57164
MCLE Compliance No. V-0016558, 03-02-2016
17th Floor, Pryce Center
1179 Chino Roces Avenue, Makati City
Tel. # 899-4401 / 899-9407

CERTIFICATION

To Whom It May Concern:

I, Simeon S. Umandal, Corporate Secretary of Pryce Corporation, a corporation duly organized and existing under the laws of the Republic of the Philippines, with business address at 17th Floor, Pryce Center, 1179 Don Chino Roces Avenue corner Bagtikan Street, Makati City, hereby certify that –

1. Mr. **ENERLITO G. DE MESA** is nominated as an independent director of PRYCE CORPORATION.

2. He is affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
- none- (retired)		

3. He possesses all the qualifications and none of the disqualifications to serve as an Independent Director of PRYCE CORPORATION as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. He is not a securities broker-dealer, i.e., he does not hold any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Philippine Stock Exchange, associated person or salesman, and an authorized clerk of the broker or dealer.

5. I certify to the foregoing on behalf of the said Mr. de Mesa who is currently in the United States of America for medical reasons. I undertake to immediately obtain the certification of Mr. de Mesa to the foregoing and as required by pertinent regulations immediately upon his return to the Philippines.

Done this 13th day of May, 2016, at Makati City, Philippines

Simeon S. Umandal
Corporate Secretary

Republic of the Philippines)
City of Makati) SS.

SUBSCRIBED AND SWORN to before me on May 13, 2016, affiant exhibiting to me his Driver's License with number N03-88-070094 to expire in 2018.

NOTARY PUBLIC

Doc. No. 009;
Page No. 02;
Book No. I;
Series of 2016.

ATTY. ERIC VINCENT H. BUGAOAN
Notary Public/Makati City/Until December 31, 2017
Appointment No. M-328
PTR No. 5326500/Makati/01-06-16
IBP No. 1018713/La Union/01-06-16
Roll of Attorney's No. 57164
MCLE Compliance No. V-0016558, 11
03-02-2016
17th Floor, Pryce Center
1179 Chino Roces Avenue, Makati City
Tel. # 899-4401 / 899-9407

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING OF PRYCE CORPORATION
HELD AT ISABELA BALLROOM A, MAKATI SHANGRI-LA, CORNER AYALA AND MAKATI
AVENUES, MAKATI CITY ON WEDNESDAY, JUNE 24, 2015 AT 4:00 P. M.

The Chairman and Chief Executive Officer, Mr. Salvador P. Escaño, presided and called the meeting to order at 4:10 p.m. The undersigned as Corporate Secretary certified that notices of the meeting were sent to stockholders of record as of June 4, 2015, at their given addresses on June 5, 2015, and published in a newspaper of general circulation, The Philippine Star on June 5, 2015. It was also certified that a quorum was present because 1,884,196,159 shares out of the issued and outstanding shares of 2,000,000,000 or 94.21% entitled to vote were present in person and by proxy.

The next item on the agenda was the reading and approval of the minutes of the previous annual stockholders meeting held on July 3, 2014. Inasmuch as the stockholders present were given their copies of the said minutes before the meeting, on motion duly made and seconded, it was unanimously

> "RESOLVED, that the reading of the minutes of the annual meeting held on July 3, 2014, be, dispensed with and the same be, as it is hereby, approved".

The next order of the business was the report of the President and Chief Operating Officer (COO), Mr. Nilo S. Ezequiel, or simply the Management Report. Likewise, copies of the Management Report to the stockholders were furnished them before the meeting as well as the Audited Financial Statement as of December 31, 2014. The COO explained parts of said report particularly the income and expense statements and was duly approved by the stockholders; but on motion duly made and seconded, the reading of the entire report was dispensed with.

The next order of the business was the approval of the Annual Report and the Financial Statements of the Company for the year ended December 31, 2014. As the Chairman was about to render the report about the operations of the Corporation for the year ending December 31, 2014, a motion was made to dispense with inasmuch as it was already stated in the Information Statement and Management Report provided the stockholders before the meeting and was already reported by the President and COO and approved by the body. There being no questions asked from the stockholders present, on motion duly made and seconded, it was unanimously

> "RESOLVED, that the report of the operations of the Corporation for the fiscal year ending December 31, 2014, as well as the audited financial statements for the same period be, as they are hereby, approved".

The Chairman then stated that the next item on the agenda was the ratification of all acts and transactions entered into by the Board of Directors and its Officers. The stockholders present were informed that the copies of the management acts are available at the Head Office of the Corporation for verification during regular working hours of any working day. There being no question on the acts and transactions entered into by the Board of Directors and its Officers, on motion duly made and seconded, it was unanimously

> "RESOLVED, that the acts and transactions entered into by the Board of Directors and Officers of the Corporation on the latter's behalf, be, as it is hereby, ratified".

The next item on the agenda was the election of the Board of Directors of the Corporation to hold office for one year until their successors are duly elected and qualified. On motion duly made and seconded, the following stockholders were unanimously elected for the ensuing year.

1. SALVADOR P. ESCAÑO - Director – Chairman of the Board
2. XERXES EMMANUEL F. ESCAÑO - Director
3. RAMON R. TORRALBA - Director
4. EFREN A. PALMA - Director
5. ENERLITO G. DE MESA - Independent Director
6. ROLAND JOEY R. DE LARA - Independent Director
7. SIMEON S. UMANDAL - Director and Corporate Secretary

The next item on the agenda was the appointment of the Corporation's external auditors. Upon motion duly made and seconded, it was unanimously

> "RESOLVED, that the accounting firm of **Diaz Murillo Dalupan and Company** be, as it is hereby appointed external auditor of the Corporation for the current fiscal year".

The next item on the agenda was the other matters. The Chairman then asked the audience if there were matters they would want to clarify regarding the results of the operation for the year just ended. Questions then ensued such as: a) What is so intriguing/exciting in investing in memorial parks than in other projects; Pryce Corp. has a lot of them. The Chairman answered that in memorial park business, the return of investment is slow but sure. b) About the status of closure or termination of the Corporation's rehabilitation, the Chairman said that it will be terminated in a few months; as a matter of fact, the stock trading of its shares in the Philippine Stock Exchange has resumed already on March 16, 2015. Inasmuch as there was no follow up questions, a propose resolution to appreciate the dedicated, sincere, and competent leadership of its retiring president, Mr. Nilo S. Ezequiel was made and seconded, it was unanimously

> "RESOLVED, AS IT IS HEEBY RESOLVED, that the stockholders of Pryce Corporation express its deepest and most sincere appreciation for the ten (10) years of highly dedicated and competent leadership of Mr. Nilo S. Ezequiel as President of Pryce Corporation. He played a major role in the corporate rehabilitation of Pryce Corporation, as well as its main subsidiary, Pryce Gases, Inc. and his presence will be sorely missed."
>
> "RESOLVED, FINALLY, that a plaque of appreciation embodying this resolution be given to him on his 65th ~~60th~~ birthday in September of this year."

There being no further business to take up, the meeting was, on motion duly made and seconded, adjourned at 4:40 p.m.

SIMEON S. UMANDAL
Corporate Secretary

A T T E S T :

SALVADOR P. ESCAÑO
Chairman

FDPC – MINUTES OF AMS, 6.24.15

MANAGEMENT REPORT

BUSINESS AND GENERAL INFORMATION

BUSINESS

Background

Pryce Corporation ("PC" or the "Company"), formerly Pryce Properties Corporation, was established basically as a property holding and real estate development company, incorporated on September 7, 1989. The Company concentrates its operations in Mindanao and is currently involved in the development of memorial parks and the sale of memorial lots; it had also developed residential and commercial properties. It is also engaged in hotel operations in Cagayan de Oro City. PC owns and operates a total of twelve (12) memorial parks in Mindanao's major cities: Cagayan de Oro, Iligan City, Ozamiz City, Polanco (near Dipolog City), Zamboanga City, and Davao City, including smaller-sized memorial parks suited for Mindanao's secondary cities or major municipalities namely Manolo Fortich (at the boundaries of Cagayan de Oro City and Bukidnon), Malaybalay City in Bukidnon, Malita in Davao del Sur, Bislig in Surigao del Sur and Alabel in Saranggani, and recently in Pagadian City.

Pryce Gases, Inc. ("PGI") is the Company's subsidiary, which is principally engaged in the importation and distribution of liquefied petroleum gas (LPG) under the brand name *PryceGas*; it also produces and sells industrial gases. PC's ownership in PGI slightly lowered to 91.4% (lower from the previous 98% in 2014) as a result of the latter's increase in authorized capital stock from Php 2.5 billion to Php 3.7 billion, even as PC subscribed to an additional 93,500,000 shares in PGI in June 2015. PGI's increase in capital stock was approved by the Securities and Exchange Commission (SEC) on May 22, 2015.

PGI has a subsidiary, Oro Oxygen Corporation (OOC), now wholly-owned, which operates in Luzon and the National Capital Region (NCR). It sells/distributes PGI's LPG product (*PryceGas*); it also sells industrial gases that is sourced independently of PGI.

Another subsidiary of the Company is Pryce Pharmaceuticals, Inc. (PPhI), a wholesaler and distributor of private branded multi-vitamins and some 'over-the-counter' generic drugs. It was organized to primarily take advantage of the 'Generic Medicines Law'. PPhI is a relatively new player in the pharmaceutical business as it was organized in September 2005. PPhI, being a relatively new player in the industry and having a modest capitalization, is not expected in the near term to provide significant contribution to the Company's business. It is, however, expected to gradually grow in the long term as the generic drugs business is a substantial industry that continues to expand.

Corporate Rehabilitation

The Company filed a petition for rehabilitation with the Regional Trial Court (RTC) of Makati on July

9, 2004, following which the same court, in an order dated July 13, 2004, appointed a Receiver and ordered a stay in the settlement of all debts with the banks and trade creditors. In the years preceding the filing of said petition, the Company experienced a series of downturns in its real estate revenues due to the lingering effects of the Asian financial crisis of 1997. This resulted in declines in cash flows that led to its inability to service its maturing bank debts. The Company had been negotiating with its bank creditors, as early as three years prior to the filing of same petition, for restructuring and/or payment of its debts via *dacion en pago*. However, no agreement was finalized because of several sticking points on the selection and valuation of assets as well as the accrual of interest and penalties. Meantime, China Banking Corporation (CBC) and the Bank of the Philippine Islands (BPI) issued legal notices demanding payments. BPI, in fact, subsequently foreclosed on some of PC's assets mortgaged to the former.

In the midst of the aforesaid circumstances and stand-off with the banks and holders of the Long Term Commercial Papers (LTCP), Management decided to file a petition for rehabilitation to avert the following: a) the scenario of ballooning obligations owing to the continuous accrual of interest and penalties arising from the impasse in debt negotiations; and b) the foreclosures on PC's real estate assets and deficiency claims that the banks would file, which would result in the Company's loss of viability as a going concern. The rehabilitation plan submitted by PC sought to pay off all outstanding loan obligations and achieve a debt-free scenario for the Company to enable it to start on a clean slate. This would be achieved through *dacion en pago* of its real estate properties and would not involve any restructuring of its debts, given its tight liquidity position and low debt service capacity.

On December 1, 2004, the Receiver submitted to the RTC-Makati his comments and recommendations on the proposed rehabilitation plan of the Company, following which the rehabilitation plan of the Company was approved by the court through an order issued on January 17, 2005. Thereafter, the Receiver worked to implement the terms of the court-approved rehabilitation plan.

PC's rehabilitation proceedings was closed and terminated in late July 2015. PC's corporate rehabilitation would have been terminated much earlier though had it not been for the opposition of two creditor banks to PC's rehabilitation. These banks went all the way to the Supreme Court (SC), but PC eventually won the final rulings in that court.

These two creditor-banks, CBC and BPI, filed their respective petitions for review before the Court of Appeals (CA) in February, 2005, opposing the rehabilitation plan.

On the BPI case, the First Division of the CA issued its decision on May 3, 2006 in favor of BPI. The Company filed a motion for reconsideration on May 26, 2006 and the CA on May 23, 2007 reversed itself, ruling in favor of PC thereby affirming the ruling of the RTC-Makati. BPI filed a petition for review on certiorari with the SC, which was denied on January 30, 2008. BPI then filed a motion for reconsideration, but this was likewise denied with finality when the SC ruled on April 28, 2008 that BPI did not present a substantial argument to warrant a modification of the SC's earlier resolution.

The court litigation with respect to CBC initiated in February 2005 was a protracted one and, as mentioned, also went all the way to the SC. Finally, on March 11, 2014, the Company received a resolution from the SC *En Banc*, promulgated on February 18, 2014 (in G.R. No. 172302), in which the court *en banc* found the arguments of PC meritorious and, thus, RECONSIDERED and SET ASIDE an earlier decision of the its First Division and granted the Company's motion for reconsideration. This promulgation in effect upheld the following orders of the RTC-Makati: (i) stay order; (ii) order giving due course to the petition for rehabilitation; and, (iii) order finding the Company eligible to be placed in a state of corporate rehabilitation, approving the rehabilitation plan, identifying assets to be disposed of, and determining the manner of liquidation to pay the liabilities.

On May 19, 2015, PC filed the motion to terminate the proceedings for corporate rehabilitation. Hinundayan Holdings Corp. manifested to the RTC-Makati that: 1) it was the only remaining LTCP creditor of PC; 2) it had made certain arrangements with it on the settlement of the said LTCP obligation, given that it is an affiliate of PC; and 3) it endorsed PC's motion to terminate the rehabilitation proceedings.

On July 31, 2015, PC received an Order dated July 28, 2015 from the RTC-Makati. The Order disposed of PC's motion by declaring the rehabilitation proceedings of PC as closed and terminated.

Product Mix

Before 1997, PC's principal business was property development which accounted for the bulk of the Company's revenues and income. Subsequently, LPG and industrial gases (product lines of PGI) dominated the Company's business, as a result of which the name was changed from "Pryce Properties Corporation" to "Pryce Corporation". The name change was approved by the SEC on July 29, 1997. The Philippine Stock Exchange (PSE) then reclassified the Company's stocks from "Property" to "Manufacturing, Trading and Distribution" on September 25, 1997. Subsequently, the Company's stock was reclassified to "Chemicals", which became effective on January 2006, pursuant to PSE's circular that stocks should correspond to that industry classification from which a company is generating the majority or bulk of its revenues.

PGI, manufactures and distributes oxygen (medical and industrial) and acetylene as well as trades in other gases such as argon, carbon dioxide, and nitrogen. Its industrial/medical gas manufacturing facilities currently consist of nine plants in nine locations. In recent years it has decided to limit or stop the manufacturing of said gases in certain areas where it is not economical to operate due to the rising costs of production, plant maintenance, and increasing occurrence of brownouts; it instead procured those gases from third-party sources.

PGI's LPG business began in late 1996 by way of a supply agreement with one of the three major oil companies in the country and enabled it to market LPG using the name *PryceGas*. In the following year, it started the construction of its own sea-fed terminal facilities and in-land refilling plants in various strategic locations in the Visayas and Mindanao (VisMin) areas.

In late 2005, PGI decided to enter the LPG automotive fuel ("autogas") business as it believed in the long-term viability of this business considering that it is an environmentally cleaner alternative to the gasoline and diesel fuels. As of December 2015, it has total of 36 autogas stations: 23 are in Mindanao, 13 in Visayas.

PC's property business involves the acquisition of raw land and its conversion into various developments, most recently memorial parks; in the past it included residential subdivisions and housing, business parks, and commercial centers. These were mostly designed for the medium and upscale markets except for two low-cost housing projects. The Company has regional sales groups in Mindanao that take charge of the selling of real estate in that island.

The Company also has a first class convention hotel called Pryce Plaza, located in Cagayan de Oro

City. The hotel has an in-house marketing/selling staff, one located at the hotel and another based at the Company's head office in Makati City.

In 1996, two years after it built its first memorial park in Cagayan de Oro City, the Company decided to undertake a policy shift in regard to its property development activities; it decided to focus its efforts in the development and selling of memorial lots. Thus, in just a span of 5 years (1996 to 2001) after such decision, the Company was able to complete five (5) memorial parks in the following locations: Iligan City, Zamboanga City, Polanco in North Zamboanga (near Dipolog City), Ozamiz City and Davao City. All of these major memorial parks (discussed in more detail below) are operational, although certain areas in these parks are reserved for future development. Then, beginning in 2005, the Company commenced the development of what it calls "boutique" (or smaller-size) memorial parks. Five (5) boutique memorial parks were essentially completed in the places of: Manolo Fortich, Bukidnon; Malita, Davao Del Sur; Bislig, Surigao Del Sur; Malaybalay City, Bukidnon; and Alabel, Sarangani. In recent years, it had begun obtaining clearances and permits to establish memorial parks in Butuan City. Recently, in June 2014, phase 1 (5-hectares) of its major memorial park in Pagadian, City was completed and became operational.

As a real estate company, the Company's main activity is presently the selling of its memorial park inventories. (The Company has completed its development of non-memorial park projects and continues to sell off the remaining inventories, after which, the Company will concentrate its development activities on memorial parks. The Company still has some remaining upscale subdivision lots in Davao City and Cagayan de Oro City, as well as office condominium units, also in Davao City, that the Company is seeking to dispose.)

Another product group that belongs to the mix consists of private branded multi-vitamins and some 'over-the-counter' generic drugs that are marketed by PPhI. At the moment, the contribution to revenue of such products is small as the subsidiary was just recently acquired in July 2015 and is a relatively new player in the market.

Personnel and Manpower

The Company has a regular workforce of 208 employees in its real estate business composed of the following: 32 in administrative positions, 169 in operations and 7 are senior officers. Replacements are hired only when necessary.

PGI, on the other hand, has 561 regular personnel, of which 176 are in the technical services group, 214 are in operations, 146 are in administration and 25 are officers. An increase of 33 personnel occurred in PGI in 2015 compared to the previous figure of 528 in 2014 due to management's policy to regularize certain employees and also due to movements from its subsidiary. For PGI, the administration personnel are those who mainly provide support and 'back office' functions, which consist mainly of personnel in the administrative services department and finance and accounting services department; the operations group is composed of employees whose tasks chiefly relate to transport of products and sales/marketing functions; while the technical personnel are those involved in plant operations, gases production, LPG operations, LPG cylinder maintenance and autogas operations.

The number of regular employees expected to be hired in the year 2016 will depend on developments and growth in the company's business and on the number of employees who may resign or retire within the said period. The employees are not subject to Collective Bargaining Agreement (CBA) since the parent Company and its subsidiaries are non-unionized.

Marketing and Sales

PGI has a well-organized distribution network. It has synergies formed from shared distribution centers and long experience in selling and servicing of its products. Customer service for new and repeat customers is made better by a system wherein the sales/marketing function is separate from the service functions. Sales associates are solely responsible for generating new customers, while the sales outlets/centers service the LPG requirements of existing customers.

PGI's LPG sales centers render 24-hour service and have stay-in personnel. These sales centers sell cylinders, stoves, replenish empty tanks of dealers and conduct promotional activities for existing PGI customers. These centers also cater to phoned-in orders.

The dealers are PGI's main outlets for selling LPG and have exclusive contracts for the dealership of *PryceGas*. Dealers' stocks are replenished from PGI's sales centers or from its LPG terminal/refilling plants. Dealers normally get a minimum margin of 15-20% for every *PryceGas* cylinder. Dealers are allowed to have their own sub-dealers and sales outlets. Sales outlets have to be accredited to sell *PryceGas*. Dealers supply the majority of stocks sold in such outlets.

On the real estate business side, the company, for marketing purposes, divides Mindanao into two regions: the Northern and the Southern (inclusive of Zamboanga peninsula) operations. A region is managed by a regional head and has a marketing and selling group headed by a sales and marketing manager, under whom are the different memorial park business managers that are compensated and incentivized according to their sales performance. Each region is responsible for periodically improving its marketing plans and strategies in order to meet the agreed sales quotas. The park business managers are responsible for recruiting its sales force, which are composed of sales associates who are compensated on commission basis, and for the maintenance of the parks, through the park supervisors.

Competition

In PGI's LPG business, it competes with Petron (Gasul brand), Petronas, and Isla Gas (Solane) in the VisMin area. In Luzon however, PGI is a relatively new entrant having entered the fray about two years ago in late 2013; it competes with Petron, Liquigaz, Isla Gas, as well as with South Pacific, Inc. (SPI), the latest entrant in Luzon, whose marine storage terminal (in Calaca, Batangas) came into operation in late 2015. (This got burned down in February 2016 and currently has limited operations.) At the refilling plant level, Management estimates that PGI competes with more than a hundred independent refilling plants all over Luzon.

PGI has an aggregate LPG storage capacity of 19,886 metric tons (MT) through its sea-fed / marine terminals and inland refilling plants located in strategic areas in Luzon, Visayas, and Mindanao (please see breakdown and locations in a tabulation under the heading ***LPG Plants***). PGI's total storage capacity of 10,270 MT that covers the VisMin regions, is the biggest compared to any of its competitors in that area. In Luzon, PGI's total storage capacity of 9,616 MT is second only to Liquigaz, which has the largest aggregate capacity in the whole of Luzon (including the NCR). On product distribution capability, PGI and OOC have, as of this writing, twenty-six (26) refilling plants strategically located in various parts of Luzon and NCR. The larger capacity terminals and refilling plants at various locations across the country allow PGI to cover a wide range of the market within those regions. Moreover, the location of its network of terminals and refilling plants gives it the flexibility to transfer product to ensure continuity of supply in the event of possible stock-outs due to fortuitous events.

PGI sources its LPG from Asian suppliers, which ship the LPG to its terminals using marine carriers with capacities of 2,000 to 2,500 MT of LPG. The storage capacity of the terminals in the VisMin area that could take a single port or a maximum of two ports discharge per shipload gives PGI some cost advantage over competitors, who, because of their smaller storage capacities would need multiple port deliveries to fully unload the contents of one carrier.

The Department of Energy (DOE) reports that PGI has the following LPG market shares in the following regions as of 2015: 24.24% in Mindanao, 20.74% in Visayas, and 9.43% in Luzon; overall, PGI has 12.10% share of the country's total market or equivalent to 1,319 MT. In the industrial gas market, Management estimates that PGI has market shares of roughly 30% in Mindanao and 20% in Visayas.

With regard to PGI's industrial gas business, it competes with about thirteen other companies. It considers Linde Philippines, Inc. to be its closest major competitor. It has to contend with different environments for its products (oxygen, acetylene, argon, nitrogen, carbon dioxide, and compressed air) in terms of the extent and composition of the competition.

Prices are determined by market forces, resulting in increasing competition. Although the LPG business operates in a deregulated environment in the Philippines, the government exercises moral suasion or outright pressure on the industry from time to time to prevent upward price movements or to influence the magnitude of price increases. (A more specific discussion of price and market demand is provided in the section on ***Results of Operations and Detailed Discussion on Performance Indicators.***)

The real estate business in the Philippines is very competitive. The extent and composition of the competition varies by geographic region and price segment. Real estate activity used to be concentrated in NCR and in other big urban areas, however, it has now spilled over to various population centers and cities in Mindanao.

The Company's memorial park business competes with others that have varying qualities and character but rarely are comparable to the Company's memorial parks in terms of natural scenery or quality of development and maintenance. The significant competitors are each shown below the Company's *Pryce Gardens* memorial parks.

A. Cagayan de Oro Gardens (Cagayan de Oro City)
    - Greenhills Memorial Park
    - Divine Shephed Memorial Park
    - Golden Haven Memorial Park

B. Ma. Cristina Gardens (Iligan City)
    - St. Michael Park
    - there exist a public and a Chinese cemeteries but these are not considered significant competitors

C. Zamboanga Memorial Gardens (Zamboanga City)
- Forest Lake Memorial Park
- Ayala Public Cemetery
- Chinese Cemetery
- Lund Memorial Park
- Golden Haven Memorial Park

D. North Zamboanga Gardens (Dipolog City)
- Century Memorial Park
- Millenium Cemetery (this was foreclosed by a government bank and appears as not being effectively marketed)
- Gulayon Public Cemetery

E. Ozamiz Memorial Gardens (Ozamiz City)
- Malindang Memorial Gardens
- Ozamiz Chinese Cemetery

F. Mt. Apo Memorial Gardens (Davao City)
- Davao Memorial Park
- Buhangin Memorial Park
- Toril Memorial Park
- Forest Lake Memorial Park
- Manila Memorial Park
- Calinan Memorial Gardens

G. Pryce Gardens, CDO-Manolo Fortich (at junction of CDO and Bukidnon)
- three small public cemeteries located in Bugo, Agusan & Tablon
- the private cemeteries in the city of Cagayan de Oro City, Golden Haven and Divine Shepherd, although remote, may also be considered competitors
- Damilag Cemetery in Bukidnon

H. Pryce Gardens – Malaybalay (Bukidnon)
- Shepherd Meadows Memorial Park
- Valencia Memorial Gardens

I. Pryce Gardens – Malita (Davao del Sur)
- Backyard interment
- Inaburan Public Cemetery

J. Pryce Gardens – Bislig (Surigao del Sur)
- Bislig Public Cemetery
- Abaya Memorial Park
- Salazar Memorial Park

K. Pryce Gardens – Alabel (Sarangani)
(most 'competitors' are some distance away in General Santos City)
- Forest Lake Memorial Park (Apopong, General Santos City)
- Monte Cielo Memorial (Conel, General Santos City)
- Holy Trinity Memorial (Polomolok, South Cotabato)
- Spring Public Cemetery

L. Pryce Gardens – Pagadian
- Chrysanthemum Memorial Garden (Barangay Tiguma)
- Pagadian Memorial Park (Barangay Paglaom)
- Pielago Memorial Park (Barangay Paglaom)
- Pagadian Public Cemetery (Barangay Paglaom)

Government Approvals, Licenses and Permits

Licenses, permits and other government-required approvals have been and are being obtained by PGI for the operation of its facilities. It is registered with the Board of Investments (BOI) under the Omnibus Investments Code of 1987 (Executive Order No. 226, as amended), as operator of distribution facilities for LPG in various VisMin regions on a non-pioneer status. PGI is entitled to certain tax and non-tax incentives such as income tax holiday ranging from four to six years and duty-free importation of capital equipment and others. PGI's San Fabian terminal in Luzon is also registered with the BOI and enjoys tax incentives. The Company owns the registered brand name *PryceGas* for its cylinders, but it does not have any patent to a product or process.

As to the Company's property development business, the requisite development permits and Licenses to Sell have been secured from the local government units and the Housing and Land Use Regulatory Board (HLURB) for its various real estate projects. The Company essentially complies with the conditions and terms of the said license, such as the delivery of the lot/unit title to the buyer upon full payment of the price thereof; payment of real estate taxes/assessments on a lot or unit until the title has been transferred to, or the buyer has taken possession of the property; and display of the license and Certificate of Registration in a conspicuous place in the principal office of the owner/developer and copy thereof at its branch office(s).

Shown below are the amounts that the Company has spent for its development activities (Property development and Construction of LPG Plants) as a portion of revenue in the last three fiscal years:

	2015	2014	2013
Development Cost	604,648,941	322,323,013	374,159,710
Percentage to Revenues	10.47%	5.09%	9.58%

The significant jump in development cost, compared to the previous years in 2014 and 2013, is primarily attributable to LPG construction activities of PGI and OOC.

The consolidated revenues of the Group for 2015 can be broken down as follows: sales of LPG and industrial gases accounted for 97.45%; Real Estate sales, Hotel Operations had 2.03%; and the small balance of 0.52% came from the pharmaceutical products.

Environmental Regulations

PGI's operations are currently compliant in all material aspects with the applicable environmental regulations and standards. However, there can be no assurance that Philippine regulators will not impose additional or more stringent regulations on the gas industry in general or on PGI and its operations in particular in the future that could affect significantly PGI's costs of sales or operating expenses.

The Company's real estate operations are subject to various laws enacted for the protection of the environment. PC has complied with all applicable Philippine environmental laws and regulations. It is mandated to secure an Environmental Compliance Certificate from the Department of Environment and Natural Resources. Non-compliance with the stipulations embodied in the said certificate will cause its suspension or revocation and a fine not to exceed fifty thousand pesos (P50,000.00) for every violation. The Company believes that compliance with such laws is not expected to have a material effect upon its capital expenditures, earnings or competitive position.

Major Risk Factors and their Management

Major risk factors in PC's real estate business and their management

The Company's principal business is the development and sale of memorial park lots, a real estate business, and may involve the following risks:

1. Risk of over-optimistic estimation of an area (for a new memorial park development) in terms of the achievability of sustainable revenue and profit and the shortness of period taken to reach such sustainability for the new park. The said risk is avoided by doing a careful study of the area using criteria that measure the stability and growth of the local market's buying capacity and the degree of robustness of the area's economy. The area is assessed in terms of number of existing/competing memorial parks, mortality rate and population growth, levels of net income and wages, capacity for steady employment, which is dependent on the area's capability and potential for business, and industrial growth/expansions. The area's economy is likewise assessed as to what extent it is affected by the country's economic climate and growth.

2. Risk of decline in revenues and profitability, if not income loss, usually due to a combination of: a) competitors' pricing tactics and marketing/sales efforts that tend to reduce the Company's market share; b) local market's unanticipated feeble response to designed marketing/sales programs; c) creeping or unabated inflation causing increased operating expenses and low sales since purchase of memorial lots is regarded by many as low priority expenditure; and/or, d) ingrained cultural practices like backyard burial. This risk is addressed and mitigated by the following:

   a) The Company has firm belief and pride in the exceptional quality of its products and services relative to its competitors, and has a strong commitment to its customers in maintaining such superior quality. Such commitment and consistency of higher quality entail costs, a prime reason why the Company's products are priced above those of the competitors. Through the Company's park business managers and sales people, the prospective or target customers are educated on why the Company's products are priced higher than the competitors'. Further explained to these customers are the benefits of buying such products from a Company that is dedicated to consistent high product quality and has long and significant experience in the development and management of memorial parks. Notwithstanding a higher-priced product, the Company's prospective buyers can purchase the same by way of 'soft and easy terms,' as majority of its customers had done so, whereby they pay via installment payments with no downpayment or interest charge for as long as three years.

b) Management regularly meets at least twice a year with its regional operations officers and all its park business managers to actively discuss and evaluate, among many other things, how the market reacts to the Company's current marketing strategy and sales programs and decide decisively on what manner of response or plan of action is to be undertaken.

c) Pricing of the products and services are adjusted, when necessary or called for, to a calculated level (such as discounts given) so that it will not negatively impinge on the buyer's decision to buy. Management believes that the price of memorial lots and other services should be indexed against the inflation rate.

d) On backyard burials, the Company continues to lobby with the municipal office of the area concerned to pass a specific ordinance banning such practice since there are laws (e.g., Code on Sanitation, P.D. No. 856) that prohibit such burials because of public health hazards.

3. Risk of a reduced capacity to continually maintain the park to its committed first class standards. Other than the regular increase in price to cope with inflation, this is addressed by increasing the charge on contribution to the park maintenance fund, which forms part of the gross price of the memorial lot. Separately though, and when necessary, the memorial park association(s) imposes an assessment on the lot owners who after all are the stakeholders of the memorial park. Without this assessment(s), a situation leading to the deterioration of the park's maintenance could ensue, which absolutely cannot be allowed given the Company's avowed commitment and responsibility to maintain the memorial parks at set standards. Such commitment and assurances benefit the lot owners and users of the park by protecting their investment in the long run.

4. Risk of other developers putting up their memorial parks despite limited market.

Major risk factors and their management in PGI's LPG and industrial gas business

PGI is primarily engaged in the distribution and sale of LPG and industrial gases, mainly oxygen and acetylene. Since these are highly flammable gas products, the obvious principal risk is an operational one and relates to the hazards of handling and storage of these products. The particular risks involved are: (a) potential injury to people; (b) damage to property; (c) damage to environment; or, (d) some combination thereof. The business losses arising from a disastrous consequence of any of these hazards are significant and could amount to several times that of the actual damage / losses and can result in a longer-than-expected business interruption in any of PGI's refilling plants or terminals. Hazards can be due to any, or a combination, of the following: (1) intrinsic property of the product; (2) catastrophic ruptures/leakages; (3) unsafe refilling and receiving activities; (4) failure of safety valves; (5) un-requalified fire-protection equipment or devices; (6) potential sparks from presence of gasoline-fueled vehicles during refilling and receiving activities; or, (7) discharge of LPG to the atmosphere because of leak(s).

Mitigation of the above risks is done through consistent and systematic application of management policies, procedures, and practices concerning safety. There are continual tasks on analyzing, evaluating, and controlling the different types of risks involved. Having identified and evaluated the risks, decisions are made on how acceptable the risk might be and the need for further actions to be undertaken, either to eliminate the risks or reduce them to a tolerable level. Risk management includes such elements as identification of possible risk reduction measures (which could be preventive or mitigative) and risk acceptability. PGI's risk management and mitigation system covers at least the following areas:

- Continuous identification of hazards and consequence analysis thereof (utilizing the Structure What If Technique or 'SWIFT');
- Fire prevention and fire-protection management program;
- Regular emergency response training and drill, and continued evaluation thereof;
- Maintaining operating standards in relation to safety practices and requirements and fire-preventive measures; and,
- Training and continuing education of its personnel on safety and risk management.

Major risk factors and their management in Pryce Pharmaceutical Inc.'s business

PPhI, as stated, operates in the distribution and sale of pharmaceutical products, mainly in vitamins and food supplements. Among the major risks involved in the business and in its industry are:

1. Dependence on Toll Manufacturers
   PPhI purchases its products from different licensed medicine and pharmaceuticals traders and toll manufacturers. However, there are numerous circumstances beyond PPhI's control that lead to delays in the manufacturing and delivery of orders. This increases the risk of disruptions in the company's supply chain should the toll manufacturer encounter operational issues and backlogged orders. In order to address this, PPhI has developed a robust procurement system ensuring the continuity of supply for extended periods despite delays in manufacturing and delivery. PPhI is also exploring further diversification of its suppliers by acquiring new products from other toll manufacturers, and even importing from other countries.

2. Perishable Nature of Pharmaceutical Products
   Most of PPhI's products have shelf lives of two years, and distributors and retailers have requirements when it comes to the remaining shelf life of any orders. For the most part, any inventory with a remaining shelf life a year or less becomes unsellable without heavy promotions or discounts, thereby significantly affecting profitability. PPhI manages this by executing a First-In-First-Out (FIFO) system and balancing its procurement with its forecasts based on seasonality and historical performance in order to ensure that the competing risks oversupply and undersupply are addressed. PPhI takes full advantage of the time available for selling its products such that near expiry stocks are minimized and there are enough safety stocks to avoid outages.

3. Commoditized Industry and Low Barrier to Entry
   PPhI experiences competition from major national and multinational pharmaceutical firms as well as numerous small and medium sized drug distributors. The availability of medicine traders and toll manufacturers to smaller pharmaceutical firms allow them to compete at a similar level to PPhI and offer similar products. This creates a market with numerous players competing for market share offering homogenous products, creating a very difficult environment. PPhI has tried to differentiate itself by leveraging on the popularity of the *Pryce* brand for key markets and committing to increased marketing activities. PPhI has also separated itself from smaller brands by investing in an above-the-line marketing campaign to increase brand awareness.

The discussions on Financial Risk Management in the **Notes to the Financial Statements for 2015 (Note no. 37) and for the First Quarter of 2016 (Note no. 32)**, under the heading ***Financial Risk Management: Objectives and Policies***, is incorporated hereto by way of reference.

PROPERTIES

Completed Projects

The projects that the Company has previously reported and have long been completed, are: the Pryce Plaza, a first class convention hotel in Cagayan de Oro; Wright Park Place Condominium, a 3-building cluster of 63 first class residential condominium units in Baguio City; and Villa Josefina Subdivision, a mid-scale residential subdivision in Davao City consisting of 152 residential and 2 commercial lots. It has also completed and sold the Josefina Town Center in Davao City. The company's other list of completed projects are enumerated below.

Cagayan de Oro Gardens

This is the first memorial park project developed by the Company, located in Lumbia, with a wide frontage along the national highway. The project site is blessed with a scenic view of the Lumbia hillsides as well as part of the city and Macajalar Bay in the distance. The Cagayan de Oro River meanders at the bottom of a ravine adjacent to the property. The site has a total gross area of 20.76 hectares (has.), of which total saleable area is estimated at 135,390 square meters (sqm.), equivalent to about 55,491 lawn lots, with an average size of 2.44 sqm. per plot.

Development works commenced in June 1993 and were essentially completed in January 1995. This project began selling activities in April 1994. The general vicinity of Cagayan de Oro Gardens was relatively sparsely populated in 1995. At present, however, various residential subdivisions, ranging from very upscale to mid-level and to low-cost dwellings have sprouted in the area, making the park very accessible to its immediate target market. Even the largest mall in the city, SM City Mall, is located nearby.

Puerto Heights Village

This project was launched in August 1995 as an upscale residential subdivision in Cagayan de Oro City. It is a 14.9-ha. property in scenic Puerto overlooking Macajalar Bay. The site is considered very strategic, being located near the junction of two major national highways – one going to Bukidnon and Davao and the other one passing through Tagoloan, Misamis Oriental where a major international port terminal is in operation and the Philippine Veterans Investment Development Corporation (Phividec) Industrial Estate is located.

Pryce Tower

The Pryce Tower Building commenced construction in December 1995 and became the first high-rise condominium project in Mindanao. It is a 16-level first class building on a 1,965 sqm. lot located at the Pryce Business Park in Bajada, Davao City. The building has 89 office suites, with areas ranging from 106 to 390 sqm., and two basement levels for parking. The building was completed in February, 1999.

Socialized Housing Projects

The Company has two low-cost housing projects as its contribution to government efforts to address the housing problem in the country. The first project is Mindanao Homes in Pagatpat, Cagayan de Oro City, which has been completed. The other one is St. Joseph Village, which sits on an 11-ha. property in Sirawan, Davao City with 356 House and Lot units and 496 Lot only units.

Villa Josefina Resort Village

This mid-to-upscale residential development is located on a 36.4-ha. property in Dumoy, Davao City. It has a beachfront along the Davao Gulf and a frontage along a national highway where the main entrance is located. The initial 23 has. of the project comprising Phases I and II provide a total of 570 residential lots with an average size of 300 sqm. per lot. Phase III, which comprises the beachfront area, measures some 13.4 has. with a total of 174 saleable lots. Phase IV, with an area of 0.986 ha., consists of smaller lots totalling 44, some of them containing housing units for the mid-scale market.

Pryce Business Park, Davao

The company has a 1.8-ha. prime property in the highly commercialized area of J.P. Laurel Avenue in Bajada, Davao City, diagonally across Victoria Plaza, a large shopping mall in the city. PC developed this property into a commercial cluster called Pryce Business Park. The development consists of 15 subdivided commercial lots with areas ranging from 600 to 1,965 sqm. per lot. Construction of this business park was fully completed in 1997.

Essentially Completed Projects

Pryce Business Park- Iligan City

The Pryce Business Park – Iligan City is built on a 7.76-ha. property in the district of Tubod, Iligan City. As originally envisioned, this would serve as home to new or expanding businesses ready to take advantage of Iligan's continuing commercial growth.

In September 2014, this property (except for a small 597-sqm. portion) was sold to a major mall developer after some period of negotiation. With its strategic location, it is considered an ideal site for a mixed-use development, including a mall with department stores, cinemas, restaurants , and food galleries.

Maria Cristina Gardens

This is the second memorial park project of the Company, which is named after the most famous waterfalls in Mindanao, the Maria Cristina Falls. This memorial park somewhat takes on the character of the original landscape because it was built essentially around the natural topography of the site. It is located in Sta. Filomena, Iligan City on 27.6-ha. property with a hilly terrain offering a panoramic view of Iligan Bay on one side and the city proper on the other. Its development plan replicates the facilities and amenities of Cagayan de Oro Gardens. Considering that Iligan City has no first class memorial park, demand for private burial plots has been holding steady.

Development works for Phase 1 commenced in Februrary 1996 while development of Phases II and III began In August 1996. As of date, all these phases are all fully or essentially completed, containing an area of 21.6 has. An additional 6.0 has. area for development under Phase IV of the park is still under the planning stage. Selling activities began in October 1996. Under Phases I through III, a total of about 48,265 equivalent lawn lots are saleable under the existing configuration.

Zamboanga Memorial Gardens

This was designed in the same tradition as the Company's other memorial park projects in Cagayan de Oro and Iligan. It is Pryce's most ambitious memorial park project in terms of size, being located on a 49.16-ha. property in Sinunuc, Zamboanga City. The site also offers a panoramic view as it nestles on an elevated terrain overlooking the Zamboanga west coast, which is just a street across the site.

Development of Phase I commenced in July 1997, which was later divided into two phases, Phases I-A and I-B of 9.5 has. and 9.7 has., respectively. These initial phases of the project, identified as Phase I-A and Phase I-B, aggregate 19.24 has., with total saleable area of 103,988 sqm. and equivalent to 41,595 lawn lots. The development of the second phase began in the early part of 2003. It has a gross area of 29.92 has., the saleable portion of which is 154,590 sqm., equivalent to about 61,836 lots. Only about half of the second phase is essentially completed as of date, in terms of electrical, lighting, pathwalks, roads and landscaping works.

North Zamboanga Gardens

This is PC's fourth memorial park project. It sits on a 25.19-ha. property alongside the Dipolog River in Polanco, Zamboanga del Norte, within convenient driving distance from Dipolog City. A waterway passes through the park - a rainwater channel which empties into the Dipolog River – forming ponds and giving the project a unique alluvial character.

The first 10 has. of the project commenced development in October 1997 and was completed in 1999; subsequently, in 2000, another area of 9.36 has. was developed, while 4.19 has. at the back was reserved for future development. Presently, the total saleable area measures about 137,350 sqm., which is equivalent to 54,943 equivalent lawn lots. In 2008, the Company acquired an additional 1.6-ha. property adjacent to the park, which is reserved for future development.

Ozamiz Memorial Gardens

This fifth memorial park project of the Company became operational in late 2001. It is located on a 9.32-ha. property along the national highway connecting the cities of Ozamiz and Tangub within the barrio of Dimaluna, Ozamiz City, and against the backdrop of Mt. Malindang. This project commenced development works in December 1999 and became essentially completed in December 2002.

Total saleable area at present is roughly 60,460 sqm. equivalent to 24,171 lawn lots. Selling operations for this project began in 2000.

Mt. Apo Gardens

Mt. Apo Gardens is the Company's sixth memorial park, named after the tallest mountain in Mindanao which is highly visible from the site, is located in what was originally an 18.1-ha. property in Riverside, Calinan, Davao City. This project is essentially completed and has a currently-identified saleable area of 109,430 sqm., equivalent to 43,772 lawn lots. An area near the entrance gate alongside the main access road has been reserved for future development. Properties adjacent to the park were subsequently acquired (8,539 sqm. in August 2003 and 8,540 sqm. in December 2002), with a total area of 17,079 sqm., increasing the gross area of the project to 19.81 has.

The project secured approval from the city government to proceed with development works after a long wait of several years. Mobilization and preparatory works began in September, 2000 and were essentially completed in June 2002.

Pryce Gardens CDO-Manolo Fortich

In May 2004, construction of the Company's first so-called "boutique" memorial park began in Mambatangan at the northeast boundary of Cagayan de Oro with Manolo Fortich, Bukidnon. The project is divided into three phases and is designed to yield a total saleable area of 96,250 sqm. roughly equivalent to 39,446 lawn lots from a total land area of 12.14 has. The project's first phase is 95% complete with a small amount of remaining works to be finished in its water and electrical systems. The total saleable area under Phases I and II is 68,840 sqm., which is roughly equivalent to 28,214 lawn lots. In 2013, this project was reclassified by management from a boutique to a “Class A” park.

Pryce Gardens-Malaybalay

This is the second boutique memorial park project of the Company, construction of which began in March 2005. It is located in Brgy. Laguitas, Malaybalay City, Bukidnon, with a gross area of 4.94 has. and a total saleable area of 36,846 sqm., equivalent to 15,101 lawn lots. The project has hilly terrain and was essentially completed on March 31, 2007. The site has a commanding view of the hillsides and rolling terrain of Malaybalay and Valencia. In fact, it is located between Malaybalay and Valencia, enabling the project to tap the market in both locations. This project has likewise been upgraded to a “Class A” park.

Pryce Gardens-Malita

Pryce Gardens-Malita is another boutique memorial park in the Company’s portfolio. Construction also began in March 2005. The project is located in Bgry. Bolita, Malita, Davao del Sur and has total land area of 6.17 has., of which only 2.91 has. is fully developed. The project has a scenic view of the surrounding hillsides. Total saleable area at present is estimated to be 44,255 sqm. (Phases I and II) which translates to 18,064 equivalent lawn lots. The project has two phases, Phase I and Phase 2 and they are 100% and 85% accomplished, respectively.

Pryce Gardens-Bislig

Also classified as a boutique memorial project of the Company, this is located in Kahayag, Bislig, Surigao del Sur. Construction for this project began on June 14, 2005 and was essentially completed by end of 2006. The land has a gently rolling terrain similar to Pryce Gardens-Malaybalay with a gross area of 5.76 has. and saleable area of 37,848 sqm. equivalent to 15,415 lawn lots.

Pryce Gardens-Alabel

Another boutique memorial park of the company is located in Alabel, Sarangani, almost adjacent to the town’s public cemetery. The site is also a short travelling distance from General Santos City. Its construction began in February 2007 and was operational by the time it was formally launched in April 2008. The park has a total land area of 4.9 has. and offers a saleable area of 35,625 sqm. or 14,549 equivalent lawn lots.

Recently Completed Project

Pryce Gardens-Pagadian

In June 2014, the 5-ha. Phase 1 of the *Pryce Gardens-Pagadian* project was completed and became operational. Phase 1 has a total saleable area of 36,612 sqm., roughly equivalent to 14,650 lawn lots. Roads and path walks account for 9,800 sqm., while the chapel, parking areas, and open space consist of 2,052 sqm. The project occupies an 8.96-ha. land nestled on the hillsides of Brgy. Poloyagan overlooking Iliana Bay, the Pagadian seaport, and parts of the city across the bay. It is in the southern part of the city and can be reached thru 7 kilometers of well-paved road.

Other Properties

The following table provides information on the Company's land bank consisting of properties that are 100% owned (unless otherwise stated). The Company's land bank includes land still in the name of third parties but already sold to the Company based on documents of conveyance.

Location	Total Area (in sq.m.)
Cagayan de Oro City	
Tin-ao	138,654
Bugo	270,276
Bulua	242,000
Misamis Oriental	
Balingasag	170,745
Tagoloan*	450,000
Sta. Ana	1,261,034
Polomolok, South Cotabato	67,521
Malagos, Davao City	475,800
TOTAL	**3,076,030**

*Jointly owned with the family (heirs) of the late Raul R. Solidum

Joint Venture

The Company had been involved in joint venture arrangements covering the development of raw land adjoining the Company's properties such as the Villa Josefina Resort Village project. Under the terms of the separate agreements, the Company's partners were to contribute their respective properties as equity in the joint venture. In turn, the Company would undertake the development of all access roads, utility systems and open space facilities and the marketing and selling of the lots.

Another joint venture arrangement involved the Pryce Tower in Davao, for which other parties contributed roughly 30-35% of development cost.

LPG Plants

By strategically locating its facilities (marine terminals and refilling plants) near major population centers, PGI was able to build an extensive supply distribution infrastructure that successfully supported its efforts in making *PryceGas*, its LPG brand, a household name in the local LPG market, particularly in the VisMin region.

In selling *PryceGas*, PGI divided VisMin into eight marketing regions namely: Northern Mindanao, Southern Mindanao, Caraga, Zamboanga Peninsula, Panay Island, Negros Island, Central Visayas and Eastern Visayas. The marketing operations of Northern and Southern Mindanao together with the Caraga Region (comprised of Butuan and Surigao provinces) are supported by one 1,200 MT and another 2,200 storage capacity sea-fed terminals located in Balingasag, Misamis Oriental and Astorga, Davao del Sur, respectively. To serve the market in the Zamboanga peninsula, PGI constructed a 1,010 MT storage capacity import terminal in Zamboanga City. Aside from these import terminals, PGI also built three satellite refilling plants in Taguibo, Butuan; Polomolok, South Cotabato; and Aurora, Zamboanga del Sur in order to service the remote markets. The facilities are within convenient shipping distance to large population centers thus ensuring its customers a ready supply of *PryceGas* LPG.

Applying the same strategy for the Visayas, PGI built a 2,590 MT storage import terminal in Sogod, Cebu to serve the growing LPG markets in Cebu and Bohol. It also built a 1,000 MT storage import terminal in Albuera, Leyte and two 900 MT storage import terminals, one each in Ayungon, Negros Oriental and Ajuy, Iloilo. The company also constructed several refilling plants in Pavia, Iloilo, in Silay, Negros Occidental, in Canduman and Naga, Cebu, and in Tacloban City, Leyte.

For many years, PGI had eyed Luzon as the desirable yet challenging market to break into. After scouting for a feasible property in Northern Luzon, it finally chose one in the coastal area of San Fabian, Pangasinan. In mid-2013, it was able to build its 4,200-MT (gross) capacity marine-fed LPG import terminal therein, consisting of two (2) tanks with net content capacity of 1,900 MT each. These tanks were commissioned when it received its maiden load of imported LPG. A third tank, with gross capacity of 2,100 MT was constructed by the second semester of 2014. Construction of the fourth tank began in March 2015 and was completed in early February 2016, bringing the San Fabian terminal's total gross storage capacity to 8,400 MT. On refilling plants in Luzon and certain parts of NCR, PGI and OOC had acquired or leased a total of 26 refilling plants in various locations, with storage capacities ranging from 25 to 120 MT.

As of this writing, the aggregate LPG storage capacity of PGI thru its sea-fed or marine terminals and inland refilling plants is 19,886 metric tons (MT) which are distributed across the country as shown below.

Type	Region Location	Number	Capacity (MT)
LPG Marine Terminal	Luzon	1	8,400
	Visayas	4	5,390
	Mindanao	3	4,410
	Sub-total	**8**	**18,200**
LPG Refilling Plants	Luzon	26	1,216
	Visayas	9	290
	Mindanao	**6**	180
	Sub-total	**41**	**1,686**
		TOTAL	**19,886**

Construction of the additional 2000-MT storage tank at the import-marine terminal in Albuera, Leyte has began and is expected to be completed in the first quarter of 2017. This will increase that terminal's storage capacity from its existing 1,000 MT to 3,000 MT. (Please see related discussion under the heading ***Plans and Prospects***.)

Encumbered Assets

Over the period that the Company was in corporate rehabilitation, it was able to settle its debts with its creditor banks in a gradual manner through the following: a) implementation of the court-approved rehabilitation plan; b) pursuance of effective legal defenses against the opposition of CBC and BPI to PC's rehabilitation; and c) settlement with certain creditors via sale of an encumbered asset with the consent of the RTC-Makati. PC's rehabilitation proceedings would have been consummated much earlier were it not for the opposition of the said two banks, the legal proceedings of which went all the way to the SC with PC eventually getting favorable rulings from the highest court.

The remaining encumbered properties under the Mortgage Trust Indenture (MTI), which secured the Company-issued LTCPs in December 1995 (at aggregate amount of Php 300 Million) were finally released in January 2016, months after PC's rehabilitation proceedings was terminated in July 2015. Earlier in August 2014, a portion of the of the MTI collaterals (composed of Davao commercial lots) was released after the consent / approval of the majority creditors was obtained as a consequence of the settlement of a significant portion of the LTCP loan.

The assets earlier mortgaged to CBC (as part of the collateral of the Company's P200 million loan line with said bank) have been released from mortgage. Comprising these assets are the following: 30 office condominium units at the Pryce Tower in Davao City, 34 residential lots at Puerto Heights Village in Cagayan de Oro City, a 5-ha. lot in Cagayan de Oro Gardens, an 11,937-sqm. undeveloped property in Brgy. Del Carmen, Cagayan de Oro City, 31 residential lots at Villa Josefina Resort Village (Phase III) in Davao City, and 4 lots in Mt. Apo Gardens, Davao City.

Assets which secured a short-term loan with the BPI have also been released from mortgage. The following properties comprise the previously mortgaged assets: a 77,761-sqm. semi-developed property known as the Iligan Town Center, and 5 subdivision lots in Puerto Heights Village in Cagayan de Oro City. In September 2014, the Iligan property was sold to a mall developer and the sales proceeds were used in the settlement of the loan causing the release from mortgage. (Earlier mortgaged to BPI too were 5 residential lots at the Villa Josefina Resort Village, Davao City; however, BPI filed extra-judicial foreclosure on these properties and eventually were auctioned off on February 26, 2004. The proceeds of the said auction were applied to the reduction of the Company's obligation with BPI.)

LEGAL PROCEEDINGS

The Company and its subsidiaries are party to pending cases and believe they have meritorious causes of action and defenses with respect to all pending litigation and intends to defend such actions vigorously. Moreover, its directors and officers have no knowledge of any other proceedings pending or threatened against the Company and its subsidiaries or any facts likely to give rise to any proceedings which might materially affect the position of the Company. Enumerated and discussed below is the status of various pending cases as of December 31, 2015. Apart from the cases enumerated below, the Company and its subsidiaries are likewise involved in other legal cases that occurred under the ordinary course of business or will not materially affect the Company's or its subsidiaries' operations as a whole.

1. **Pryce Corporation vs. Raul P. Solidum, et al.**
   Civil Case No. 98-571, RTC-Misamis Oriental, Branch 17

   Nature and Antecedents: This is an action for "Specific Performance" against the Solidums relative to the 52 hectare lot at Casinglot, Tagoloan, Misamis Oriental. PC entered into an agreement with the Solidums whereby the Solidums undertook to sell to PC the property, conditioned upon the removal of the squatters and conversion of the property into industrial/commercial use. The Solidums failed to remove all the squatters and execute the deed of sale, despite advances of about Php 8million. The parties finalized a *Memorandum of Agreement,* by way of compromise, which was subsequently annotated by the Provincial Register of Deeds of Misamis Oriental on the transfer certificate of title of the subject lot.

   Status: The *Memorandum of Agreement* Is still subsisting and the parties continue to observe the terms thereunder.

2. **In the matter of the Corporate Rehabilitation of Pryce Gases, Inc.**
   Civil Case No. 02-1016, RTC-Makati, Branch 149

   Nature and Antecedents: This is a creditor-initiated corporate rehabilitation. The petition was filed by the International Finance Corporation (IFC) and the Nederlandsse Financierings-Maatscheppij Voor Ontwikkelingslanded N.V. (FMO), with a view to helping PGI to recover financially by judicial means. The rehabilitation plan has been approved and is now being implemented. BPI, however, filed a petition for review with the CA to question the *dacion en pago* aspect mandated in the rehabilitation plan. The CA ruled in PGI's favor; BPI filed a motion for reconsideration, which the CA denied. BPI then filed a petition for review on certiorari with the SC, which was thereafter denied by the SC. Entry of judgment was made on July 27, 2011.

   Status: On August 27, 2015, the RTC-Makati, finding the rehabilitation of PGI to be successful, approved the termination of the rehabilitation proceedings of PGI.

3. **In the matter of the Petition for Corporate Rehabilitation of Pryce Corporation**
   Sp. Proc. No. M-5901, RTC-Makati, Branch 149

   Nature and Antecedents: The Company filed a petition for corporate rehabilitation. The RTC-Makati approved the rehabilitation plan, as amended by the Receiver. Some of the creditors have already executed agreements with PC for the *dacion* of real estate properties. However, BPI and CBC filed their respective petitions for review before the CA. The BPI case went up to the SC, which denied the petition of BPI. The denial has long become final. In the case of CBC, it was also brought up to the SC on a petition filed by the Company. The Court denied the petition and affirmed the CA decision in favor of CBC. The Company filed a motion for reconsideration which the SC denied. A second motion for reconsideration was filed. On February 18, 2014, the SC *En Banc* found the arguments of the Company meritorious and gave due course to the Company's second motion for reconsideration and, thus, set aside the earlier decision of the SC's First Division. This was a promulgation in favor of the Company, which in effect upheld the RTC-Makati's: (i) stay order; (ii) order giving due course to the petition for rehabilitation; (iii) order finding the Company eligible to be placed under rehabilitation.

Status: On July 28, 2015, the Rehabilitation Court, finding the rehabilitation of the Company to be successful, issued an order terminating the rehabilitation proceedings involving PC.

Related cases stemming from CBC's challenge of the Company's court-approved corporate rehabilitation plan:

4. <u>**Pryce Corporation vs. China Banking Corporation**</u>
Civil Case No. 2005-231, RTC-Misamis Oriental, Branch 20

Nature and Antecedents: This is a case filed by PC against CBC for injunction since the latter is consolidating its title over certain properties of the former by virtue of an extra-judicial foreclosure sale despite the stay order that was issued by the RTC-Makati, in PC's rehabilitation case.

Status: The parties have entered into a compromise agreement.

5. <u>**Consulta No. 4440**</u>
Land Registration Authority

Nature and Antecedents: CBC filed an *Affidavit of Consolidation* with the Register of Deeds of Cagayan de Oro City, for the transfer of title to foreclosed properties belonging to the Company. The Registrar of Deeds referred the matter *en consulta* to the Land Registration Authority (LRA) due to doubts as to the registrability of the *Affidavit of Consolidation*. PC and CBC have nonetheless worked out a compromise agreement involving the matter.

Status: The LRA issued an order finding the *Affidavit of Consolidation* not registrable.

Other cases arising from CBC's refusal to comply with the Company's corporate rehabilitation plan approved by the RTC-Makati (i.e., for the release of titles to properties that are without actual mortgage):

a. <u>**Sotero Octobre vs. Pryce Corporation and China Banking Corporation**</u>
HLURB Case No. LSS-X-REM 518-04-008, Cagayan de Oro

Nature and Antecedents: This is a case for rescission of contract with damages. The action was instituted by Octobre due to the failure of PC to execute the deed of sale and transfer of title over the lots purchased at Puerto Heights Village. PC alleged that it was prevented due to the fact that receivables on the payment of the lot were assigned to CBC, with the transfer certificate of title on said lot being held by the bank. A decision was rendered by the HLURB Regional Arbiter finding the Company liable and directing the payment of the total installment payments plus damages. After the denial of its motion for reconsideration, the Company appealed the decision to the HLURB Board of Commissioners. The latter set aside the Decision of the Regional Office and rendered a new decision which, aside from requiring the refund of P4,292,297.92 with legal interest in the event of failure or refusal within 30 days by the Company to deliver the title, in addition, it required the Company to pay damages, attorney's fees and cost of suit totaling P82,868.12. The motion for reconsideration of the Company was denied as well as its motion to suspend proceedings (due to the pendency of the rehabilitation proceedings). The Company appealed this case to the Office of the President. However, the Office of the President affirmed the ruling of HLURB's Board of Commissioners. Thus, the Company filed a petition for review under Rule 43 before the CA, which the CA denied.

Status: The Company filed a petition for review on certiorari under Rule 45 with the SC, which is now pending resolution.

b. **Alejandro B. Adaptar and Grace A. Adaptar vs. Pryce Corporation**
HLURB Case No. REM-01-18-06-317

Nature and Antecedents: Complainants filed a case to rescind his contract to purchase a parcel of land in the Villa Josefina Resort Village in Davao with the Company and to get a refund of the purchase price. The HLURB Board of Commissioners rendered a decision setting aside the decision of the HLURB Regional Office and directing that CBC be impleaded as party-defendant in the case. The decision further directed the case to be remanded to the Regional Office for further proceedings. The HLURB Board of Commissioners denied the motion for reconsideration filed subsequently by the spouses Adaptar, prompting the spouses to elevate the case to the Office of the President through a petition for review.

Status: The Office of the President dismissed the petition of the spouses. The spouses then filed a motion for reconsideration, which is now pending resolution by the Office of the President.

6. **Ponce vs. Pryce Corporation, et al.**
G.R. No. 206863, SC Second Division

Nature and Antecedents: This is an action for quieting of title filed by Vicente Ponce, whose title overlaps with that of PC over a 4.8-ha. portion of property in Iligan City, over which PC operates and maintains its Maria Cristina Gardens Memorial Park. Ponce obtained his title from Solosa, whose title was derived from an alleged Homestead Patent that was administratively reconstituted. PC meanwhile obtained its title from the Quidlat sisters, whose title was adjudged by a cadastral court. The RTC ruled in favor of Ponce, upholding his title over the contested portion. On appeal, the CA sustained the trial court's ruling. PC filed a petition for review on certiorari with the SC, to which Ponce filed his Comment.

Status: In February 2014, PC filed a motion for leave to file its reply to the comment of Ponce. The SC granted PC's motion. PC is now awaiting the SC's further action on this case.

7. **Mario Conson, for himself and as attorney-in-fact of Vencilor Ello Siripon, et al., vs. Pryce Corporation, et al.**
   Civil Case No. 7759, RTC-Iligan City, Branch 6

   Nature and Antecedents: The plaintiffs filed a case for annulment of the deed of sale over a parcel of land being occupied by the Company covering Maria Cristina Gardens in Iligan City, alleging that the other heirs did not consent to the sale. The case was dismissed by the trial court for defective service of summons.

   Status: The plaintiffs filed for a petition for certiorari before the CA, alleging grave abuse of discretion on the part of the trial court. The petition is still pending.

8. **Pryce Corporation vs. Solicitor General, et al.**
   Civil Case No. CV-ORD-2015-215, RTC-Cagayan de Oro City, Branch 17

   Nature and Antecedents: PC is asking the court to render an interpretation of Section 4 (a) 9 of Republic Act (RA) No. 7432 (also known as the "Senior Citizens' Act"), as amended by RA No. 9257 and further amended by RA No. 9994 to the effect that it does not include interment services as being covered by the 20% discount to be granted to the deceased senior citizen or his/her heir(s).

   Status: The case has already been filed but the service of summons upon the Solicitor General's Office and Department of Social Welfare and Development (main office) still have to be made.

OPERATIONAL AND FINANCIAL INFORMATION

MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's shares are listed in the Philippine Stock Exchange (PSE), the table shows the quarterly high and low prices of PC's (stock symbol 'PPC') shares traded for the year 2015. No trading occurred in the previous year of 2014 since trading then was suspended by the PSE pending the court's resolution of the Company's corporate rehabilitation proceedings which was being challenged by a bank creditor. The last recorded trading of the shares, prior to said suspension, was on February 24, 2006 at a price of P0.25 per share. On March 16, 2015, following the SC's favorable decision, trading suspension of PPC shares was lifted by the PSE, resulting in the active trading of the shares thereafter.

Year	High	Low
2015		
First Quarter	4.50	1.00
Second Quarter	3.87	1.90
Third Quarter	4.16	1.97
Fourth Quarter	3.44	2.00
2016		
First Quarter	3.13	2.10

Trading of PC's shares was actually suspended on two occasions, both of which pertain to the Company's corporate rehabilitation. The first was shortly after the Company filed its petition for corporate rehabilitation with the RTC-Makati on July 9, 2004. This suspension was subsequently lifted on January 26, 2005 after the RTC-Makati approved the Company's corporate rehabilitation plan on January 17, 2005. The second suspension came on June 5, 2006 as a result of the rulings of the divisions of the CA on the petitions for review filed separately by CBC and BPI. These cases have reached the SC and were resolved in favor of the Company, which are discussed under the heading ***Corporate Rehabilitation***.

As of May 20, 2016, the price of the Company's shares closed at Php 2.74 per share.

Public Ownership of PC shares as of April 30, 2016

	% to Total Outstanding Shares	Number of Shares
Total Outstanding Shares	100.0000%	2,000,000,000
Less:		
Directors	3.0213%	60,425,916
Senior Officers	0.0067%	133,870
Affiliates	25.6341%	512,681,212
Sub-total	28.6620%	573,240,998
Shares owned by the public	71.3380%	1,426,759,002

Holders

As of April 30, 2016, the company has 370 stockholders; 99.6955% of the outstanding shares as of said date are registered in the name of persons who are citizens of the Philippines or corporations or associations organized under the laws of the Philippines at least 60% of the capital of which is owned by Philippine citizens.

Top 20 Shareholders as of April 30, 2016

	Registered Name	Number of Shares	Percentage to Total
1st	Guild Securities, Inc.	1,017,140,468	50.857%
2nd	PCD Nominee Corporation	577,655,170	28.883%
3rd	Hinundayan Holdings Corp.	160,708,000	8.035%
4th	GSIS	76,116,200	3.806%
5th	Pryce Development Corporation	61,800,000	3.090%
6th	Salvador P. Escaño	33,492,660	1.675%
7th	Sol F. Escaño	27,909,000	1.395%
8th	PCD Nominee Corp. (Non-Filipino)	6,008,650	0.300%
9th	Pryce Insurance Consultants, Inc. (PICI)*	5,175,000	0.259%
10th	Four Treasures Development Corp.	4,808,616	0.240%
11th	CBC TA #501-0091	4,528,720	0.226%
12th	JGF Holdings, Inc.	3,221,427	0.161%
13th	Networth Land Management Corp.	3,068,514	0.153%
14th	Notre Dame of Greater Manila	2,300,000	0.115%
15th	Pryce Plans, Inc.	1,830,000	0.092%
16th	Salvador P. Escaño ITF Pryce Development Corp.	1,684,450	0.084%
17th	Pryce Securities, Inc.	1,008,000	0.050%
18th	Jack &/or Frank Gaisano &/or Edward &/or Margaret Gaisano	575,000	0.029%
19th	CBC TA #501-0091 FAO: PPI	450,000	0.023%
20th	Fernando L. Trinidad ITF Pryce Development Corp.	417,000	0.021%

* not an affiliate of the Company or its subsidiaries

Dividend History

Since 1989, the year the Company was incorporated, there have been three cash dividend declarations. In 1994, the Company declared and paid cash dividends of P0.02 per share. In 1995, the Company declared cash dividends amounting to P0.04 per share to stockholders of record as of January 25, 1995 and P0.03 per share to stockholders of record as of September 10, 1995. These cash dividends were paid on February 8 and September 30, 1995, respectively.

In 1997 the Company declared a 15% stock dividend to stockholders of record as of April 10, 1997; these dividends were paid on April 16, 1997.

Payment of cash dividends on the shares in the future will depend on PC's earnings, cash flow, financial condition, capital investment requirements and other factors.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Key Performance Indicators (KPIs)

PC and Subsidiaries (consolidated) based on the Audited Financial Statements

	2015	2014
% Growth in Revenue: (9.0%)	Php 5.77 billion	Php 6.33 billion
% Sales Volume Growth (LPG): 29.0%*	146,188 MT	113,294 MT
Price movement (LPG):	Php 35.19/kg.	Php 45.47/kg.
% Growth in Gross Margin: 39.9%	Php 1,493.5 million	Php 1,067.5 million
% Increase in Income: 98.4%	Php 589.1 million	Php 296.9 million
Market Share:	12.1%	9.04%
Current ratio	1.88	1.25
Total Debt-to-Equity ratio	0.63	1.02

**Total Industry Market Growth: 15% (Based on 2015 DOE Annual Figures)*

PGI and subsidiary OOC

	2015	2014
% Growth in Revenue: (1.0%)	Php 5.626 billion	Php 5.667 billion
% Sales Volume Growth (LPG): 29.0%*	146,188 MT	113,294 MT
Price movement (LPG):	Php 35.19/kg.	Php 45.47/kg.
% Growth in Gross Margin: 65.3%	Php 1,398.5 million	Php 846.1 million
% Increase in Income: 188.8%	Php 606.1 million	Php 209.9 million
Market Share:	12.1%	9.04%
Current ratio	1.72	1.19
Total Debt-to-Equity ratio	0.43	0.90

**Total Industry Market Growth: 15% (Based on 2015 DOE Annual Figures)*

PC (consolidated) for the interim period 1Q2016

	1Q2016	1Q2015
% Growth in Revenue: 8.0%	Php 1,453.3 million	Php 1,345.7 million
% Sales Volume Growth (LPG): 23.0%*	40,583 MT	32,981 MT
Price movement (LPG):	Php 31.17/kg.	Php 36.06/kg.
% Growth in Gross Margin: 11.20%	Php 370.4 million	Php 333.1 million
% Increase in Income: 53.3%	Php 196.42 million	Php 128.16 million
Current ratio	1.92	1.70
Total Debt-to-Equity ratio	0.51	0.58

**Total Industry Market Growth: 15% (Based on 2015 DOE Annual Figures)*

	Explanations/Remarks
Revenue and Volume Growth	This is a measure of how the Company is able to efficiently expand its operations and harness its resources (given its more-than-adequate storage and production capacities) to create more revenues and cash flows over time. It also reflects on the capability of management to grow the enterprise.
Price movement (LPG)	This is a major concern because over 90% of company revenues emanate from the sale of LPG, a product with volatile import cost whose demand is elastic with respect to price. This happens because the bulk of demand is driven by households buying LPG as cooking gas and this is a very price-sensitive market, which is also subject to political pressures, being part of the oil industry.
Profitability: Gross Margin and Net Income	The ability to control cost and realize profits are always of paramount importance to an enterprise. In the case of the Company, it has limited control over the import cost of its largest product line, LPG, because the international contract price (CP) is established in the Middle East, so retail pricing is the key to profitability. Its industrial gas operations are profitable but the company has to temper the movement in selling price to prevent inroads from competitors. The Company's real estate division (memorial parks) is a very-high margin operation but accounts for only a small percentage of revenues.
Market Share and Growth in Market Share	This is a sign of the competitiveness of the Company and its product. As the market for LPG grows, the growth in the market share of the Company at a rate faster than the market will indicate that the Company is increasing its revenues faster than its competitors. Thus, an increase in market share will likely allow the Company to achieve greater scale in its operations and further improve profitability.
Liquidity: Current ratio and Debt-to-equity ratio	The importance of having cash and liquid assets to fund operating requirements, to purchase supplies/inventories, and to service maturing debts cannot be overemphasized.

Results of Operations and Detailed Discussion on Performance Indicators

<u>1Q2016 Compared to 2015</u>

Financial indicators for the first quarter ended March 31, 2016 showed marked improvements on all counts compared to the same period in 2015. Consolidated revenues for the first quarter of 2016 rose by 8.0% to P 1.45 billion from Php1.35 billion in 2015 on the back of a 23% volume growth in LPG sales. Consolidated net income after tax exhibited a hefty increase of 53.3%, from Php 128.16 million in 2015 to Php 194.42 million in 2016.

Revenue contribution and percentage of sales by product category for the first quarter of 2016 were as follows: LPG under the *Prycegas* brand including cylinders and accessories, Php 1.32 billion (91.0%);

industrial gases, Php 92.5 million (6.4%); real estate sales, mainly memorial parks, Php 18.3 million (1.3%); hotel operations, Php10.5 million (0.72%) and pharmaceuticals, Php9.1 million (0.62%).

Revenue and Volume Growth

Consolidated revenues of Php1.45 billion for the first quarter of 2016 was an 8.0% growth over the Php 1.35 billion achieved for the first quarter of 2015. The increase in consolidated revenue was largely due to the combined effects of 7.97% growth in revenues from LPG and the addition of revenues from real estate and pharmaceutical products. While revenue from industrial gases in 2016 dipped by 2.1% compared to 2015, revenue from real estate and hotel operations turned in positive growths of 0.37% and 54.11% respectively between 2016 and 2015.

LPG volume sold for the first quarter of 2016 climbed by 23.1% to 40,583 MT from 32,981 MT. Of this volume, Luzon and VisMin accounted for 62% and 38% respectively. The expansion in the company's distribution infrastructure, particularly in Luzon, provided some impetus to spur volume growth. Revenues held strong as the company continued to ramp up its LPG volume.

Volume of industrial gas cylinder refills sold increased by 4.4% to 212,779 in 2016 from 203,808 in 2015. Growth in volume of industrial gases was muted when compared to LPG.

Price Movement

Following the movement in the CP for LPG that is significantly affected by the behavior of oil prices, domestic wholesale and retail prices of LPG saw a further round of fall in prices. From US$470.50 per MT in December 2015, CP dropped to US$376.50 in January 2016, US$306.00 in February and then slightly recovered to US$311.00 in March. As a consequence, average selling price per kilogram of LPG for the first quarter of 2016 fell by 13.3% compared to the same period in 2015. Wholesale and retail prices of LPG change on a monthly basis depending on the rise or fall of the CP.

The softening of world and domestic prices of LPG that started in early 2014 has perked up demand for LPG which has practically stagnated for the last ten (10) years prior to 2015.

Competition and Market Aspects

The LPG market continues to be highly competitive with the established brands continuing to hold on to their market share, smaller players slowly losing their foothold in the market and PGI garnering an increasingly significant share as its volume growth exceeded that of industry demand.

Only four companies selling under their own brand supply the LPG requirements of the VisMin market. Competition in Luzon, which accounts for 80% of consumption, has become particularly fierce during the first quarter of 2016 as players tried to protect market share with the entry of a new terminal operator whose facilities were gutted by a fire in late February 2016.

The synergy of the locations, number and storage capacity of its distribution infrastructure is among the strategic strengths that have propelled the company to become a significant player in the LPG industry.

Profitability

Net income for the first quarter of 2016 jumped by 53.3% to Php 196.4 million from Php 128.2 million achieved in 2015.

The increase in sales volume of LPG in the first quarter of 2016 offset the dampening effect of the fall in selling prices and allowed gross profits to still rise by 10.8% from Php 333.1 million in 2015 to Php 369.2 million in 2016. Growth in profit margins, however, was virtually flat at 25.40% in 2016 and 24.75% in 2015.

While operating expenses increased by 13.99% to Php175.8 million for the first quarter of 2016 from Php 154.2 million 2015, operating profit margin for 2016 was still maintained at 13.3%. Other income of Php 36.3 million realized during the first quarter of 2016 and which grew by 274.7% from 2015 further boosted income from operations, thus, ending the quarter on a high note.

Liquidity

Despite the 5.0% dip in liquid assets composed of cash and securities to Php 676.2 million as of March 31, 2016 from Php 712.2 million as of December 31, 2015, the company remained highly liquid and would have easily covered short-term liabilities falling due. Liquidity was maintained even as additional investments in property, plant and equipment were made and largely financed by internal cash generation. With the 23.14% reduction in trade and other payables, current ratio registered improvements from 1.88x to 1.92x between December 31, 2015 and March 31, 2016.

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 and cash equivalents	(37.96%)	Due to payment of accounts to suppliers, lenders and other creditors and investment in marketable securities
Financial assets at fair value	23.36%	Additional acquisition of marketable securities and unrealized gain
Trade and other receivables	(53.08%)	Collection of receivables
Prepayments and other current assets	(5.74%)	Increase in prepaid taxes and licenses.
Property plant and equipment	6.26%	Additional acquisition of assets

Trade and other payables	(23.14%)	Payment of accounts
Income tax payable	53.66%	Increase in net income resulting to increase in income tax
Installment contracts payable	(24.54%)	Payment of acquired subdivision lots.
Advances from related parties	(34.84%)	Collection of Advances
Deficit	(78.89%)	Due to net income of 2016
Non-controlling interest	6.41%	Due to increase in net income

Numerical Performance Indicators

The sales performance and revenue growth of each company are presented below.

REVENUES			
PRYCE CORPORATION & Subsidiary Pryce Pharmaceuticals, Inc. (PPhI)			
	with PPhI	without PPhI	
	2016	2015	Percent Growth/ (Decline)
Real Estate	18,278,281	18,211,101	0.37%
Hotel	10,501,573	6,814,431	54.1%
Pharmaceuticals	9,060,804	0	100.00%

REVENUES			
PRYCE GASES, INC. & Subsidiary Oro Oxygen Corp.			
	2016	2015	Percent Growth/ (Decline)
LPG	1,322,983,554	1,225,369,025	8.0%
Ind'l Gas	92,502,869	94,509,792	-2.1%
Fuel	0	836,376	-100.0%

VOLUME			
PRYCE GASES, INC. & Subsidiary Oro Oxygen Corp.			
	2016	2015	Percent Growth/ (Decline)
LPG (in kgs)	40,583,382	32,981,008	23.0%
Industrial Gas (cyl.)	212,779	203,808	4.4%
Fuel (liters)	0	28,531	-100.0%

The measurements of profitability broken down by company are shown below.

PROFITABILITY			
PRYCE CORPORATION & Pryce Pharmaceuticals, Inc. (PPhI)			
	with PPhI	without PPhI	Percent Growth/ (Decline)
	2016	2015	
Gross Margin (%)			
Real estate	80.98%	80.20%	1.0%
Hotel operations	6.48%	5.01%	29.3%
Pharmaceuticals	35.00%	0.00%	100.0%
Return on Assets (%)	4.36%	0.74%	489.2%
Return on Equity (%)	7.20%	1.02%	605.9%
Net profit margin (%)	15.81%	84.20%	-81.2%

PROFITABILITY			
PRYCE GASES, INC. & Oro Oxygen Corp.			
	2016	2015	Percent Growth/ (Decline)
Gross Margin (%)			
LPG	23.62%	22.06%	7.07%
Industrial Gas	50.76%	51.89%	-2.2%
Fuel	0.00%	18.24%	-100.0%
Return on Assets (%)	5.26%	2.86%	83.9%
Return on Equity (%)	7.15%	4.05%	76.5%
Net profit margin (%)	14.72%	8.25%	78.4%

The liquidity and solvency measurements for the parent company and subsidiaries are shown below:

LIQUIDITY			
PRYCE CORPORATION & Subsidiary Pryce Pharmaceuticals, Inc. (PPhI)			
	with PPhI	without PPhI	Percent Growth/ (Decline)
	2016	2015	
Current ratio	2.56	1.59	61.0%
Debt to equity ratio	0.35	0.37	-5.4%

LIQUIDITY			
PRYCE GASES, INC. & Subsidiary Oro Oxygen Corp.			
	2016	2015	Percent Growth/ (Decline)
Current ratio	1.76	1.88	-6.4%
Debt to equity ratio	0.58	0.41	41.5%

2015 Compared to 2014

Consolidated revenue for the year ended December 31, 2015 amounted to Php5.77 billion, an 8.84% decline from the previous year's record of Php6.33 billion, largely due to the fall in the world price of LPG. Consolidated gross profit, however, leapfrogged from Php1.07 billion in 2014 to Php1.49 billion in 2015. Gross margins of 16.86% in 2014 jumped to 25.87% in 2015. Net income after tax almost doubled, increasing by 98.39% from Php269.92 million in 2014 to Php589.06 million in 2015.

Revenue contribution by product line is as follows: LPG, Php5.29 billion (91.67% of total); industrial gases, Php331.47 million (5.74%); real estate sales, Php82.14 million (1.42%); hotel operations, Php35.26 million (0.61%); pharmaceuticals, Php29.82 million (0.52%) and the remaining balance came from sale of fuels.

Gross profit and profit margins across all product lines showed remarkable improvements. LPG turned in the highest gross profit contribution of Php1.31 billion, a marked increase from the previous record of Php685.18 million in 2014. Gross margins on LPG rose from 13.22% in 2014 to 25.09% in 2015. Gross profit from industrial gases declined by 19.79%, from Php154.18 million in 2014 to Php123.66 million in 2015; profit margins were, however, maintained at same levels, dipping to only 37.31% in 2015 from 39.42% in 2014.

Higher gross profit, the tight rein on operating expenses and the realization of higher levels of other income achieved in 2015 not only absorbed the impact of write-offs recognized in 2015 but also allowed net income to surpass that of 2014 by 98.39%.

Revenue and Volume Growth

Despite a 29.03% growth in LPG volume moved in 2015, consolidated revenues registered a 8.84% dip largely due to the continued fall in the price of LPG, the increased percentage share of Luzon where average LPG prices are lower by 40% from those in VisMin and the absence of non-recurring sale of a commercial property that had a significant impact on revenues in 2014. While LPG sales volume increased by 29.03% from 113,294 MT in 2014 to 146,188 MT in 2015, average selling price dropped by 22.08% in 2015. Luzon's share of total revenue in 2015 was 50.96% while that of VisMin was 49.04%. Of total volume sold in 2015, Luzon accounted for 59.3% while VisMin contributed 40.69%.

LPG cylinders sold increased by 30.57% in 2015. Revenues, however, only showed a slight uptick of 1.78% because of promotional programs launched by the company to drum up sales.

Volume sold and revenues realized from the sale of industrial gases shrunk by 15.39% and 15.26% respectively between 2014 and 2015. This contraction was an expected consequence of management's decision to improve the quality of its sales by veering away from credit sales in favor of cash transactions and the selective curtailment of the lending out of cylinders. Of total revenues from industrial gases of Php331.47 million, oxygen, acetylene and other gases accounted for 68.72%, 23.00% and 8.29% respectively. VisMin accounted for 59.38% of sales volume and 69.67% of revenue. Luzon, the market with lower margins, accounted for 40.62% of sales volume and 30.33% of revenues.

After netting out the non-recurring sale of a commercial property closed in 2014, real estate sales in 2015 of Php 82.14 million was a 44.58% improvement over 2014. Revenue recognized from the sale of memorial lots that almost tripled in 2015 accounted for 66.06% of real estate sales. Revenue from hotel operations of Php35.26 million in 2015 was lower by 7.56% compared to 2014. Revenue from pharmaceutical products was only taken up in the books in 2015.

REVENUES			
PRYCE CORPORATION & Subsidiary Pryce Pharmaceuticals, Inc. (PPhI)			
	with PPhI	without PPhI	
	2015	2014	Percent Growth/ (Decline)
Real Estate	82,141,569	627,828,997	-86.92%
Hotel	35,255,568	38,137,735	-7.6%
Interest	0	527,001	-100.0%
Pharmaceuticals	29,823,111	0	100.00%

REVENUES			
PRYCE GASES, INC. & Subsidiary Oro Oxygen Corp.			
	2015	2014	Percent Growth/ (Decline)
LPG	5,292,236,919	5,267,989,038	0.5%
Ind'l Gas	331,469,436	391,175,215	-15.3%
Fuel	2,186,388	8,095,220	-73.0%

VOLUME			
PRYCE GASES, INC. & Subsidiary Oro Oxygen Corp.			
	2015	2014	Percent Growth/ (Decline)
LPG (in kgs)	146,188,473	113,294,008	29.0%
Industrial Gas (cyl.)	790,295	934,085	-15.4%
Fuel (liters)	78,607	185,129	-57.3%

Price Movement and Market Demand

2015 saw a further round of price falls in the CP of LPG. From an average CP price of US$804.53 per MT in 2014, average CP price in 2015 further fell by 46.49% to US$430.54 per MT. Since LPG is a derivative of oil, the price of LPG generally followed the downtrend faced by oil prices. The fall in the world and domestic price of LPG encouraged consumers to shift from other fuels to LPG, resulting in a 15% increase in nation-wide demand in 2015 according to the DOE. PGI outperformed the industry as its own sales volume climbed by 29.03% in 2015.

For industrial gases, the improvement in the quality of sales also resulted in an across-the board decline in average refill price per cylinder for all industrial gas products. Average refill price per cylinder of oxygen tumbled by 20.17% while acetylene and other gases dipped by 0.98% and by 9.55% respectively. This trade-off allowed the company to overcome competitive moves in an industry characterized by many players and stiff competition.

In real estate operations, pricing of memorial lots remained stable. Prices of other real estate assets sold were negotiated with buyers using the prevailing market prices in the area as a guide.

Competition and Market Share

Prycegas LPG, the main product of the Company which accounted for 90.30% of total revenue in 2015, has become a significant player in an industry that used to be dominated by multinational companies. In Vismin, PGI is one of only four (4) competitors operating in the area who sell under their respective brands. Luzon, on the other hand, is a highly competitive market characterized by a proliferation of many companies – five terminal operators and more than a hundred independent small- to medium-size refillers who market generic products.

On an aggregate basis, the company has the largest LPG storage capacity in the country to date. The company's infrastructure complement includes eight (8) marine-fed import terminals with an aggregate storage capacity of 18,200 MT (1 in Luzon, 4 in Visayas and 3 in Mindanao) and forty one (41) refilling plants spread nationwide (26 in Luzon, 9 in Visayas and 6 in Mindanao) with storage capacity ranging from 25 MT to 100 MT. The San Fabian (Pangasinan) Terminal's storage capacity of 8,400 MT is the second largest in the country.

DOE statistics showed that the company's market share has significantly advanced from 9.04% in 2014 to 12.10% in 2015. On a regional basis, its market share in 2015 was 20.74% in Visayas, 24.24% in Mindanao and 9.4% in Luzon. The expansion of the company's infrastructure complement through the construction of additional terminal storage capacity and the construction or leasing of additional refilling plants coupled with a sharp focus on expanding the market base, helped in achieving this feat.

The company's sales volume as well as market share is expected to further increase in the near to medium term due to an overall growth in demand and more responsive strategies to bolster sales that will be implemented by management. Luzon, in particular, will be a major source of volume growth as the company strengthens its foothold in the market that accounts for about 80% of total nationwide demand for LPG.

Profitability

All measures of profitability show that 2015 was a banner year for the company as profits continued to hold strong and even exceed expectations. Gross profits of Php 1.49 billion in 2015 was a significant leap from the Php 1.07 billion achieved in 2014. While volume turnover of LPG jumped by 29.03%, operating expenses were successfully reduced by 1.20%. Consequently, income from operations jumped by 127.79% from Php340.15 million in 2014 to Php774.84 million 2015.

Income from operations together with other income earned amounting to Php 110.90 million provided a cushion that absorbed the recognition of losses from the participation in an oil exploration project aggregating to Php113.5 million.

After deducting income tax expense of Php128.35 million, net income for 2015 amounting to Php589.06 million represents a growth of 98.39% over the prior year's income of Php296.92 million. This doubling of net income translates into a doubling of earnings per share to Php0.302 on the 2.0 billion in outstanding shares.

Earnings before interest, taxes, depreciation and amortization (EBITDA) in 2015 amounted to Php990.71 million.

PROFITABILITY			
PRYCE CORPORATION & Pryce Pharmaceuticals, Inc. (PPhI)			
	with PPhI	without PPhI	Percent Growth/ (Decline)
	2015	2014	
Gross Margin (%)			
Real estate	80.29%	31.78%	152.6%
Hotel operations	5.05%	-8.39%	160.2%
Pharmaceuticals	25.41%	0.00%	100.0%
Return on Assets (%)	3.27%	4.52%	-27.7%
Return on Equity (%)	4.51%	6.73%	-33.0%
Net profit margin (%)	63.70%	18.74%	239.9%

PROFITABILITY			
PRYCE GASES, INC. & Oro Oxygen Corp.			
	2015	**2014**	Percent Growth/ (Decline)
Gross Margin (%)			
LPG	24.36%	13.11%	85.8%
Industrial Gas	37.30%	39.41%	-5.4%
Fuel	16.54%	10.98%	50.6%
Return on Assets (%)	14.70%	4.83%	204.3%
Return on Equity (%)	16.80%	9.21%	82.4%

Liquidity

Liquid assets amounting to Php712.20 million as of year-end 2015 consisting of cash of Php329.99 million and financial assets at fair value (equity securities) of Php382.21 million was 19.4% lower than the previous year's balance of P884.07 million. A significant portion of cash generated for the year went toward the funding of the construction of additional infrastructure – an additional storage tank of 2,100 MT at the San Fabian Terminal and the construction of six (6) refilling plants in Luzon, the pre-payment of restructured debts that allowed the Company to exit from rehabilitation a year before its original termination date, the investment in oil exploration and the repayment of short-term debts. Except for working capital lines to finance its regular LPG importations, the Company has become essentially debt-free after its debt clean-up exercise.

The pre-payment of the balance of restructured debts under the rehabilitation plan and the paydown of other short-term liabilities contributed to the improvement in the company's current ratio from 1.25x in 2014 to 1.88x in 2015. Liquidity ratios have been maintained at very healthy levels as shown on the table below.

LIQUIDITY			
PRYCE CORPORATION & Subsidiary Pryce Pharmaceuticals, Inc. (PPhI)			
	with PPhI	without PPhI	Percent Growth/ (Decline)
	2015	2014	
Current ratio	2.64	1.5	76.0%
Debt to equity ratio	36.24	39.3	-7.8%

LIQUIDITY			
PRYCE GASES, INC. & Subsidiary Oro Oxygen Corp.			
	2015	2014	Percent Growth/ (Decline)
Current ratio	1.72	1.19	44.5%
Debt to equity ratio	0.43	0.90	-52.2%

Balance Sheet Changes

Compared to the December 31, 2014 audited financial statements, the reason for the significant movements in balance sheet accounts are as shown below.

Account Name	% Increase or (Decrease)	Reason for Change
Cash and cash equivalents	(38.32%)	Due to payment of accounts to suppliers, lenders and other creditors and investment in marketable securities
Financial assets at fair value	9.49%	Additional acquisition of marketable securities
Prepayments and other current assets	(16.65%)	Decrease in deferred charges and input tax
Advances to related parties	(33.25%)	Collection of accounts
Property plant and equipment	15.01%	Acquisition/construction of assets and new plants
Investment properties	197%	Acquisition of land
Assets held for dacion en pago	(100.00%)	Settlement of account
Trade and other payables	(15.59%)	Payments of accounts
Income Tax Payable	235.45%	Increase in net income
Installment contracts payable	5.09%	Acquisition of subdivision lots
Debts for dacion en pago covered by Rehabilitation Plan	(100.00%)	Payment of loans
Restructured debts covered by rehabilitation Plan	(100.00%)	Payment of loans
Short-term debts	(100.00%)	PGI's and OOC's payment of short term loans
Customer's deposits	9.49%	Increase in downpayment for lots/services
Installment contracts payable	(26.82)	Payment of acquired subdivision lots
Restructured debts covered by Rehabilitation Plan	(100.00%)	Full payment of restructured debts
Retirement benefit obligations	9.75%	Additional recognition of benefit obligation for the current year
Advances from related parties	97.96%	Reclassification of debts to this account and unpaid assignment of shares of stocks from MGI to PGI
Deficit	(70.35%)	Net income of 2015
Non-controlling Interest	966.61%	Increase in net income

Status of Rehabilitation Plan

On July 31, 2015, the Company received the *Order* dated July 28, 2015 from the RTC-Makati disposing of the Company's motion to terminate its corporate rehabilitation proceedings by declaring the rehabilitation proceedings as closed and terminated. The status of the Company's rehabilitation plan is discussed in more detail under the heading ***Corporate Rehabilitation.***

2014 Compared to 2013

Consolidated revenues for the year ended December 31, 2014 aggregated Php6.33 billion, which is a growth of 62.16% from the previous year's Php3.91 billion. This is broken down by product line, as follows: LPG, Php5.27 billion (or 83.2% of total); real estate sales, Php627.83 million (9.91%); industrial gases, Php391.18 million (6.18%); hotel operations, Php38.14 million (0.60%); the remainder came from the sales of fuel as well as interest on installment sales.

Revenue and Volume Growth

The substantial upturn in total revenue was mainly fueled by LPG sales, under the brand name *PryceGas*, which rose by 57.0% to Php5.27 billion in Peso terms and by 78.2%, from 63,590 MT to 113,924 MT, in volume terms. The lower growth in LPG sales revenue as compared with volume growth stems from the declining trend in LPG price, as explained in another part of this report.

The upsurge in revenue was also driven by real estate sales which reached Php627.83 million due to the non-recurring sale of a commercial property in Iligan City to a mall developer. Total sales from real estate operations including hotel sales and interest on installment sales in 2014 amounted to Php666.5 million. The bulk of recurring sales emanated from the memorial parks.

Revenues from industrial gases (oxygen, acetylene, other gases) dipped by 5.2% to Php 391.2 million, largely attributable to price adjustments in the face of stiff competition. Actually, there was an increase in volume as total industrial gas sold in 2014 reached 934,085 cylinders compared to the preceding year's 897,594 cylinders, or an improvement of 4.1%.

The sales performance and revenue growth of each company are presented below:

REVENUES			
PRYCE CORPORATION (PC)			
	2014	**2013**	Percent Growth/ (Decline)
Real Estate	627,828,997	54,323,539	1055.72%
Hotel	38,137,735	40,063,510	-4.8%
Interest	527,001	664,229	-20.7%

REVENUES			
PRYCE GASES, INC. & Subsidiary (OOC)			
	2014	2013	Percent Growth/ (Decline)
LPG	5,267,989,038	3,354,851,146	57.0%
Industrial Gas	391,175,215	412,571,823	-5.2%
Fuel	8,095,220	43,272,734	-81.3%

VOLUME			
PRYCE GASES, INC. & Subsidiary (OOC)			
	2014	2013	Percent Growth/ (Decline)
LPG (in kgs)	113,294,008	63,590,080	78.2%
Industrial Gas (cyl.)	934,085	897,549	4.1%
Fuel (liters)	184,278	989,293	-81.4%

Price Movement and Market Demand

The lower growth in sales volume of LPG in comparison with the revenue in Peso terms, as cited above, stems from the declining CP of LPG which gradually fell from US$1,017 per MT in January, to US$835 in June, and to US$564 in December, 2014. The more pronounced drop in CP in the last quarter of 2014 followed the general slide in petroleum prices in the world market during the period.

Industrial gas prices, based on average selling prices of the company to its customers, dropped significantly in response to tightening competition in the industry. Average prices of oxygen per cylinder went down by 3.75%; acetylene, by 8.12%; and other gases, by 16.34% compared to preceding year's figures.

In real estate operations, the Company basically maintained the price of its memorial park lot inventories consisting of lawn lots, garden lots, and family estates during the year under review. The Company prices its memorial lot inventories at a premium *vis-a-vis* its competitors given that its memorial parks are generally in choice locations, better developed, and better maintained. During the year, the company started selling rights to double-tier interments on its lawn lots (from one-burial mode) to enhance the competitiveness of this product line.

Competition and Market Share

The company's principal product, *PryceGas* LPG which accounted for 83.2% of total revenue in 2014, is deemed highly competitive and is poised to grow appreciably in the near to medium term. As previously stated, the Company has the biggest LPG storage capacity in the VisMin area with 7 marine-fed terminals and 9 refilling plants having an aggregate capacity of 10,350 MT. In Luzon, PGI had completed the construction of a 6,300 MT marine-fed terminal in the coastal area of San Fabian, Pangasinan. It has also acquired, put up, or leased a total of (as of this writing) 22 refilling plants in various areas of Luzon, with storage capacities ranging from 25 MT to 120 MT.

PryceGas sales of 113,294 MT in 2014 comprised, per DOE report, about 9.04% of the total LPG market nationwide (lower than Management's estimate of 10-11%). This is expected to expand significantly over time. Of this volume, 57.7% came from Luzon operations and the balance of 42.3% from VisMin operations.

In the industrial gas market, the company has to contend with increasingly tight competition but is able to cope through price adjustments and flexible sourcing strategies.

Profitability

Gross profit of the company (earnings after cost of sales) reached Php1.04 billion during the year. Selling and general/administrative expenses aggregated P728.11 million, resulting in net operating income of Php314.93 million, which is a growth of 114.75% from the year-before figure. Other income, consisting largely of interment fees, rental income, as well as non-recurring gains on sale of marketable securities and on settlement of debts reached Php76.21 million, to yield a pre-tax income of Php391.14 million

The company made provision for income tax in the amount of Php94.22 million, resulting in a net income after tax of Php296.92 million, which is a remarkable improvement of 200.11% from the previous year's Php98.94 million. The bottom-line figure could have been higher without the slide in the prices of LPG. With 2.0 billion in outstanding shares, this net income translates to earnings per share of 0.1485.

Earnings before interest, taxes, depreciation and amortization (EBITDA) reached Php1.01 billion. Apart from the appreciable increase in net income, the EBITDA figure is pushed up significantly by the non-cash costs of sale (representing long-completed development costs of lot inventories sold during the year) as well as depreciation of new LPG facilities.

Measurements of profitability broken down by company are shown below.

PROFITABILITY			
PRYCE CORPORATION (PC)			
	2014	**2013**	Percent Growth/ (Decline)
Return on Assets (%)	4.52%	0.48%	841.7%
Return on Equity (%)	6.73%	0.76%	785.5%
Net profit margin (%)	18.34%	3.95%	364.3%

PROFITABILITY			
PRYCE GASES, INC. & Subsidiary (OOC)			
	2014	**2013**	Percent Growth/ (Decline)
Return on Assets (%)	6.68%	3.01%	121.9%
Return on Equity (%)	12.54%	5.94%	111.1%
Net profit margin (%)	4.70%	3.32%	41.6%

Liquidity

Liquid assets of the company as of December 31, 2014 amounted to Php 884.07 million, broken down into Cash of Php535.0 million and Financial Assets at fair value (marketable securities) of Php349.07 million. This is an increase of 157.65% from the year-ago figure of Php343.12 million for cash and near-cash assets. The substantial hike in this asset category stems from the upturn in total revenue which climbed to Php6.33 billion from the previous year's Php3.91 billion.

The capacity of the company to service its maturing debts is measured, among others, by the current ratio which stood at 1.23:1 as of yearend 2014. Its total debt-to-equity ratio, a measure of financial leverage, was at 0.99 to 1.

The liquidity and solvency measurements for the Company and its subsidiary are shown below:

LIQUIDITY			
PRYCE CORPORATION (PC)			
	2014	**2013**	Percent Growth/ (Decline)
Current ratio	1.5	1.27	18.1%
Debt to equity ratio	0.39	0.59	-33.9%

LIQUIDITY			
PRYCE GASES, INC. & Subsidiary (OOC)			
	2014	**2013**	Percent Growth/ (Decline)
Current ratio	1.19	1.07	11.2%
Debt to equity ratio	0.90	0.84	7.1%

Balance Sheet Changes

Compared to the December 31, 2013 audited accounts, the significant movements in balance sheet accounts are as shown below.

Account Name	% Increase or (Decrease)	Reason for Change
Cash and cash equivalents	160.04%	Due to the increase in revenue.
Investment held for trading	154.08%	Additional acquisition of marketable securities.
Trade and other receivables	(5.26%)	Improved collection of receivables.
Inventories	(14.09%)	Attributed to the increase in sales volume.
Real estate projects	(36.69%)	Due to the disposal of real estate inventories.
Prepayments and other current assets	52.34%	Increase in prepaid rent, insurance and advances to contractors.
Trade and other receivables	(100%)	Collection of other receivables.
Due from related parties	(89.43%)	Collection of accounts.
Property plant and equipment	5.92%	Acquisition/construction of physical assets and new plants.
Accounts payable and accrued expenses	52.15%	Due to increase in LPG purchases in late December 2014.
Income tax payable	(64.36%)	More EWT certificates available.
Debts for *dacion en pago* covered by Rehabilitation Plan	(68.03%)	Due to payment of loans.
Short-term debt	35.14%	PGI's additional availment of loans.
Customers' deposits	68.30%	Increase in downpayment for lots/services.
Restructured debts covered by Rehabilitation Plan	(49.82%)	Payment of restructured debts.
Retirement benefit obligations	12.96%	Additional recognition of benefit obligation for the current year.
Due to related parties	9.81%	Reclassification of loans to this account.
Deficit	(28.13%)	Due to net income recorded for 2014.
Non-controlling interest	13.77%	Due to increase in net income.

Status of Rehabilitation Plan

The SC *En Banc* issued a favorable ruling that upheld the Company's rehabilitation plan, which the RTC-Makati approved in January 2005. The status of the Company's rehabilitation plan is discussed in more detail above (under the heading ***Corporate Rehabilitation***).

2013 Compared to 2012

Consolidated revenues for the year ended December 31, 2013 rose to Php3.906 billion from Php3.669 billion of the previous year, or a growth of 6.43%. This is broken down by product category as follows: LPG, Php3.355 billion (or 85.90% of total); industrial gases, Php412.57 million (10.56%); other fuels, Php43.27 million (1.11%); real estate sales, Php54.32 million (1.39%); hotel operations, Php40.06 million (1.03%) and interest income, Php0.66 million (.02%)

Revenue and Volume Growth

Revenues from the Company's principal product, LPG, improved in Peso terms by 8.82% to Php3.355 billion year-on-year. Sales volume of LPG for household cooking surged by 23.61% to 57,883 MT equivalent to Php2.949 billion while sales volume of autogas (LPG as automotive fuel) declined by 10.35% to 5,707 MT, valued at P330.3 million. Total LPG volume sold for the year reached 63,590 MT, an increase of 19.5% from the previous year's 53,194 MT. Cylinders, accessories and stoves comprised the balance of LPG sales amounting to Php75.85 million.

Sales of industrial gases, on the aggregate, dipped by 1.35% to Php412.57 million from the year-ago figure. While sales of oxygen dropped by 4.95% to Php 278.65 million, sales of acetylene rose by 13.05% to Php103.85 million. Other gases contributed Php30.08 million to total industrial gas sales. By volume, oxygen contributed 781,988 cylinders; acetylene, 89,909 cylinders; and other gases, 25,652 cylinders, for an aggregate of 897,549 cylinders sold for the year, a tad lower than the previous year's 898,299 cylinders.

Real estate sales expanded by 15.60% to Php54.32 million while revenues from hotel operations moved up slightly by 0.83% to Php40.06 million compared to the previous year's performance.

The sales performance and revenue growth of each company and their respective product lines are shown below:

REVENUES			
PRYCE CORPORATION (PC)			
	2013	**2012**	Percent Growth/ (Decline)
Real Estate	54,323,539	46,991,947	15.6%
Hotel	40,063,510	39,732,318	0.8%
Interest	664,229	434,554	52.9%

REVENUES			
PRYCE GASES, INC. & Subsidiary (OOC)			
	2013	**2012**	Percent Growth/ (Decline)
LPG	3,354,851,149	3,083,069,276	8.8%
Industrial Gas	412,571,821	418,208,850	-1.3%
Fuel	43,272,732	75,503,279	-42.7%

VOLUME			
PRYCE GASES, INC. & Subsidiary (OOC)			
	2013	**2012**	Percent Growth/ (Decline)
LPG (in kgs)	63,590,080	53,193,843	19.5%
Industrial Gas (cyl.)	897,549	898,299	-0.1%
Fuel (liters)	989,293	1,629,889	-39.3%

Note: LPG refers to content in kgs. only and do not include small revenues on items like accessories, stoves, etc.; fuel (gasoline & diesel) refers to liters only and do not include small revenues on filters, motor oils, etc.

Price Movement and Market Demand

Consistent with the movement of CP of LPG in the international market, domestic retail price of LPG began the year at an average of Php69.27 per kg. and dipped consistently to Php60.77 per kg. by June; thereafter it climbed gradually to Php63.57 per kg. starting July, to a high of Php83.67 per kg. in December. The average retail price of LPG in 2013 at Php67.20 per kg. was slightly lower than that of 2012.

The Company's selling price for LPG essentially tracks the price movement in the industry, albeit lower because of the wholesale component. The company's average price to dealers for cooking LPG declined from Php56.15 per kg. in 2012 to Php50.94 per kg. in 2013 while the price of autogas went down to an average of Php57.87 per kg. Despite this decline in prices, the results were mixed -- there was an appreciable rise in sales volume for cooking LPG but a drop in volume for autogas. The Company's LPG prices also differ depending on market location. In Luzon, which is a contiguous land mass with more industry players and greater competition (as opposed to VisMin) the average selling price of its cooking gas is markedly lower, resulting in reduced margins.

The selling price of oxygen softened by 4.87% to Php356.33 per cylinder on the average while the price of acetylene moved up by 4.84% to Php1,155 per cylinder. The price of other gases also declined by 9.38% to Php1,172.64 per cylinder. Despite the dip in price of oxygen, volume sales declined while volume sales for acetylene move up despite the price hike.

Competition and Market Share

Aggregate LPG consumption in the Philippines, based on records from the DOE, stands at about 1.1 million MT annually. Based on these DOE records, volume has remained about constant in the last five years. Of this volume, roughly 70% comes from imports while 30% is sourced from local refineries. Consumers in Luzon account for roughly 80% of the market while those in the VisMin combined account for the balance of 20%. The biggest players in the industry in terms of sales volume are Petron, with 35.10% of the market, Liquigaz with 30%, and Isla Gas (Solane) -- the successor of Shellane -- with 15.57%. PryceGas accounts for 5.25% of the market nationwide but it has a bigger share of the Mindanao market at 23.30% and of the Visayas market at 18.03%.

In recent months there have been news reports about possible LPG supply shortage in the country because of the closure of Pilipinas Shell's Tabangao (Batangas) refrigerated LPG terminal, the biggest in the country with a storage capacity of 45,000 MT. Moreover, the *Liguigaz* terminal in Bataan, with a capacity of 12,000 MT was put on the selling block and is about to change ownership. This has caused some apprehension about supply stability, particularly among the smaller or so called "independent" players in Luzon which source their supplies primarily from these facilities.

In late 2013, PGI completed the development of its San Fabian, Pangasinan LPG terminal with a net storage capacity of 5,700 MT. The opening of this facility, coupled with the closure of Shell's Tabangao plant, introduces a new dynamic to the Luzon LPG market and ensures that *PryceGas* will be able to aggressively expand its footprint in this market. Due to these developments, *PryceGas* may be able to gradually increase its annual sales volume to 100,000 MT annually from last year's 63,590 MT. There is reason to be sanguine about this forecast because the smaller players in Luzon, which reportedly account for some 40% of the retail market collectively, have no import or terminal facilities of their own and Shell's Tabangao refrigerated storage plant will most likely remain shut, being very old and uneconomical to operate.

<u>Profitability</u>

Gross margin of LPG sales dipped to 17.19% of sales in 2013 from the preceding year's 17.68% reflecting the increasing share of Luzon in total volume sales. As indicated, margins in Luzon are lower than those in VisMin since there is much stiffer competition and more industry players in Luzon. Gross margin of industrial gas sales rose to 39.89% in the year under review compared to the year-before figure of 35.55% due mainly to the significantly lower cost of sale for oxygen.

Gross margin from real estate sales slightly moved up to 89.84% from the previous year's 87.07% owing to the increase in prices of certain products and services in 2013. The very high gross margin from real estate sales stems from having the bulk of sale contributed by memorial lot sales. Gross margin for hotel operations remained at some 11% of sales, roughly comparable to the year-ago figure.

Total cost and expenses for the year amounted to Php3.76 billion or higher by 5.82% from the previous year's Php3.55 billion, attributable principally to the higher sales volume in 2013. This has resulted in a net operating income of Php146.65 million, corresponding to an appreciable increase of 31.54% from the year-before amount of Php111.48 million. However, Other Income is negative at Php27.12 million due to fair value adjustment (on marketable securities) of Php44.70 million and finance cost of Php14.16 million against other earnings of Php31.75 million consisting mainly of dividend income, rental, and burial fees. This is a reversal from the other Income of Php57.53 million registered the previous year. Consequently, Income Before Tax dropped to Php119.53 million from Php169.02 the year before. Income tax expense amounted to Php20.59 million, to yield an after-tax Net Income of Php98.94 million which is a 27.24% reduction from the preceding year's Php135.97 million.

Measurement of profitability broken down by company are presented herein below:

PROFITABILITY			
PRYCE CORPORATION (PC)			
	2013	**2012**	Percent Growth/ (Decline)
Gross Margin (%)			
Real estate	89.84%	87.07%	3.2%
Hotel operations	10.91%	11.07%	-1.4%
Return on Assets (%)	0.26%	0.59%	-55.9%
Return on Equity (%)	0.42%	0.94%	-55.3%
Net profit margin (%)	8.70%	21.18%	-58.9%

PROFITABILITY			
PRYCE GASES, INC. & Subsidiary (OOC)			
	2013	**2012**	Percent Growth/ (Decline)
Gross Margin (%)			
LPG	17.19%	17.68%	-2.8%
Industrial Gas	39.88%	35.55%	12.2%
Fuel	6.74%	11.89%	-43.3%
Return on Assets (%)	2.46%	3.90%	-36.9%
Return on Equity (%)	4.37%	6.62%	-33.9%
Net profit margin (%)	2.40%	3.81%	-35.4%

Liquidity

Cash and near-cash assets of the Company as of December 31, 2013 amounted to Php343.12 million, broken down into Cash of Php205.74 million and Financial Assets at Fair Value (marketable securities) of Php137.39 million. This is slightly lower than year-before figure of Php351.96 million, comprised of Cash of Php257.66 million and marketable securities of Php94.30 million. Other liquid assets of the Company as of yearend 2013 consisted of current Trade and Other Receivables in the amount of Php376.04 million, up by 44% from the previous year's Php261.07 million.

Current ratio stood at 1.15:1 as of December 31, 2013 while debt-to-equity ratio was at 1.18:1.

The liquidity and solvency measurements for the Company and its subsidiary are shown below:

LIQUIDITY			
PRYCE CORPORATION (PC)			
	2013	**2012**	Percent Growth/ (Decline)
Current ratio	1.27	1.25	1.6%
Debt to equity ratio	0.59	0.58	1.7%

PRYCE GASES, INC. & Subsidiary (OOC)			
	2013	**2012**	Percent Growth/ (Decline)
Current ratio	1.11	1.20	-7.5%
Debt to equity ratio	0.76	0.69	10.14%

Balance Sheet Changes

Compared to the December 31, 2012 audited accounts, the significant movements in balance sheet accounts are as shown below.

Account Name	% Increase or (Decrease)	Reason for Change
Cash and cash equivalents	(20.15%)	Due to payment of accounts to suppliers, lenders, and other creditors, purchase of marketable securities.
Investment held for trading	45.69%	Additional acquisition of marketable securities.
Trade and Other Receivables	44.04%	Attributed to the increase in revenue.
Inventories	8.76%	Increase in the LPG inventory purchases, due to increase in sales.
Prepayments and other current assets	13.38%	Due to increase of creditable withholding tax and prepaid expenses.
Trade and Other Receivables	(55.41%)	Due to collection and proper reclassification.
Due from related parties	(50.91%)	Due to collection and proper reclassification .
Property plant and equipment	7.80%	Due to construction of new LPG plant.
Accounts payable and accrued expenses	14.18%	Due to increase in purchases.

Income tax payable	88.28%	Due to increase in income tax.
Restructured debts covered by rehabilitation plan	(42.06%)	Due to PGI's payment of restructured loans.
Customers' deposits	15.36%	Due to increase in downpayment for lots/services.
Restructured debts covered by rehabilitation Plan	(29.03%)	Due to reclassification of account to current liabilities.
Retirement benefit obligations	10.28%	Due to additional recognition of benefit obligation for the current year.
Deferred income tax liabilities	(13.08%)	Due to application of creditable withholding taxes for the year.
Deficit	(8.95%)	Net income for the year.
Revaluation reserve	(5.09%)	Due to provision of depreciation of revalued Property Plant and Equipment.
Remeasurement gains on retirement benefit obligation	21.64%	Due to increase in provision.
Non-controlling interest	(5.89%)	Due to net income in 2013.

Status of Rehabilitation Plan

There was no significant change in the status of the Company's ongoing corporate rehabilitation since the last report. The Company was awaiting the final decision of the SC in the case against CBC as of yearend 2013.

Plans and Prospects

The termination and closure of the corporate rehabilitation proceedings of PC and PGI, occurring within a month of each other, augurs well for these two companies' prospects in the near term. The exit from rehabilitation has given management the impetus to take bolder strokes and to be more aggressive with its forward plans and initiatives.

PC will continue to focus its efforts in its memorial park business, while it seeks to dispose of its remaining non-memorial park inventories such as subdivision lots, raw lands, and office condo units. PC will not build new memorial parks but instead concentrate on the selling of its memorial lot inventories.

PGI's construction of an additional 2000 MT storage tank in its import-marine terminal in Albuera, Leyte is already underway. This will increase that terminal's total storage capacity from the existing 1,000 MT to 3,000 MT. This will likewise make discharging of the imported LPG more efficient since it will now be able to handle a single port discharge and fully accommodate the usual 2000-MT LPG carriers, as opposed to sharing a shipload with any other of the Company's terminals. This project is in response to the increasing demand of LPG in the Eastern Visayas region and will thus mean copping greater revenues in that region.

PGI's fourth LPG storage tank (2,100 MT gross) at its import-marine terminal in San Fabian, Pangasinan was completed in early February 2016, thereby increasing its capacity therein to 8,400 MT, the biggest in Northern Luzon and the second largest in the country. PGI plans to aggressively distribute its *PryceGas* – branded cylinders as part of its strategy to enlarge its footprint in the Luzon LPG market. These actions signify PGI's strong and serious intent to become a meaningful player in the Luzon and NCR markets.

The Company believes that it will be able to declare dividends in the near future as it projects a consolidated net income in 2016 that is more than enough to offset the Company's consolidated deficit of Php228.40 million (as of December 31, 2015) and still have enough to pay such dividends. Should this materialize, the Board may be disposed to declare and pay dividends at 50% of prior year's (2016) unrestricted retained earnings (as audited) by the second half of 2017.

Compliance with Corporate Governance

The Company has adopted a Manual of Corporate Governance (the "Manual;" revised in July 2014) to institutionalize sound corporate governance practices, enhance investor protection, and increase accountability. According to the Manual, the Company shall appoint a Compliance Officer who has direct reporting responsibilities to the Chairman of the Board of Directors and monitors compliance with corporate governance matters. Likewise, pursuant to the requirements of the Manual, different board committees had been constituted at the Board's Organizational Meeting in 2015 as follows:

Board Audit Committee

The Board Audit Committee handles audit supervision and/or oversight functions, particularly ensuring compliance with regulatory and internal financial management standards and procedures, performing oversight financial management functions, approving audit plans, coordinating with internal and external auditors, elevating the company's audit procedures to international standards, and developing a transparent financial management system to ensure the integrity of internal control activities throughout the Company. The following are the members of the Board Audit Committee:

(i) Enerlito G. de Mesa – *Chair* (Independent Director)
(ii) Xerxes Emmanuel F. Escaño – Member
(iii) Roland Joey R. de Lara – Member (Independent Director)

Board Nomination Committee

The Board Nomination Committee pre-screens and shortlists candidates nominated to the board in accordance with the criteria spelled out in its Manual and at all times within the realm of good corporate governance. The following are the members of the Board Nomination Committee:

(i) Salvador P. Escaño – *Chair*
(ii) Xerxes Emmanuel F. Escaño – Member

(iii) Roland Joey R. de Lara – Member (Independent Director)

Board Compensation and Remuneration Committee

The Board Compensation and Remuneration Committee is primarily tasked to establish and evaluate formal and transparent procedures for developing policies on executive remuneration and for fixing the remuneration packages of the directors and officers, to designate the amount of remuneration, which shall be sufficient to attract and retain directors and officers needed to successfully run the Company. The members of the Board Compensation and Remuneration Committee are:

(i) Ramon R. Torralba, Jr. – *Chair*
(ii) Salvador P. Escaño – Member
(iii) Enerlito G. de Mesa – Member (Independent Director)

The Company adopted the evaluation system proposed by the SEC in order to measure or determine the level of compliance of the Board of Directors and the Management with corporate governance practices. For the year 2015, the Company has substantially observed and complied with the provisions in the Manual and no culpable deviation from the Manual has been noted or observed.

The Company continuously reviews and evaluates its corporate governance policies to ensure the observance of sound governance practices. The evaluation system provided by the Commission always provides a good starting point in evaluating and improving the Manual.

The Company has submitted its Annual Corporate Governance Report (ACGR) for the year 2015 along with its Annual Report for the same year.

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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 6 8 0 6 3

COMPANY NAME

PRYCE CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

17TH FLOOR PRYCE CENTER 1179 CHINO ROCES AVENUE CORNER BAGTIKAN STREET MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	NA

COMPANY INFORMATION

Company's email Address	Company's Telephone Number	Mobile Number
ssu@pryce.com.ph	899-4401	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
THREE HUNDRED SIXTY NINE (369)	June/24	December/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
SIMEON S. UMANDAL	ssu@pryce.com.ph	899-4401	N/A

CONTACT PERSON's ADDRESS

17/F Pryce Center 1179 Chino Roces ave. cor. Bagtikan St., Makati City

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

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

Pryce Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2015 and 2014 and
for Each of the Three Years in the
Period Ended December 31, 2015

and

Independent Auditor's Report

PRYCE CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **PRYCE CORPORATION AND SUBSIDIARIES,** is responsible for the preparation and fair presentation of the financial statements as at and for the years ended December 31, 2015 and 2014 in accordance with Philippine Financial Reporting Standards, including the supplementary information shown in Annex "A" a List of all the Effective Standards and Interpretations under the Philippine Financial Reporting Standards as additional components required by Rule 68, Part I, Section 4 of the Securities Regulation Code. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

Diaz Murillo Dalupan and Company, the independent auditors appointed by the stockholders, has examined the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

SALVADOR P. ESCAÑO
Chairman

EFREN A. PALMA
President

JOSE MA. CORDENES
Treasurer

April 18, 2016

SUBSCRIBED AND SWORN to me this APR 2 1 2016 day of April, 2016 in the City of ____________, Philippines, Affiant exhibited and personally appeared to me:

NAME	Driver's License No.	Date issued/Expiry
SALVADOR P. ESCAÑO	C10-75-021861	November 14, 2018
EFREN A. PALMA	M02-92-019608	June 20, 2016
JOSE MA. C. ORDENES	N26-08-001284	September 16, 2016

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Page No. 58
Book No. XXI
Series of 2016

ATTY. HENRY D. AD
NOTARY PUBLIC
UNTIL DEC. 31, 2016
S.C. ROLL NO. 29679
1852 SAN MARCELINO ST. MALATE M
IBP NO. 939545 / 01/04/2016
PTR NO. 4915147 01/04/2016
MCLE COMPLIANCE NO. III-000

Independent Auditor's Report

To the Board of Directors and Stockholders of
PRYCE CORPORATION AND SUBSIDIARIES
17th Floor Pryce Center, 1179 Don Chino Roces Avenue
corner Bagtikan Street, Makati City

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Diaz Murillo Dalupan and Company
Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until December 31, 2017
SEC Accreditation No. 0192-FR-1, Group A, effective until April 30, 2016
BIR Accreditation No. 08-001911-000-2016, effective until March 17, 2019

by:

Jozel Francisco C. Santos, Jr.
Partner
CPA Certificate No. 89044
SEC Accreditation No. 1070-AR-1, Group A, effective until December 16, 2016
Tax Identification No. 170-035-673
PTR No. 5330422, January 8, 2016, Makati City
BIR Accreditation No. 08-001911-009-2016, effective until March 17, 2019

April 18, 2016

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Financial Position

	As at December 31	
	2015	2014
ASSETS		
Current assets		
Cash - note 6	**₱ 329,990,764**	₱ 535,001,490
Financial assets at fair value through profit or loss (FVPL) - note 7	**382,205,805**	349,071,800
Trade and other receivables (net) - note 8	**362,983,279**	356,255,906
Inventories - note 9	**536,585,725**	543,055,674
Real estate projects - note 10	**852,717,790**	841,531,023
Prepayments and other current assets - note 11	**60,036,884**	72,029,517
	2,524,520,247	2,696,945,410
Noncurrent assets		
Advances to related parties - note 23	**1,639,463**	2,456,080
Property, plant and equipment (net) - notes 12 and 13	**2,701,465,152**	2,348,884,952
Investment properties - note 14	**109,957,888**	37,027,141
Assets held for dacion en pago - note 15	**-**	197,662,548
Deferred tax assets - note 32	**16,539,701**	16,539,701
Goodwill - note 16	**70,668,305**	68,897,066
	2,900,270,509	2,671,467,488
TOTAL ASSETS	**₱ 5,424,790,756**	₱ 5,368,412,898
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables - note 17	**₱ 1,143,680,724**	₱ 1,354,981,883
Income tax payable	**29,620,693**	8,830,202
Customers' deposits - note 18	**154,981,477**	141,544,998
Installment contracts payable - note 19	**13,233,575**	12,592,068
Short-term debts - note 20	**-**	250,000,000
Restructured debts covered by the rehabilitation plan - note 21	**-**	59,345,094
Debts for dacion en pago covered by the rehabilitation plan - note 2	**-**	329,118,108
	1,341,516,469	2,156,412,353
Noncurrent liabilities		
Installment contracts payable (net of current portion) - note 19	**36,109,111**	49,342,686
Retirement benefit obligation - note 30	**208,940,564**	190,381,718
Advances from related parties - note 23	**345,199,821**	174,381,674
Deferred tax liabilities - note 32	**68,350,708**	70,611,849
Restructured debts covered by the rehabilitation plan - note 21	**-**	59,345,092
	658,600,204	544,063,019
TOTAL LIABILITIES	**₱ 2,000,116,673**	₱ 2,700,475,372

(Forward)

	As at December 31	
	2015	2014
Equity		
Equity attributable to equity holders of the Parent Company		
Capital stock - note 22	**₱ 2,000,000,000**	₱ 2,000,000,000
Additional paid-in capital	**271,834,820**	271,834,820
Deficit	**(228,400,903)**	(770,290,188)
Fair value gain on real estate properties - note 34	**1,030,726,843**	1,030,726,843
Other comprehensive income - note 29	**107,964,820**	111,955,178
Treasury stock - note 22	**(10,352,879)**	-
	3,171,772,701	2,644,226,653
Non-controlling interest	**252,901,382**	23,710,873
TOTAL EQUITY	**3,424,674,083**	2,667,937,526
TOTAL LIABILITIES AND EQUITY	**₱ 5,424,790,756**	₱ 5,368,412,898

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

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

	For the Years Ended December 31		
	2015	2014	2013
REVENUES			
Liquefied petroleum gases, industrial gases and fuels - note 24	**₱ 5,625,892,743**	₱ 5,667,259,474	₱ 3,810,695,703
Real estate - note 24	**82,141,569**	627,828,997	54,323,539
Hotel operations	**35,255,568**	38,137,735	40,063,510
Pharmaceutical products	**29,823,111**	-	-
	5,773,112,991	6,333,226,206	3,905,082,752
COST OF SALES - note 25			
Liquefied petroleum gases, industrial gases and fuels	**4,207,695,344**	4,796,104,714	3,066,341,395
Real estate	**16,193,785**	428,274,867	5,520,491
Hotel operations	**33,476,174**	41,341,300	35,691,142
Pharmaceutical products	**22,246,370**	-	-
	4,279,611,673	5,265,720,881	3,107,553,028
GROSS PROFIT	**1,493,501,318**	1,067,505,325	797,529,724
OPERATING EXPENSES - note 26			
Selling expenses	**331,645,286**	319,711,309	304,386,696
General and administrative expenses	**387,013,450**	407,644,848	347,158,948
	718,658,736	727,356,157	651,545,644
INCOME FROM OPERATIONS	**774,842,582**	340,149,168	145,984,080
OTHER INCOME (CHARGES)			
Finance costs - note 27	**(21,071,191)**	(42,255,897)	(14,162,922)
Fair value gain (loss) - note 7	**(33,742,885)**	45,628,766	(44,704,170)
Loss on petroleum exploration - note 31	**(113,513,796)**	-	-
Other income (net) - note 28	**110,896,779**	47,614,958	32,412,435
	(57,431,093)	50,987,827	(26,454,657)
INCOME BEFORE INCOME TAX	**717,411,489**	391,136,995	119,529,423
INCOME TAX EXPENSE - note 32	**(128,350,847)**	(94,221,987)	(20,594,020)
NET INCOME FOR THE YEAR	**589,060,642**	296,915,008	98,935,403
OTHER COMPREHENSIVE INCOME			
Not subject to reclassification adjustment:			
Remeasurement gains on retirement benefit obligation (net of tax)	**-**	-	3,316,641
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**₱ 589,060,642**	₱ 296,915,008	₱ 102,252,044
Total comprehensive income attributable to:			
Equity Holders of the Parent Company	**₱ 543,073,847**	₱ 294,045,415	₱ 101,091,859
Non-controlling interests	**45,986,795**	2,869,593	1,160,185
	₱ 589,060,642	₱ 296,915,008	₱ 102,252,044
EARNINGS PER SHARE - note 33	**₱ 0.302**	₱ 0.148	₱ 0.051

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

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Equity

	For the Years Ended December 31		
	2015	2014	2013
CAPITAL STOCK - note 22	**₱ 2,000,000,000**	₱ 2,000,000,000	₱ 2,000,000,000
ADDITIONAL PAID-IN CAPITAL	**271,834,820**	271,834,820	271,834,820
FAIR VALUE GAIN ON			
REAL ESTATE PROPERTIES - note 34	**1,030,726,843**	1,030,726,843	1,030,726,843
OTHER COMPREHENSIVE INCOME - note 29	**107,964,820**	111,955,178	117,172,921
DEFICIT			
At beginning of year	**(770,290,188)**	(1,071,789,521)	(1,177,119,489)
Net income for the year	**589,060,642**	296,915,008	98,935,403
Transfer of revaluation reserve deducted from operations through additional depreciation charges	**5,700,511**	7,453,918	7,554,750
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 year	**(45,986,795)**	(2,869,593)	(1,160,185)
At end of year	**(228,400,903)**	(770,290,188)	(1,071,789,521)
TREASURY STOCK - note 22	**(10,352,879)**	-	-
	3,171,772,701	2,644,226,653	2,347,945,063
NON-CONTROLLING INTEREST			
At beginning of year	**23,710,873**	20,841,280	19,681,095
Addition (reversal) during the year:			
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	**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 year	**45,986,795**	2,869,593	1,160,185
At end of year	**252,901,382**	23,710,873	20,841,280
TOTAL EQUITY	**₱ 3,424,674,083**	₱ 2,667,937,526	₱ 2,368,786,343

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

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	For the Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱ 717,411,489**	₱ 391,136,995	₱ 119,529,423
Adjustments for :			
Depreciation - notes 25 and 26	**250,908,859**	238,735,297	206,279,721
Loss on petroleum exploration - note 31	**113,513,796**	-	-
Unrealized loss (gain) on financial assets at FVPL- note 7	**33,742,885**	(45,628,766)	44,704,170
Retirement benefit expense - note 30	**25,773,753**	23,480,459	21,993,723
Finance costs - note 27	**21,071,191**	42,255,897	14,162,922
Gain on sale of financial assets at FVPL - note 28	**(12,680,058)**	(11,819,511)	(3,487,586)
Unrealized foreign exchange loss (gain) - note 28	**(8,434,099)**	(70,740)	7,300,379
Dividend income - note 28	**(4,809,722)**	(5,380,814)	(28,283,384)
Interest income - note 28	**(1,453,736)**	(792,436)	(836,282)
Loss (gain) on sale of property, plant and equipment - note 28	**(7,944)**	-	1,336,086
Provision for impairment losses - note 26	**-**	8,049,814	-
Operating income before working capital changes	**1,135,036,414**	639,966,195	382,699,171
Decrease (increase) in assets:			
Trade and other receivables	**(1,674,242)**	(11,406,239)	(19,255,813)
Inventories	**10,379,731**	89,102,536	(62,081,947)
Prepayments and other current assets	**11,169,014**	(57,751,689)	(26,596,149)
Real estate projects	**(11,186,767)**	471,437,264	-
Increase (decrease) in liabilities:			
Trade and other payables	**(232,354,883)**	274,226,290	40,821,578
Customers' deposits	**13,436,479**	85,279,781	16,623,545
Net cash generated from operations	**924,805,746**	1,490,854,138	332,210,385
Interest received	**1,453,736**	792,436	836,282
Income taxes paid	**(108,623,390)**	(67,434,623)	(15,080,836)
Retirement benefits paid - note 30	**(7,214,907)**	(1,639,754)	(1,541,203)
Net cash generated from operating activities	**810,421,185**	1,422,572,197	316,424,628
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment - notes 12 and 13	**(604,648,941)**	(285,195,872)	(374,159,711)
Additions to financial assets at FVPL - note 7	**(149,053,027)**	(203,837,179)	(127,518,289)
Investment in petroleum exploration - note 31	**(113,513,796)**	-	-
Proceed from sale of financial assets at FVPL- note 7	**94,856,195**	49,601,899	43,215,781
Dividends received - note 28	**4,809,722**	5,380,814	1,962,166
Proceeds from sale of property, plant and equipment	**2,311,278**	-	6,089,026
Proceeds from advances from related parties	**816,617**	21,411,200	664,656
Collection of refundable deposits	**-**	2,148,808	-
Additions to investment properties - note 14	**-**	(37,027,141)	-
Net cash used in investing activities	**(₱ 764,421,952)**	(₱ 447,517,471)	(₱ 449,746,371)

(Forward)

(Continued)

	For the Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds received from short-term debts	**₱ 220,000,000**	₱ 340,000,000	₱ 185,000,000
Proceeds from issuance of capital stock	**206,500,000**	-	-
Payment of short-term debts	**(470,000,000)**	(275,000,000)	-
Payment of restructured debts covered by the rehabilitation plan	**(118,690,186)**	(59,128,812)	(104,183,269)
Settlement (availment) of advances from related parties	**(38,663,997)**	(13,567,501)	114,642
Finance costs paid	**(21,071,191)**	(41,944,439)	(861,550)
Payment of installment contracts payable	**(12,592,068)**	(19,727,574)	-
Purchase of treasury stock - note 22	**(10,352,879)**	-	-
Payment of debts for dacion en pago covered by the rehabilitation plan	**(6,877,226)**	(576,924,690)	-
Net cash generated from (used in) financing activities	**(251,747,547)**	(646,293,016)	80,069,823
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**737,588**	503,302	1,328,851
NET INCREASE (DECREASE) IN CASH	**(205,010,726)**	329,265,012	(51,923,069)
CASH - note 6			
AT BEGINNING OF YEAR	**535,001,490**	205,736,478	257,659,547
AT END OF YEAR	**₱ 329,990,764**	₱ 535,001,490	₱ 205,736,478

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

PRYCE CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements
As at and for the years ended December 31, 2015, 2014 and 2013
(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:

Name of Company	Date of Incorporation
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). In 2014 and prior years, the trading of the Parent Company's shares was on hold due to the pendency of the petition filed with the Supreme Court by one of its creditor banks in relation to the Parent Company's Corporate Rehabilitation. On March 16, 2015, the trading suspension was lifted in connection with the finality of the pending case. The Parent Company's stock price as at the date of the lifting of trading suspension amounted to ₱4 per share.

The Parent Company's registered office address is 17th 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 December 31:

Name of Subsidiary	Nature of Business	Year End	Ownership and Voting Interest 2015	2014
Pryce Gases, Inc. (PGI)	Manufacturer/Distributor of Industrial Gases and Liquefied Petroleum Gas (LPG)	December 31	**91.04%**	98.23%
Oro Oxygen Corporation (OOC)	Trading, and marketing in general merchandise, industrial, medical and other gases and Liquefied Petroleum Gas (LPG)	December 31	**89.73%**	74.13%
Pryce Pharmaceuticals, Inc. (PPhI)*	Trading of pharmaceutical products	December 31	**88.61%**	-

** Includes indirect equity ownership of 13.61% in 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.

As at December 31, 2015, PGI has 8 liquefied petroleum gas (LPG) marine-fed terminals and 32 refilling plants of varying storage capacities.

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

Oro Oxygen Corporation (OOC)

OOC is primarily engaged in the purchase, importation, 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 his 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.

As at December 31, 2015, OOC has 9 liquefied petroleum gas (LPG) refilling plants of varying storage capacities.

OOC's registered office address is 1st 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.

Authorization for issue of the consolidated financial statements

The consolidated financial statements of the Group as at and for the year ended December 31, 2015, including the comparatives as at and for the year ended December 31, 2014, and for each of the three years in the period ended December 31, 2015 were reviewed, approved and authorized for issue by the Board of Directors (BOD) on April 18, 2016.

2. STATUS OF OPERATIONS

Rehabilitation plan of the Parent Company

On July 12, 2004, the Parent Company filed a petition for corporate rehabilitation with the Regional Trial Court (RTC) of Makati City as an initial step towards the settlement of its outstanding loans and thereafter the RTC issued a Stay Order deferring all claims against the Parent Company and appointing a rehabilitation receiver. On September 13, 2004, the RTC issued an Order giving due course to the petition, and directing the rehabilitation receiver to evaluate and make recommendations on the Parent Company's rehabilitation plan.

On January 17, 2005, the RTC approved the Amended Rehabilitation Plan submitted by the rehabilitation receiver, which defined the scheme of liquidating all bank loans and long-term commercial papers by way of dacion en pago of real estate properties with certain revisions on the settlement of nonbanking and trade and other payables less than ₱500,000.

Finality of the Rehabilitation Plan

On February 18, 2014, the Supreme Court *En Banc* granted the Parent Company's Second Motion for Reconsideration praying that the CA's decision dated July 28, 2005 be set aside. The Supreme Court *En Banc* found the arguments of the Company meritorious and thus, reconsidered and set aside the earlier decision of the CA and granted the Parent Company's motion for reconsideration. This promulgation in effect again upheld the RTC-Makati's (i) stay order; (ii) order giving due course to the petition for corporate rehabilitation; and, (iii) order finding the Company eligible to be placed in a state of corporate rehabilitation, approving the rehabilitation plan, identifying assets to be disposed of, and determining the manner of liquidation to pay the liabilities. The Supreme Court *En Banc's* decision has become final and executory and is recorded in the Books of Entries of Judgments on March 27, 2014.

Lifting of trading suspension with the Philippines Stock Exchange (PSE)

On November 28, 2014, the Parent Company's Board of Directors (BOD) approved the filing of a request for the lifting of the trading suspension with the PSE primarily on the account of the finality of its Rehabilitation Plan as concluded by the Supreme Court *En Banc's* February 18, 2014 judgment.

As the Parent Company's Rehabilitation Plan has become final and executory, all the challenges against the Parent Company's rehabilitation proceedings and the approval of its rehabilitation plan have been disposed of, thus, the cause for the suspension of the trading of the Parent Company's shares (that is, there being no approved rehabilitation plan) has ceased to exist. The request for the lifting of the trading suspension of the Parent Company was submitted on the same date with the PSE. Subsequently, the PSE lifted the trading suspension implemented on the Parent Company's shares on March 16, 2015. The Parent Company's stock price as at the date of the lifting of trading suspension amounted to ₱4 per share.

Termination of Corporate Rehabilitation Proceedings

On May 19, 2015, the Parent Company filed a Motion for Termination of Corporate Rehabilitation Proceedings with the Regional Trial Court (RTC) of Makati City asserting that the corporate rehabilitation has been successful and the instant proceedings may already be terminated. In relation to the Parent Company's Motion for Termination of Corporate Rehabilitation Proceedings, Hinundayan Holdings Corporation, the only remaining long term commercial paper (LTCP) creditor of the Parent Company, filed a manifestation stating that it has made certain arrangements with the Parent Company for the settlement of the said loan obligation, thus, endorsing the Parent Company's motion for the approval with the rehabilitation court. International Finance Corporation also filed its manifestation interposing no objection to the Parent Company's motion.

On July 28, 2015, the Regional Trial Court (RTC) of Makati City approved the Parent Company's Motion for Termination of Corporate Rehabilitation Proceedings. Considering the above manifestations and the report of the rehabilitation receiver, the court finds that, indeed, the Corporate Rehabilitation of the Parent Company has been successful.

Rehabilitation Plan of PGI

On June 7, 2002, the Company presented its financial rehabilitation plan to its various creditor banks and financing companies as an initial step towards restructuring its outstanding loans.

On August 27, 2002, two of the Company's creditors filed a petition in court placing the Company under receivership and on September 2, 2002, the court issued a Stay Order pursuant to the interim rules of procedures on corporate rehabilitation. The court appointed a rehabilitation receiver who shall formulate a financial rehabilitation plan, examine the books of accounts and review all disbursements.

On July 3, 2003, the rehabilitation receiver submitted a revised rehabilitation plan (the "Rehabilitation Plan") to the court. On October 10, 2003, the court approved such Rehabilitation Plan but with modifications.

Termination of Corporate Rehabilitation Proceedings

On July 24, 2015, the Company filed a Motion for Termination of Corporate Rehabilitation Proceedings with the Regional Trial Court (RTC) of Makati City asserting that the corporate rehabilitation has been successful and the instant proceedings may already be terminated.

On August 27, 2015, the Regional Trial Court (RTC) of Makati City approved the Company's Motion for Termination of Corporate Rehabilitation Proceedings.

3. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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 so be 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 34. 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.

Basis of presentation and measurement

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for land, building 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 reach 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 judgement 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 chose 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 an 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 pertains 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 value 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% (1.77% in 2014) interest in PGI not owned by the Parent Company, 10.27% (25.87% in 2014) 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.

<u>Change in the Group's ownership interests in subsidiaries without change in control</u>

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.

<u>Disposal of subsidiaries</u>

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.

<u>Segment reporting</u>

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.

<u>Financial instruments</u>

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 December 31, 2015 and 2014.

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 38.

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 December 31, 2015 and 2014, included in other financial liabilities are the Group's trade and other payables, customers' deposits, installment contracts payable, short-term debts, debts covered by the rehabilitation plan and advances from related parties (see Notes 17, 18, 19, 20, 21 and 23).

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 38 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 December 31, 2015 and 2014, included under loans and receivables are the Group's cash, trade and other receivables and advances to related parties (see Notes 6, 8, and 23).

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.

Assets held for dacion en pago

Assets held for dacion en pago consist of memorial park lots and real estate properties, which are measured at the lower of its carrying amount and fair value less cost to sell. The details of the dacion en pago are discussed in detail in Note 2.

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:

	In Years
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 or 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 December 31, 2015 and 2014, 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 payable 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.

<u>Significant accounting judgments in applying the Group's accounting policies</u>

(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 December 31, 2015 and 2014.

(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 and equipment are impaired as at December 31, 2015 and 2014.

(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 inasmuch 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 December 31, 2015 and 2014, the carrying amount of inventories amounted to ₱536.6 million and ₱543.1 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 December 31, 2015 and 2014, the net carrying amounts of real estate projects amounted to ₱852.7 million and ₱841.5 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 December 31, 2015 and 2014, the carrying amounts of property, plant and equipment, net of accumulated depreciation of ₱3.54 billion and ₱3.3 billion, amounted to ₱2.701 billion and ₱2.350 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 December 31, 2015 and 2014 amounted to ₱70.7 million and ₱68.9 million, respectively. No impairment was recognized for the years ended December 31, 2015 and 2014.

(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 December 31, 2015 and 2014 are ₱208.9 million and ₱190.4 million, respectively (see Note 30).

(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 December 31, 2015 and 2014, 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 and ₱81.4 million (see Note 32).

(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.

At the end of each reporting period, the Group reassessed any impairment in value of appraised land, buildings and structures, machinery and equipment, and oxygen and acetylene cylinders under industrial gases operation and hotel and office equipment based on value in use. The Group also reassessed any impairment in value on property, plant and equipment carried at cost under LPG operations based on value in use as at December 31, 2015 and 2014. The value in use was computed based on present value of projected net cash flows of such operations for the next ten years using the pre-tax discounted rate of 5% in both 2015 and 2014.

The value in use was computed based on present value of projected net cash flows of such operations for the next ten years using the pre-tax discounted rate of 5% in both 2015 and 2014. The result of computation showed that the estimated recoverable amounts of such assets exceeded its carrying values by ₱852 million and ₱907 million as at December 31, 2015 and 2014, respectively.

6. CASH

This account consists of:

		2015		2014
Cash on hand	₱	**32,408,979**	₱	37,844,044
Cash in banks		**297,581,785**		497,157,446
	₱	**329,990,764**	₱	535,001,490

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from bank deposits is disclosed as part of the "Other income (net)" account in the consolidated statements of comprehensive income in the amount of ₱271,762 and ₱265,435 in 2015 and 2014, respectively (see Note 28).

There are no legal restrictions on the Group's cash as at December 31, 2015 and 2014.

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

The movement of the account is as follows:

	2015	2014
Cost		
Balance January 1	**₱ 302,244,065**	₱ 136,413,012
Additions	**149,053,027**	203,837,178
Disposals	**(82,176,137)**	(38,006,125)
	369,120,955	302,244,065
Fair value gain	**13,084,850**	46,827,735
Balance December 31	**₱ 382,205,805**	₱ 349,071,800

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.

Proceeds from the sale of the Group's financial assets at FVPL for the years ended December 31, 2015 and 2014 amounted to ₱94.9 million and ₱49.6 million, respectively, which resulted to gain on sale of ₱12.7 million in 2015 and ₱11. 8 million in 2014 and is presented under "Other income (net)" account in the consolidated statements of comprehensive income (see Note 28).

Dividend income earned from financial assets at FVPL is presented under "Other income (net)" account in the consolidated statements of comprehensive income amounting to ₱4.8 million in 2015 and ₱5.4 million in 2014 (see Note 28).

The movements of the fair value gain as at December 31 are as follows:

	2015	2014
Balance January 1	**₱ 46,827,735**	₱ 975,232
Realized fair value gain	**-**	223,737
Fair value gain (loss) during the year	**(33,742,885)**	45,628,766
Balance December 31	**₱ 13,084,850**	₱ 46,827,735

The Group recognizes the fair value gain (loss) on financial assets at FVTPL 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:

	2015	2014
Current:		
Trade	**₱ 314,666,976**	₱ 312,937,940
Less: Allowance for impairment loss	**23,111,347**	43,349,366
	291,555,629	269,588,574
Advances to officers and employees	**35,579,985**	40,029,069
Refundable deposits	**9,303,098**	6,276,358
Advances to contractors and suppliers	**8,762,642**	19,494,370
Cylinder deposits	**1,903,304**	1,903,304
Others	**23,357,016**	26,442,626
	78,906,045	94,145,727
Less: Allowance for impairment loss	**7,478,395**	7,478,395
	71,427,650	86,667,332
Net	**₱ 362,983,279**	₱ 356,255,906

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 and collectible through salary deductions. This also includes, among others, car plan offered to officers and employees with repayment terms.

Other receivables include, among others, advances made to a sports coordinator for the Company's sponsored annual marathon event, which is collectible upon liquidation.

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

	2015	2014
Balance January 1	**₱ 50,827,761**	₱ 42,777,947
Provision for the year	**-**	8,049,814
Write-off for the year	**(20,238,019)**	-
Balance December 31	**₱ 30,589,742**	₱ 50,827,761

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:

	2015	2014
Finished goods:		
LPG, cylinders, stoves and accessories	**₱ 371,584,869**	₱ 316,030,216
Industrial gases	**9,956,793**	10,058,015
Fuel	**68,216**	250,403
Pharmaceutical products	**4,868,563**	-
	386,478,844	326,338,634
In-transit LPG	**60,969,238**	138,693,195
Material and supplies	**80,370,835**	68,127,388
Raw materials	**8,767,211**	9,896,457
	₱ 536,585,725	₱ 543,055,674

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:

	2015	2014
Memorial park lots:		
Cagayan de Oro Gardens	**₱ 74,661,704**	₱ 78,087,946
Zamboanga Memorial Gardens	**71,740,838**	70,679,350
Mt. Apo Gardens	**63,735,003**	63,967,207
Pryce Gardens – Pagadian	**49,615,067**	49,436,387
Pryce Gardens – Manolo Fortich	**28,257,030**	17,498,301
North Zamboanga Gardens	**18,527,122**	19,806,354
Ma. Cristina Gardens	**17,195,224**	18,210,882
Pryce Gardens – Alabel	**15,998,347**	16,007,781
Pryce Gardens – Bislig	**15,734,334**	15,789,713
Ozamis Memorial Gardens	**15,715,719**	16,013,719
Pryce Gardens – Malita	**13,470,164**	13,491,169
Pryce Gardens – Malaybalay	**11,316,069**	11,585,701
	395,966,621	390,574,510
Subdivision lots:		
Puerto Heights Village	**30,770,005**	30,770,005
Villa Josefina Resort Village	**68,538,020**	69,600,841
Saint Joseph Homes	**11,980,499**	11,980,498
Pryce Business Park	-	892,524
	111,288,524	113,243,868

Forwarded

Continued	**2015**	2014
Condominium units:		
Pryce Tower	**₱ 98,768,412**	₱ 98,768,412
Land held for future development:		
Cagayan de Oro	**164,022,528**	164,022,528
Davao	**47,133,094**	39,383,094
Misamis Oriental	**27,979,122**	27,979,122
Cotabato	**7,559,489**	7,559,489
	246,694,233	238,944,233
	₱ 852,717,790	₱ 841,531,023

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:

	2015	2014
Prepaid rent	**₱ 27,172,997**	₱ 32,322,197
Prepaid taxes and licenses	**7,086,331**	6,097,668
Prepaid insurance	**6,711,376**	6,835,266
Prepaid maintenance	**3,587,389**	11,211,613
Deferred charges	**3,282,727**	2,065,303
Inventory materials	**2,260,493**	2,122,452
Foods and materials inventory	**1,580,911**	1,532,629
Input tax	**216,778**	2,762,139
Excess tax credit	**577,619**	511,921
Others	**7,560,264**	6,568,329
	₱ 60,036,885	₱ 72,029,517

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 2015 and 2014, and the gross carrying amounts and the accumulated depreciation of property, plant and equipment are shown below:

As at December 31, 2015

	Net carrying amount, 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**

As at December 31, 2014

	Net carrying amount, January 1, 2014	Additions	Depreciation	Net carrying amounts, December 31, 2014
Land and improvements	₱ 330,473,616	₱ 21,172,961	(₱ 811,361)	₱ 350,835,216
Buildings and structures	190,898,323	3,307,857	(19,840,776)	174,365,404
Machinery and equipment	10,841,623	3,271,554	(1,294,617)	12,818,560
Oxygen and acetylene cylinders	124,232,177	8,070,055	(20,179,463)	112,122,769
Hotel and office equipment	12,094,244	311,460	(1,543,968)	10,861,736
	₱ 668,539,983	₱ 36,133,887	(₱ 43,670,185)	₱ 661,003,685

	Cost	Accumulated depreciation	Net carrying amounts, December 31, 2014
Land and improvements	₱ 363,772,142	(₱ 12,936,926)	₱ 350,835,216
Buildings and structures	565,790,278	(391,424,874)	174,365,404
Machinery and equipment	219,885,716	(207,067,156)	12,818,560
Oxygen and acetylene cylinders	713,514,153	(601,391,384)	112,122,769
Hotel and office equipment	72,904,216	(62,042,480)	10,861,736
	₱ 1,935,866,505	(₱ 1,274,862,820)	₱ 661,003,685

If revalued property, plant and equipment were carried at historical cost, the carrying amounts would be as follows:

As at December 31, 2015

		Cost		Accumulated depreciation		Net carrying amounts, December 31, 2015
Land and improvements	₱	343,190,110	(₱	12,038,067)	₱	331,152,043
Buildings and structures		441,637,984	(	319,258,530)		122,379,454
Machinery and equipment		116,078,299	(	112,451,054)		3,627,245
Oxygen and acetylene cylinders		551,420,250	(	468,686,187)		82,734,063
Hotel and office equipment		54,985,563	(	46,647,968)		8,337,595
	₱	**1,507,312,206**	**(₱**	**959,081,806)**	**₱**	**548,230,400**

As at December 31, 2014

		Cost		Accumulated depreciation		Net carrying amounts, December 31, 2014
Land and improvements	₱	304,006,570	(₱	11,611,767)	₱	292,394,803
Buildings and structures		489,007,559	(	352,848,330)		136,159,229
Machinery and equipment		219,885,716	(	207,067,156)		12,818,560
Oxygen and acetylene cylinders		713,514,153	(	601,391,384)		112,122,769
Hotel and office equipment		54,600,319	(	45,664,990)		8,935,329
	₱	1,781,014,317	(₱	1,218,583,627)	₱	562,430,690

Depreciation charged to operations was allocated as follows:

	2015	2014
Cost of sales:		
Industrial gases – note 25	**₱ 22,049,355**	₱ 21,872,515
Hotel operations – note 25	**5,944,074**	6,166,191
Operating expenses:		
Selling – note 26	**4,120,987**	4,709,137
General and administrative – note 26	**10,947,217**	10,922,342
	₱ 43,061,633	₱ 43,670,185

The above depreciation includes depreciation on appraisal increase amounting to ₱5.7 million in 2015 and ₱7.5 million in 2014, which also represents transfer of realized portion of revaluation reserve to retained earnings/ deficit.

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.

The Parent Company and its subsidiary company (PGI), were placed in a state of corporate rehabilitation for the settlement of their outstanding loan obligations with creditor banks and other financial institutions. The Group's priority in those years where they are under corporate rehabilitation was to settle their loan obligations covered by the rehabilitation plan. In this regard, the Group deemed that it is impracticable to have its property, plant and equipment appraise because of its current financial condition.

As the Group's corporate rehabilitation plan had been successful and its loan obligations had been fully settled in 2015, management is contemplating to have its property, plant and equipment re-appraised in 2016 to assess their current market condition.

While fair market value of the property, plant and equipment was not determined as at December 31, 2015 and 2014, 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 2015 and 2014, and the gross carrying amounts and the accumulated depreciation of property, plant and equipment at cost are as follows:

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	34,394,206	(27,437,866)	77,717,280
Leasehold improvement	5,036,096	-	(1,202,689)	3,833,407
Furniture, fixtures and equipment	21,010,432	5,220,094	(7,170,669)	19,059,857
Construction in progress	106,186,270	346,947,062	-	453,133,402
Building and structures	7,609,948	-	(461,974)	7,147,974
	₱ 1,687,881,267	**₱ 464,277,388**	**(₱207,847,226)**	**₱ 1,944,311,429**

	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	476,826,658	(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	108,630,097	(89,570,240)	19,059,857
Construction in progress	453,133,332	-	453,133,332
Building and structures	9,239,474	(2,091,500)	7,147,974
	₱ 4,167,626,191	**(₱ 2,223,314,762)**	**₱ 1,944,311,429**

As at December 31, 2014

	Net carrying amount, January 1, 2014	Additions	Depreciation	Reclassification	Net carrying amounts, December 31, 2014
LPG plant machinery and equipment	₱ 1,043,828,325	₱ 4,410,031	(₱144,753,889)	₱ 253,964,843	₱ 1,157,449,310
Machinery and equipment	106,614,219	47,619,173	(14,806,343)	180,401,222	319,828,271
Transportation equipment	68,740,074	30,083,436	(28,062,570)	-	70,760,940
Leasehold improvement	6,238,785	-	(1,202,689)	-	5,036,096
Furniture, fixtures and equipment	20,627,994	6,160,085	(5,777,647)	-	21,010,432
Construction in progress	294,941,648	245,610,687	-	(434,366,065)	106,186,340
Building and structures	8,071,922	-	(461,974)	-	7,609,948
	₱ 1,549,062,967	₱ 333,883,412	(₱195,065,112)	-	₱ 1,687,881,267

	Cost	Accumulated depreciation	Net carrying amounts, December 31, 2014
LPG plant machinery and equipment	₱ 2,770,476,459	(₱ 1,613,027,149)	₱ 1,157,449,310
Machinery and equipment	410,935,141	(91,106,870)	319,828,271
Transportation equipment	293,641,890	(222,880,950)	70,760,940
Leasehold improvement	16,947,296	(11,911,200)	5,036,096
Furniture, fixtures and equipment	102,953,391	(81,942,959)	21,010,432
Construction in progress	106,186,270	-	106,186,270
Building and structures	9,239,474	(1,629,526)	7,609,948
	₱ 3,710,379,921	(2,022,498,654)	₱ 1,687,881,267

Depreciation charged to operations was allocated as follows:

	2015	2014
Cost of sales:		
LPG, cylinders, stoves and accessories - note 25	**₱ 133,118,291**	₱ 131,554,304
Industrial gases – note 25	**7,625,667**	9,403,560
Operating expenses:		
Selling – note 26	**20,071,149**	21,328,310
General and administrative - note 26	**47,032,119**	32,778,938
	₱ 207,847,226	₱ 195,065,112

Construction in progress as at December 31, 2015 and 2014 pertains mainly to LPG plant and refilling plants. As at December 31, 2014, portion of the construction in progress amounted to ₱434.36 million has already been completed and transferred under "LPG plant, machinery and equipment" account, respectively.

14. INVESTMENT PROPERTIES

This account consists of:

	2015	2014
Memorial lawn lots	**₱ 72,930,747**	₱ -
Land	**37,027,141**	37,027,141
	₱ 109,957,888	₱ 37,027,141

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 rehabilitation plan (see Note 2) and PGI's intention to hold these assets for capital appreciation, the memorial lawn lots have been reclassified to investment properties from previously classified as "assets held for dacion en pago" (see Note 15).

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. ASSETS HELD FOR DACION EN PAGO

Assets held for dacion en pago includes various memorial park lawn lots contributed by the Parent Company in 2003 and 2004 as capital equity contribution to PGI, a subsidiary. The contribution was classified as deposits for future stock subscriptions. These assets shall be used by the Company in settlement of its debts for dacion en pago covered by the Rehabilitation Plan. With the termination of the rehabilitation plan (see Note 2) and all of the obligations due to creditors under the Rehabilitation Plan have been paid or assigned to affiliates, this account was reclassified to investment properties (see Note 14).

16. 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.

	2015	2014
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**	-
	₱ 70,668,305	₱ 68,897,066

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 December 31, 2015 and 2014. 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

17. TRADE AND OTHER PAYABLES

	2015	2014
Accounts payable:		
Trade	**₱ 969,409,021**	₱ 1,182,066,162
Nontrade	**5,815,480**	4,430,069
Accrued expenses:		
Salaries, wages and benefits	**12,398,890**	11,572,420
Interest	**-**	21,391,628
Others	**9,141,279**	12,789,714
Deposits for park internment services	**63,406,359**	68,591,691
Cylinder and autogas kit deposits	**45,538,392**	29,827,189
Due to government agencies	**25,343,177**	11,953,599
Reserve fund liability	**8,608,970**	7,323,464
Deferred income	**4,019,156**	5,035,947
	₱ 1,143,680,724	₱ 1,354,981,883

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.

18. CUSTOMERS' DEPOSITS

This account represents accumulated collections 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 ₱154,981,477 and ₱141,544,998 as at December 31, 2015 and 2014, respectively.

19. 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 December 31 follows:

	2015	2014
Current portion	**₱ 13,233,575**	₱ 12,592,068
Non-current portion	**36,109,111**	49,342,686
	₱ 49,342,686	₱ 61,934,754

20. SHORT-TERM DEBTS

Short-term debts consist of:

PGI

On December 18, 2014, a ₱150 million unsecured short-term debt was obtained from a local bank, which is payable within 180 days from the date of loan release and renewable upon maturity. Interest rate is at 5.75% per annum, subject to repricing.

In 2015, various short-term debts obtained from a local bank with an aggregate amount of ₱220 million at an average interest rate of 5.55% to 5.75% per annum for a period of 90 days. As at December 31, 2015, all loans were settled in full amounting to ₱370 million.

OOC

On December 16, 2014, a ₱150 million unsecured short-term debt from a local bank, which payable within 91 days from the date of loan release and renewable upon maturity. Interest rate is at 6.0% per annum, subject to repricing. As at December 31, 2015, the loan was settled in full.

Any new repriced interest rates that may be imposed by the bank for the relevant interest period shall be binding and conclusive, unless otherwise objected by the Group through a written advise. In the event the Group subsequently rejects any of the repriced interest rates computed by the bank or any new repriced interest rate agreed upon, the bank shall have the option to charge interest on the loan based on the last agreed rate computed from the end of the immediately preceding interest period until a new repriced interest rate is agreed upon or to immediately demand payment of the entire balance of the loan, which shall be considered immediately due, payable and defaulted. A thirty-six percent (36%) penalty per annum will be charged for all amounts due and unpaid.

Total interest incurred from these short-term debts charged to operations amounted to ₱4.40 million and ₱3.93 million for the year ended December 31, 2015 and 2014, respectively (see Note 27).

21. DEBTS COVERED BY THE REHABILITATION PLAN

The liabilities covered by the rehabilitation plan, as mentioned in Note 2, consist of:

	2015	2014
Debts for dacion en pago	₱ -	₱ 207,447,542
Accrued interest		121,670,566
		329,118,108
Restructured debts		
Current	-	59,345,094
Noncurrent	-	59,345,092
	-	118,690,186
	₱ -	₱ 447,808,294

a) *Debts for dacion en pago of the Parent Company*

	2015	2014
Long-term commercial papers (LTCPs)	₱ -	₱ 41,263,401
Trade and non-trade creditors	-	27,401,795
	-	68,665,196
Accrued interest	-	121,670,566
	₱ -	₱ 190,335,762

The above indebtedness shall be liquidated and paid through dacion en pago of the Group's real estate properties subject to the provisions of the corporate rehabilitation plan (see Note 15).

Termination of Corporate Rehabilitation Proceedings

On July 28, 2015, the Regional Trial Court (RTC) of Makati City approved the Parent Company's Motion for Termination of Corporate Rehabilitation Proceedings (see Note 2). Accordingly, outstanding obligations previously presented under "Debts covered by the rehabilitation plan" account were reclassified as follows:

- The balance of LTCP loan, including portion of the accrued interest which was assigned to Hinundayan Holdings Corporation (HHC) was presented under "Advances from related parties" account (see Note 23).
- Trade and non-trade creditor accounts, including portion of the accrued interest which was assigned to Josefina Multi Ventures Corporation (JMVC) was presented under "Advances from related parties" account (see Note 23).
- Accrued interest amounting to ₱60,835,283 was recognized and credited to "Other income (net)" account in the consolidated statements of comprehensive income (see Note 28).

b) *Debts for dacion en pago of PGI*

This account consists of:

	2015	2014
Secured by non-operating assets:		
Foreign-currency denominated trade payable	**₱ -**	₱ 82,797,768
Unsecured debts:		
Peso-denominated trade payables	**-**	55,984,578
	₱ -	₱ 138,782,346

Termination of Corporate Rehabilitation Proceedings

On August 27, 2015, the Regional Trial Court (RTC) of Makati City approved PGI's Motion for Termination of Corporate Rehabilitation Proceedings (see Note 2). Accordingly, the outstanding obligations previously presented under "Restructured debts" and "Debts for dacion en pago" covered by the rehabilitation plan" account was settled as follows:

Debts for dacion en pago

In 2015, total indebtedness of ₱138.78 million was settled as follows:

- PGI's assets held for dacion en pago amounting to ₱124.73 million for debts secured by PGI's non-operating assets; and
- Cash settlement and assignment of debts to its Parent Company amounting to ₱3.32 million and ₱10.7 million, respectively.

Restructured debts

In 2015, the above indebtedness of ₱118.69 million was settled in cash.

Total interest incurred from restructured debts charged to operations amounted to ₱1.68 million and ₱2.23 million for the year ended December 31, 2015 and 2014, respectively (see Note 27).

22. EQUITY

Capital stock

Details of this account are as follows:

	2015	2014
Common stock – ₱1 par value		
Authorized – 2,000,000,000 common shares	**₱ 2,000,000,000**	₱ 2,000,000,000
Issued – 1,998,750,000 common shares	**₱ 1,998,750,000**	₱ 1,998,750,000
Subscribed – 1,250,000 common shares	**1,250,000**	1,250,000
Total	**₱ 2,000,000,000**	₱ 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). In 2014 and prior years, trading of the Parent Company's shares was on hold due to the pendency on the petition filed with the Supreme Court by one of its creditor bank in relation to the Parent Company's Corporate Rehabilitation. On March 16, 2015, the trading suspension was lifted in connection with the finality of the pending case. The Parent Company's stock price as at the date of the lifting of trading suspension amounted to ₱4 per share. As at December 31, 2015, the Parent Company's stock price amounted to ₱2.38 per share.

As at December 31, 2015 and 2014, the Parent Company's capital stock is fully subscribed and has 369 equity holders.

Treasury stock

PGI acquired 47,058,543 of the Parent Company shares through acquisition with the Philippine Stock Exchange (PSE). The total amount paid to acquire the shares, net of income tax, was ₱10,352,879 and is presented as a deduction in the consolidated statement of changes in equity as "Treasury stock".

23. 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

Related parties	Relationship
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:

	Amount of transactions		Outstanding balances	
Related party	**2015**	2014	**2015**	2014
PPI	₱ **-**	₱ 621,110	₱ **1,339,463**	₱ 2,160,717
MGI	**-**	-	-	295,363
PDC	**300,000**	-	**300,000**	**-**
Net	₱ **300,000**	₱ 621,110	₱ **1,639,463**	₱ 2,456,080

b) The Company has unsecured non-interest bearing advances from its key management personnel and other related parties with no definite repayment terms and no guarantee.

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

	Amount of transactions		Outstanding balances	
Related party	**2015**	2014	**2015**	2014
MGI	**₱ 30,300,583**	₱ -	**₱ 136,127,550**	₱ 105,826,967
JMVC	**105,731,438**	15,574,663	**121,306,101**	15,574,663
KMP	**-**	-	**49,293,300**	49,293,300
HHC	**34,386,126**	-	**34,397,617**	11,491
CLOAC	**-**	-	**3,675,253**	3,675,253
PFLC	**400,000**	-	**400,000**	-
	₱ 170,818,147	₱ 15,574,663	**₱ 345,199,821**	₱ 174,381,674

Josefina Multi-Ventures Corporation (JMVC)

The Parent Company's trade creditors entered into various deed of assignments 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.

These assigned loan obligations to JMVC were previously presented under "Debts covered by the rehabilitation plan" account and was reclassified to "Advances from related parties" as the Parent Company's corporate rehabilitation was terminated in 2015 (see Note 21).

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.

These assigned LTCPs to HHC were previously presented under "Debts covered by the Rehabilitation Plan" account and were reclassified to "Advances from related parties" as the Parent Company's corporate rehabilitation was terminated in 2015 (see Note 21).

Oro Oxygen Corporation (OOC)

In 2015, the Parent Company and OOC entered into a lease contract agreement wherein the Parent Company's land (including the LPG refilling facility and offices thereon) located in Luzon leased out to OOC for a period of twenty (20) years commencing on January 1, 2015 to December 31, 2034 for a monthly rental of ₱400,000. Total rental income, which was eliminated in the consolidated statement of comprehensive income, amounted to ₱4.8 million for the year ended December 31, 2015.

c) The remuneration of the key management personnel of the Company is set out below in aggregate for each of the categories specified in PAS 24, *Related party disclosures*, as follows:

		2015		2014		2013
Salaries and wages	₱	**21,273,241**	₱	12,779,990	₱	14,216,884
Other benefits		**4,804,982**		1,199,041		1,772,253
	₱	**26,078,223**	₱	13,979,031	₱	15,989,137

24. REVENUES

The details of this account are as follows:

a) Liquefied petroleum gases, industrial gases and fuels

	2015	2014	2013
LPG, cylinders, stoves and accessories:			
Content	**₱ 4,981,554,236**	₱ 4,919,482,899	₱ 2,945,531,039
Autogas	**263,633,816**	283,410,496	340,530,546
Cylinders	**44,932,909**	57,223,769	60,382,200
Stove and accessories	**2,115,958**	7,871,875	8,407,361
Sub-total	**5,292,236,919**	5,267,989,039	3,354,851,146
Industrial gases:			
Oxygen	**257,790,013**	320,276,131	340,903,689
Acetylene	**63,863,151**	41,371,067	58,516,806
Other gases	**9,816,272**	29,528,017	13,151,328
Sub-total	**331,469,436**	391,175,215	412,571,823
Fuels:			
Diesel	**2,186,388**	4,819,188	27,038,409
Gasoline	**-**	3,271,207	16,229,457
Lubricants	**-**	4,825	4,868
Sub-total	**2,186,388**	8,095,220	43,272,734
	₱ 5,625,892,743	₱ 5,667,259,474	₱ 3,810,695,703

b) Real estate

Revenue from real estate amounted to ₱82,141,569, ₱627,828,997, and ₱54,323,539 the years ended December 31, 2015, 2014 and 2013, respectively.

Accumulated collections on contracts not yet recognized as revenue and recorded under the "Customers' deposits" account amounted to ₱154,981,477 and ₱141,544,998 as at December 31, 2015 and 2014, respectively (see Note 18).

25. COST OF SALES

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

	2015	2014	2013
LPG, cylinders, stoves and accessories:			
Direct materials	**₱ 3,707,136,579**	₱ 4,160,737,667	₱ 2,536,710,810
Depreciation – note 13	**133,118,291**	131,554,304	107,511,020
Freight and handling	**48,072,404**	53,909,772	29,200,366
Direct labor	**31,998,491**	45,828,735	18,221,603
Outside services	**25,162,483**	37,163,766	23,736,786
Repairs and maintenance	**13,151,984**	44,731,549	30,784,633
Rent and utilities	**14,704,896**	19,134,547	14,570,128
Taxes and licenses	**6,837,051**	5,624,466	6,133,335
Insurance	**3,826,138**	2,214,040	1,827,583
Fuel and oil	**3,408,790**	5,967,748	4,251,533
Others	**10,640,160**	45,040,846	5,040,813
	3,998,057,267	4,551,907,440	2,777,988,610
Industrial gases:			
Direct materials	**132,787,326**	154,779,449	169,629,413
Depreciation – notes 12 and 13	**29,675,022**	31,276,075	31,772,558
Direct labor	**9,699,342**	11,450,492	10,758,403
Rent and utilities	**7,932,938**	10,343,995	10,636,627
Freight and handling	**6,958,740**	284,036	24,552
Outside services	**5,868,021**	10,677,316	8,968,825
Repairs and maintenance	**4,842,919**	11,822,321	7,131,040
Taxes and licenses	**1,691,633**	1,369,357	1,158,243
Insurance	**971,885**	845,887	492,245
Others	**7,385,690**	4,142,668	7,426,033
	207,813,516	236,991,596	247,997,939
Fuels:			
Direct materials	**1,824,561**	7,205,678	40,354,846
	₱ 4,207,695,344	₱ 4,796,104,714	₱ 3,066,341,395

b) Cost of sales on hotel operations consists of:

	2015	2014	2013
Salaries, wages and benefits	**₱ 10,446,994**	₱ 10,606,316	₱ 9,772,126
Supplies	**6,811,729**	9,553,534	8,744,838
Depreciation – note 12	**5,944,074**	6,166,191	5,870,201
Outside services	**4,656,252**	6,458,459	5,132,091
Utilities	**2,915,646**	5,302,575	3,590,073
Taxes and licenses	**1,954,213**	1,926,871	1,906,748
Repairs and maintenance	**466,210**	674,026	307,313
Travel and transportation	**38,305**	58,241	11,912
Insurance	**27,831**	38,672	36,307
Others	**214,920**	556,415	319,533
	₱ 33,476,174	₱ 41,341,300	₱ 35,691,142

c) Cost of sales on pharmaceutical products

	2015		2014		2013
Beginning inventory – note 9	**₱ 3,909,781**	₱	-	₱	-
Add: Purchases	**23,205152**		-		-
Total good available for sale	**27,114,933**		-		-
Less: Ending inventory – note 9	**4,868,563**		-		-
	₱ 22,246,370	₱	-	₱	-

d) Cost of real estate amounted to ₱16,193,785, ₱428,274,867, and ₱5,520,491 for the years ended December 31, 2015, 2014, and 2013, 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.

26. OPERATING EXPENSES

This account consists of:

	2015	2014	2013
Selling expenses:			
Salaries, wages and benefits	**₱ 68,715,389**	₱ 68,883,857	₱ 61,869,645
Freight and handling	**49,370,505**	25,987,980	26,530,331
Repairs and maintenance	**38,775,830**	43,391,143	41,711,669
Outside services	**33,028,618**	37,770,521	36,969,085
Depreciation – notes 12 and 13	**24,192,136**	26,037,447	23,420,890
Fuel and oil	**23,208,006**	25,334,989	22,896,464
Rent and utilities	**20,761,814**	24,165,394	22,009,619
Materials and supplies	**18,031,372**	19,617,332	20,663,206
Travel and transportation	**13,521,501**	15,574,349	15,715,558
Commissions	**10,410,558**	10,396,965	7,544,812
Taxes and licenses	**8,594,682**	6,392,182	4,177,884
Representation and entertainment	**4,369,424**	4,499,012	4,056,062
Advertisements	**3,091,598**	2,928,813	3,055,229
Insurance	**2,500,044**	1,505,399	1,382,489
Training and seminars	**662,603**	424,506	2,737,819
Dues and subscriptions	**277,751**	264,315	1,098,749
Professional fees	**803,527**	130,447	248,010
Others	**11,329,928**	6,406,658	8,299,175
	331,645,286	319,711,309	304,386,696

Forwarded

Continued		**2015**		2014		2913
General and administrative expenses:						
Salaries, wages and benefits	₱	**101,485,264**	₱	113,596,042	₱	103,172,543
Depreciation – notes 12 and 13		**57,979,336**		43,701,280		37,705,052
Repairs and maintenance		**44,602,357**		46,777,724		46,200,165
Travel and transportation		**22,824,590**		27,675,578		22,041,759
Taxes and licenses		**19,964,008**		19,407,431		12,042,898
Fuel and oil		**18,141,364**		18,689,904		14,488,349
Outside services		**17,607,494**		18,220,894		11,498,478
Rent and utilities		**17,049,976**		27,565,631		19,549,192
Materials and supplies		**13,868,830**		24,642,821		15,728,216
Freight and handling		**10,191,965**		8,337,899		7,959,843
Advertisements		**8,467,966**		2,806,321		2,441,553
Representation and entertainment		**8,366,441**		7,699,108		7,794,735
Insurance		**7,208,174**		6,224,950		7,715,641
Dues and subscriptions		**6,182,038**		8,064,426		5,196,158
Professional fees		**5,776,632**		4,425,501		6,162,046
Donation		**4,431,586**		1,971,017		2,330,299
Meetings and conferences		**3,854,155**		3,181,077		4,827,054
Training and seminars		**850,104**		324,690		3,843,213
Provision for impairment losses – note 8		**-**		8,049,814		-
Others		**18,161,170**		16,282,740		16,461,754
		387,013,450		407,644,848		347,158,948
	₱	**718,658,736**	₱	727,356,157	₱	651,545,644

27. FINANCE COSTS

This account consists of:

		2015		2014		2013
Importations	₱	**14,755,030**	₱	25,750,268	₱	-
Debts						
Short-term – note 20		**4,396,939**		3,933,333		-
Debts covered by rehabilitation plan – note 21		**1,628,495**		2,228,778		3,041,187
Long-term		**290,727**		10,343,518		11,121,735
	₱	**21,071,191**	₱	42,255,897	₱	14,162,922

28. OTHER INCOME (NET)

This account consists of:

	2015	2014	2013
Other income:			
Gain on settlement of debts covered by rehabilitation plan – note 21	₱ **60,835,283**	₱ 14,265,594	₱ -
Gain on sale of financial assets at FVPL – note 7	**12,680,058**	11,819,511	3,487,586
Unrealized foreign exchange gain – note 37	**8,434,099**	70,740	20,268
Dividends - note 7	**4,809,722**	5,380,813	28,283,384
Interment fees	**3,276,301**	3,302,922	3,756,154
Rental	**2,403,770**	2,077,088	4,000,200
Sale of scrap and junked materials	**2,284,884**	805,853	711,986
Interest income from real estate sales	**1,181,974**	527,001	664,229
Interest income from banks	**271,762**	265,435	172,053
Gain on sale of property	**7,944**	-	-
Realized foreign exchange gain	**-**	59,987	-
Others	**14,710,982**	9,040,014	2,096,344
	110,896,779	47,614,958	43,192,204
Other charges:			
Loss on sale of property	**-**	-	(1,336,086)
Unrealized foreign exchange loss	**-**	-	(7,320,647)
Foreign exchange loss	**-**	-	(2,123,036)
	-	-	(10,779,769)
	₱ **110,896,779**	₱ 47,614,958	₱ 32,412,435

29. OTHER COMPREHENSIVE INCOME

	2015	2014
Remeasurement gains on retirement benefit obligation		
At beginning of year	₱ **18,643,586**	₱ 18,643,586
Remeasurement gain during the year	**-**	-
Effect of deferred income tax	**-**	-
At end of year	**18,643,586**	18,643,586
Revaluation reserve		
At beginning of year	**93,311,592**	98,529,335
Transfer of revaluation reserve deducted from operations through additional depreciation charges – note 12	**(5,700,511)**	(7,453,918)
Deferred income tax effect on revaluation reserve charged to operations through additional depreciation	**1,710,153**	2,236,175
At end of year	**89,321,234**	93,311,592
Total other comprehensive income	**₱ 107,964,820**	₱ 111,955,178

30. 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 December 31, 2015 and 2014, the present value of the retirement benefit obligation amounted to ₱208,940,564 and ₱190,381,718 respectively.

The Group has not yet established a formal retirement plan asset for its employees. The Group maintains unfunded defined benefit obligation as at December 31, 2015 and 2014.

The following tables summarize the components of retirement benefit expense recognized in the consolidated statement of comprehensive income:

	2015	2014
Current service cost	**₱ 16,714,526**	₱ 15,476,413
Interest cost	**9,059,227**	8,004,046
Retirement benefit expense	**₱ 25,773,753**	₱ 23,480,459

The retirement benefit expense is included in "Salaries, wages and benefits" account under general and administrative expenses in the consolidated statement of comprehensive income.

Changes in present value of the defined benefit retirement obligation are as follows:

	2015	2014
Balance at beginning of year	**₱ 190,381,718**	₱ 168,541,013
Retirement benefit expense	**25,773,753**	23,480,459
Benefits paid	**(7,214,907)**	(1,639,754)
Balance at end of year	**₱ 208,940,564**	₱ 190,381,718

No contributions were made in 2015 and 2014 inasmuch as the Group has yet to establish its retirement plan asset to fund its retirement benefit obligation.

The Group does not maintain plan assets and therefore no actual return is recognized. Benefits paid to retired employees are derived from the operational funds of the Group.

For the determination of the retirement benefit obligation, the following actuarial assumptions were used:

Parent Company

	2015	2014
Discount rate	**4.24%**	4.24%
Expected salary increase rate	**8%**	8%

PGI

	2015	2014
Discount rate	**5.16%**	5.16%
Expected salary increase rate	**8%**	8%

The discount rate at December 31, 2015 and 2014, also called the zero yield curve was derived by applying the procedure of bootstrapping on the bonds included in the PDST-R2 Index, projected as of the valuation date. Assumptions regarding mortality experience are based on 100% of the adjusted 1985 Unisex Annuity Table and 100% of the adjusted 1952 Disability Table reflecting experience improvement and Philippine experience.

Maturity profile of undiscounted benefit payments

The maturity analysis on the Group's undiscounted benefit payments as at December 31, 2015 is as follows:

	1 to 2 years	3 to 5 years	6 to 9 years
Normal retirement	₱ 45,931,470	₱ 18,899,995	₱ 67,011,222

Discount rate sensitivity

Parent Company

	Change in assumptions	**Increase in assumptions**	**Amount**	**Decrease in assumptions**	**Amount**
Discount rate	1%	Decrease by 6.0%	₱ 4,509,683	Increase by 5.3%	(₱ 3,976,858)
Salary increase rate	1%	Increase by 4.8%	3,625,822	Decrease by 4.3%	(3,268,050)

PGI

	Change in assumptions	**Increase in assumptions**	**Amount**	**Decrease in assumptions**	**Amount**
Discount rate	1%	Decrease by 7.6%	₱ 8,077,716	Increase by 8.7%	(₱ 7,045,690)
Salary increase rate	1%	Increase by 7.0%	6,567,762	Decrease by 7.1%	(6,665,768)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

When calculating sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized within the consolidated statement of financial position.

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

Through its defined benefit retirement plan, the Group is exposed to a number of risks, the most significant of which are as follows:

- Changes in bond yield – A decrease in government bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

The weighted average duration of the defined benefit obligation is 7.2 years and 21.9 years for the Parent Company and PGI, respectively.

31. LOSS ON PETROLEUM EXPLORATION

On July 30, 2015, PGI entered into a Farm-In Agreement with Otto Energy Philippines, Inc. ("Operator") to acquire from the latter ten percent (10%) participating interest in Service Contract 55 (SC 55) of the Philippine Government through the Department of Energy. SC 55 covers the agreement and arrangements between a joint-venture of investors and the Philippine Government to do oil and gas exploration within a specific area of 9,880 square meters of Palawan's southwestern offshore waters, which is in the middle of a regional oil and gas fairway that extends from Borneo's productive offshore region in the southwest, to the Philippine's offshore production assets northwest of Palawan.

In consideration of said 10% participating interest which is equivalent to 10% of the well costs for the drilling and testing of the Hawkeye-1 exploration well within the SC 55, PGI paid US$3.225 million that would entitle it to a 10% of the earnings and the cost recovery pool in SC 55. An area called Hawkeye-1 was identified for drilling based on 3D seismic studies and other technical evaluations. Drilling of this well began in August 2015.

Thru information received by PGI from the Operator, the well was drilled to a planned total depth of 2,920 meters and although it was found to contain a hydrocarbon discovery, it was too small to be economically viable. The well was eventually plugged and abandoned.

After thorough consultation with the technical advisers on the drilling results of Hawkeye-1 and the non-viability of the well, on December 16, 2015, PGI's Board of Directors approved the write off of its investment in joint-venture amounting to ₱113.5 million.

32. INCOME TAX

a) The components of income tax expense for the years ended December 31, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
Current tax expense:	**₱ 128,901,834**	₱ 95,682,951	₱ 47,243,145
Deferred tax benefit on the origination and reversal of temporary differences	**(550,987)**	(1,460,964)	(26,649,125)
	₱ 128,350,847	₱ 94,221,987	₱ 20,594,020

b) A numerical reconciliation of the tax expense and the product of accounting income multiplied by the applicable tax rates follow:

	2015	2014	2013
Income before tax	**₱ 717,411,489**	₱ 391,136,995	₱ 119,529,423
Income tax expense at 30%	**₱ 215,223,447**	₱ 117,341,099	₱ 35,858,827
Add (deduct) tax effect of the following:			
Nontaxable income	**(35,855,420)**	(18,950,231)	(9,523,098)
Income on BOI-registered activities enjoying ITH	**(93,735,610)**	(12,862,983)	-
Applied MCIT	**-**	(1,482,186)	(1,699,135)
Difference in income tax method used	**-**	(817,344)	-
Nondeductible expenses	**48,227,559**	8,669,691	14,149,458
Depreciation on appraisal increase	**1,710,153**	2,236,175	2,266,426
Reversal and change in temporary difference	**(9,131,401)**	87,766	(19,275,898)
NOLCO claimed	**-**	-	(2,729,267)
Change in valuation allowance on deferred tax assets	**1,912,119**	-	1,546,707
Reported income tax expense	**₱ 128,350,847**	₱ 94,221,987	₱ 20,594,020

c) The components of deferred tax assets and liabilities accounts in the consolidated statement of financial position are as follows:

	2015	2014
Deferred tax assets:		
Retirement benefit obligation	**₱ 62,682,170**	₱ 57,114,515
Unrealized foreign exchange losses	**-**	25,573,712
Allowance for impairment losses	**9,176,923**	15,248,456
	71,859,093	97,936,683
Valuation allowance	**(55,319,392)**	(81,396,982)
	₱ 16,539,701	₱ 16,539,701

	2015	2014
Deferred tax liabilities:		
Revaluation increment in property, plant and equipment	**₱ 38,280,528**	₱ 39,990,682
Unrealized foreign exchange gain	**2,530,230**	21,222
Interest expense capitalized to property, plant and equipment and real estate projects	**27,539,950**	30,599,945
	₱ 68,350,708	₱ 70,611,849

As at end of the reporting period, one of the LPG terminals and refilling plant operation is enjoying ITH (see Note 1). While, income on other LPG terminal and refilling plant operations, upon which ITH has expired, is subject to MCIT of 2% based on gross profit when it is greater than the regular corporate income tax (RCIT) of 30% or when the Group has zero or negative taxable income. The excess of MCIT over RCIT shall be carried forward and credited against RCIT for the three immediately succeeding taxable years. The current income tax expense in 2015 and 2014 as shown in the consolidated statements of comprehensive income both represent the RCIT.

33. 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 were 1,952,941,457 in 2015 and 2,000,000,000 in 2014.

	2015	2014
Net income	**₱ 589,060,642**	₱ 296,915,008
Weighted average number of common shares	**1,952,941,457**	2,000,000,000
	₱ 0.302	₱ 0.148

34. FAIR VALUE GAIN ON TRANSFERRED REAL ESTATE PROPERTIES THRU DACION EN PAGO COVERED BY THE REHABILITIATION 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.

<u>PGI real estate properties transferred to creditors by way of dacion en pago covered by the rehabilitation plan</u>

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 December 31, 2015 and 2014 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.

<u>Effect of Parent Company's recognition of real estate properties transferred to PGI at cost</u>

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 reduces the consolidated deficit as at December 31, 2015 and 2014 by ₱1.03 billion.

35. OPERATING BUSINESS SEGMENTS

The Group's reportable segments consist of: (1) real estate; (2) LPG, industrial gases and fuels and (3) pharmaceutical products, which the Group operates and manages as strategic business units and organize by products and services.

Intersegment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

Segment operating assets consist principally of operating cash, receivables and inventories, net of any allowance for impairment in value, while segment liabilities include all operating liabilities and consist principally of trade payables and other payables.

The Group's segment information is as follows:

	Real Estate			LPG, Industrial Gases and Fuels			Pharmaceutical products
	2015	2014	2013	**2015**	2014	2013	2015
				(amounts in millions)			
Revenue from external customers	**₱ 117**	₱ 666	₱ 95	**₱ 5,626**	₱ 5,667	₱ 3,811	**₱ 30**
Results							
Income (loss) before income tax	**₱ 92**	₱ 125	₱ 4	**₱ 624**	₱ 266	₱ 116	**₱ 1**
Income tax benefit (expense)	**(28)**	(38)	1	**(100)**	(56)	(22)	**(.4)**
Net income (loss) for the year	**65**	87	5	**523**	210	94	**1**
Other information:							
Segment assets	**₱ 730**	₱ 749	₱ 1,092	**₱ 4,054**	₱ 4,326	₱ 3,322	**₱ 17**
Segment liabilities	**344**	354	284	**981**	1,124	710	**9**
Capital expenditures	**5**	77	31	**599**	208	343	**.70**
Depreciation	**18**	9	9	**233**	230	198	**.20**

36. 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.

Total rent charged to operations in 2015 and 2014 amounted to ₱11.08 million and ₱11.8 million included as part of "Cost of sales" and "Operating expenses" accounts, in the consolidated statement of comprehensive income.

37. 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:

- *Foreign currency risk*

  The Group has significant exposure to foreign currency risks as major portion of its restructured debts and purchase transactions on the part of PGI are foreign currency denominated.

  The foreign currency denominated monetary assets and liabilities and their translated functional currency equivalents are as follows:

	2015		2014	
	US Dollar	**PH Peso**	US Dollar	PH Peso
Cash	**102,040**	**4,812,819**	284,137	12,677,341
Liabilities:				
Trade payables	**(6,421,158)**	**(302,860,338)**	(19,722,134)	(879,942,453)
Restructured debts:				
Current	**-**	**-**	(1,065,425)	(47,536,067)
Noncurrent	**-**	**-**	(1,065,424)	(47,536,023)
Net	**(6,319,118)**	**(298,047,519)**	(21,568,846)	(962,337,202)

The foreign currency exchange rates used for US Dollar (US$) to Peso were ₱47.166 in 2015 and ₱44.617 in 2014. As a result of translating these foreign currency denominated balances, the Group reported a net unrealized foreign currency translation loss of ₱8.4 million in 2015 and ₱.07 million in 2014, presented as part of "Other income (net)" account in the consolidated statements of comprehensive income (see Note 28).

Though foreign exchange gains and losses are recognized for such transactions and for translation of monetary assets and liabilities, the Group is periodically monitoring the movements of foreign exchange rates so as not to significantly affect its operations.

Foreign currency risk sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in US dollar to Philippine peso exchange rate, with all other variables held constant, of the Group's cash and cash equivalents, trade receivables from related parties and advances from related parties before income tax as at December 31, 2015 and 2014 (due to the changes in the fair value of monetary assets and liabilities).

	Appreciation (Depreciation) of PHP	Effect in Income Before Tax
2015	**1.50**	**(₱ 9,478,677)**
	1.00	**(6,319,118)**
	(1.50)	**9,478,677**
	(1.00)	**6,319,118**
2014	1.50	(₱ 32,353,268)
	1.00	(21,568,845)
	(1.50)	32,353,268
	(1.00)	21,568,845

- *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 December 31, 2015 and 2014 are as follows:

	2015	2014
Cash in banks (excluding cash on hand)	**₱ 297,581,785**	₱ 497,157,446
Trade and other receivables	**362,983,279**	356,255,906
Due from related parties	**1,639,463**	2,456,080
	₱ 662,204,527	₱ 855,869,432

Credit quality information

As at December 31, 2015 and 2014, 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.

The credit quality of financial assets is being managed by the Group using internal credit ratings. The following tables below shows the credit quality of neither past due nor impaired accounts by class of financial assets based on the Group's credit rating system:

As at December 31, 2015

	Cash and cash equivalents	Trade and other receivables	Advances to related parties	Total
Neither past due nor impaired	**₱ 297,581,785**	**₱ 287,737,614**	**₱ 1,639,463**	**₱ 586,958,862**
Past due but not impaired				
Less than 30 days	-	**43,339,642**	-	**43,339,642**
30 days and over	-	**31,906,024**	-	**31,906,024**
Impaired	-	**30,589,742**	-	**30,589,742**
Allowance	-	**(30,589,742)**	-	**(30,589,742)**
	₱ 297,581,785	**₱ 362,983,279**	**₱ 1,639,463**	**₱ 662,204,527**

As at December 31, 2014

	Cash and cash equivalents	Trade and other receivables	Advances to related parties	Total
Neither past due nor impaired	₱ 497,157,447	₱ 240,535,607	₱ 2,456,080	₱ 740,149,133
Past due but not impaired				
Less than 30 days	-	58,484,706	-	58,484,706
30 days and over	-	26,985,800	-	26,985,800
Impaired	-	81,077,553	-	81,077,553
Allowance	-	(50,827,761)	-	(50,827,761)
	₱ 497,157,447	₱ 356,255,906	₱ 2,456,080	₱ 855,869,432

- *Liquidity risk*

The Group has significant exposure to liquidity risk because of debts under dacion en pago and restructured debts covered by the Rehabilitation Plan and payment of finance costs by PGI. 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.

Presented in this table is the maturity profile of Group's financial liabilities based on contractual undiscounted payments:

As at December 31, 2015

		Contractual undiscounted payments			
	Total carrying value	**On demand**	**Less than 1 year**	**1 – 5 years**	**More than 5 years**
Trade and other payables*	**₱ 1,050,912,032**	**₱ 921,191,968**	**₱ 1,440,000**	**₱128,280,064**	**₱ -**
Installment contracts payable	**49,342,686**	**-**	**13,233,575**	**36,109,111**	**-**
Advances from related parties	**345,199,821**	**-**	**-**	**345,199,821**	**-**
Total	**₱ 1,445,454,539**	**₱ 921,191,968**	**₱14,673,575**	**₱509,588,996**	**₱ -**

As at December 31, 2014

	Total carrying value	Contractual undiscounted payments On demand	Less than 1 year	1 – 5 years	More than 5 years
Trade and other payables*	₱ 1,269,400,646	₱1,143,767,820	₱ 125,632,826	₱ -	₱ -
Restructured debts -					
Current	59,345,094	-	59,345,094	-	-
Noncurrent	59,345,092	-	-	59,345,092	-
Debts covered by the Rehabilitation Plan	329,118,108	-	329,118,108	-	-
Short-term debts	250,000,000	-	250,000,000	-	-
Advances from related parties	174,381,674	-	15,574,663	158,807,011	-
Total	₱ 2,141,590,614	₱1,143,767,820	₱ 779,670,691	₱ 218,152,103	₱ -

**Trade and other payables exclude deferred income, due to government agencies and deposits for park internment services.*

- *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
2015	**100**	**(₱26,754,406)**
	50	**(13,377,203)**
	(100)	**26,754,406**
	(50)	**13,377,203**
2014	100	(₱24,435,026)
	50	(12,217,513)
	(100)	24,435,026
	(50)	12,217,513

- *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 2015 and the Parent Company and PGI's restructured debts, short-term debts and OOC's short-term debts in 2014 (see Note 19).The impact on the Group's equity is immaterial.

	Increase (Decrease) in Basis Points	Effect in Income After Tax
2015	**100**	**(₱ 3,453,988)**
	50	**(1,726,994)**
	(100)	**3,453,988**
	(50)	**1,726,994**
2014	100	(₱ 30,143,746)
	50	(15,071,873)
	(100)	30,143,746
	(50)	15,071,873

PGI's restructured debts presented by maturity profile that are exposed to interest rate risk are as follows:

As at December 31, 2014

	1 - < 2 years	2 - < 3 years	Total
Foreign currency-denominated US$15 million loan granted by a foreign financing company	US$849,687	US$849,687	US$1,699,374
Interest rate	3-month LIBOR + 1% margin	3-month LIBOR + 1% margin	
Foreign currency-denominated US$4 million loan granted by a foreign commercial bank	US$215,738	US$215,738	US$431,476
Interest rate	3-month LIBOR + 1% margin	3-month LIBOR + 1% margin	
Peso-denominated loans granted by various local commercial banks	₱11,809,049	₱11,809,049	₱23,618,098
Interest rate	91-day Treasury bill + 1% margin	91-day Treasury bill + 1% margin	

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 December 31, 2015 and 2014, the Group's ratios of interest-bearing debt to total capital are as follow:

	2015	2014
Total interest-bearing debt (a)	**₱ 49,342,686**	₱ 430,624,940
Total equity	**3,171,772,701**	2,644,226,653
Total interest-bearing debt and equity (b)	**₱ 3,221,115,387**	₱ 3,074,851,593
Gearing ratio (a/b)	**2%**	14%

As at December 31, 2015 and 2014, the Group's ratios of net interest-bearing debt to total capital are as follows:

	2015	2014
Total interest-bearing debt	**₱ 49,342,686**	₱ 430,624,940
Less: Cash	**297,581,785**	356,255,906
Financial assets at FVPL	**382,205,805**	349,071,800
Net interest-bearing debt (a)	**(630,444,904)**	(274,702,766)
Total equity	**3,171,772,701**	2,644,226,653
Net interest-bearing debt and equity (b)	**₱ 2,541,327,797**	₱ 2,369,523,887
Gearing ratio (a/b)	**(25%)**	(12%)

38. 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 December 31		Fair value	Valuation
	2015	2014	hierarchy	techniques
Financial assets at FVPL	**₱ 382,205,805**	₱ 349,071,800	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.

i. Due to the short-term maturities of cash and cash equivalents, trade and other receivables, trade and other payables and short-term debts, debts for dacion en pago, current portion of restructured debts and installment contracts payable, their carrying amounts approximate their fair values.

ii. 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 on the as follows:

	2015		2014			
	Carrying Value	**Fair Value**	Carrying Value	Fair Value	Fair value hierarchy	Input used
Assets						
Advances to related parties	**₱ 1,639,463**	**₱ 1,635,976**	₱ 2,456,080	₱ 2,451,473	Level 3	(b)
Investment properties	**109,957,888**	**109,957,888**	37,027,141	37,027,141	Level 2	(a)
Liabilities						
Restructured debts covered by rehabilitation plan	**₱ -**	**₱ -**	₱ 59,345,092	₱ 50,503,180	Level 2	(c)
Installment contracts payable	**36,109,111**	**30,681,163**	49,342,686	41,991,047	Level 3	(b)
Advances from related parties	**345,199,821**	**293,309,135**	174,381,674	148,400,294	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 0.071% in 2015 and 0.063% in 2014.	The higher the discount rate, the lower the fair value.
Discounted cash flows are determined by reference to prevailing interest savings rate at 5.580% in 2015 and 5.525% in 2014.	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 December 31, 2015 and 2014:

		Increase (Decrease) in carrying amount		
	Change in Unobservable Input to Valuation Model	Advances from related party	Advances to related parties	Installment contracts payable
2015	**.05%**	**(₱ 416,317)**	**(₱ 2,450)**	**(₱ 43,548)**
	-.05%	**417,106**	**2,455**	**43,631**
2014	.05%	(₱ 210,746)	(₱ 3,671)	(₱ 59,632)
	-.05%	211,146	3,679	59,745

(c) The fair value of restructured debts covered by the rehabilitation plan is determined based on the discounted value of future cash flows using the prevailing 91-day Treasury Bill rate plus 1% for Peso-denominated loans and 3-month London Interbank Offered Rate (LIBOR) plus 1% for US Dollar-denominated loans. 91-day Treasury Bill rate for the year 2015 is 1.416% and 1.556% for 2014, while the LIBOR rate used for 2015 is 1.256% and 1.255% for 2014 over and above LIBOR.

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

39. NON-CASH TRANSACTIONS

Non-cash activities consist of:

	2015	2014	2013
Investing activity:			
Additions to property, plant and equipment	₱ **1,143,382**	₱ 84,821,427	₱ -
Financing activity:			
Settlement of debts for dacion en pago covered by the Rehabilitation Plan	**124,731,801**	-	-
	₱ **125,875,183**	₱ 84,821,427	₱ -

* * *

Diaz Murillo Dalupan and Company
Certified Public Accountants

Statement Required by Rule 68, Part I, Section 4,
Securities Regulation Code (SRC),
As Amended on October 20, 2011

To the Board of Directors and Stockholders of
PRYCE CORPORATION AND SUBSIDIARIES
17th Floor Pryce Center, 1179 Don Chino Roces Avenue
corner Bagtikan Street, Makati City

We have audited the accompanying financial statements of **Pryce Corporation and Subsidiaries** as at and for the year ended December 31, 2015, on which we have rendered the attached report dated April 18, 2015. The supplementary information shown in **Annexes "A" to "C"** and **Schedules "A" to "H"**, as additional component required by Rule 68, Part I, Section 4 of the Securities Regulation Code, is presented for purposes of filing with the Securities and Exchange Commission and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and has been subjected to auditing procedures applied in the audits of basic financial statements. In our opinion, the information has been prepared in accordance with Rule 68 of the Securities Regulation Code.

Diaz Murillo Dalupan and Company
Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until December 31, 2017
SEC Accreditation No. 0192-FR-1, Group A, effective until April 30, 2016
BIR Accreditation No. 08-001911-000-2016, effective until March 17, 2019

by:

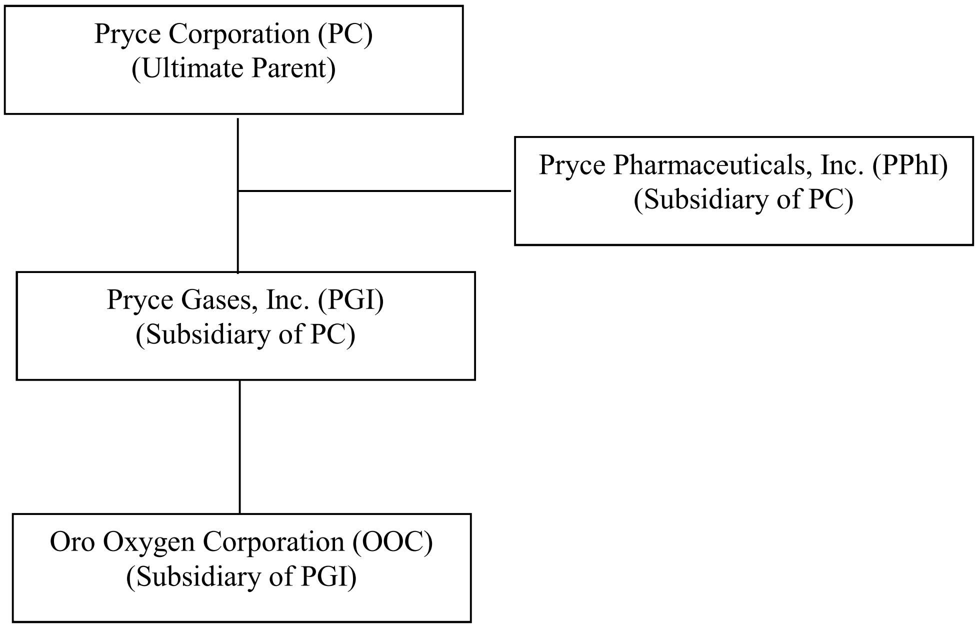
Jozen Francisco C. Santos, Jr.
Partner
CPA Certificate No. 89044
SEC Accreditation No. 1070-AR-1, Group A, effective until December 16, 2016
Tax Identification No. 170-035-673
PTR No. 5330422, January 8, 2016, Makati City
BIR Accreditation No. 08-001911-009-2016, effective until March 17, 2019

7th & 8th Floor, Don Jacinto Building, Dela Rosa corner Salcedo Sts., Legaspi Village, Makati City 1200 Philippines / Telephone: +63(2) 894 5892 to 95 / Fax: +63(2) 818 1872 / Website: www.dmdcpa.com.ph
Cebu Branch Office: Unit 504 Cebu Holdings Building, Cebu Business Park, Mabolo, Cebu City 6000 Phone: +63(32) 415 8108 to 10 Fax: +63(32) 232 8029
Davao Branch Office: 3rd Floor Building B Plaza De Luisa, Ramon Magsaysay Ave., Davao City 8000 Phone/Fax: +63(82) 222 6636

PRYCE CORPORATION AND SUBSIDIARIES
ANNEX "A" - FINANCIAL SOUNDNESS
DECEMBER 31, 2015

	2015	2014
Profitability ratios:		
Return on assets	**13.68%**	8.24%
Return on equity	**25.39%**	17.36%
Net profit margin	**12.43%**	6.18%
Solvency and liquidity ratios:		
Current ratio	**1.880**	1.250
Debt to equity ratio	**0.630**	1.020
Financial leverage ratio:		
Asset to equity ratio	**1.710**	2.030
Debt to asset ratio	**0.370**	0.500
Interest rate coverage ratio	**35.05**	10.26

PRYCE CORPORATION AND SUBSIDIARIES
ANNEX "B" – MAP OF CONGLOMERATE OR GROUP
OF COMPANIES WITHIN WHICH THE COMPANY BELONGS
DECEMBER 31, 2015



Annex C

PRYCE CORPORATION AND SUBSIDIARIES
DECEMBER 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				✓
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9 (2014)	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements		✓	
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19 - Defined Benefit Plans: Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases – Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

Not Applicable – Standards and interpretations that are effective as at January 1, 2015 but will never be applicable to the Company due to the nature of its operations or not relevant to the Company because there are currently no related transactions.

Not Adopted – Standards and interpretations that are already issued but are not effective for the year ended December 31, 2015 and were not early adopted by the Company.

Please refer to Note 2 to the financial statements for related discussion on the assessed impact on the Company's financial statements on the adoption of new standards and interpretations effective in 2015 including standards effective in 2015 and onwards.

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE A – FINANCIAL ASSETS
DECEMBER 31, 2015

Name of issuing entity and association 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
Top Frontier	2,115,479	₱ 143,006,367	₱ 143,006,367	₱ -
San Miguel Corporation	2,794,059	139,423,525	139,423,525	-
Rizal Commercial Banking Corporation	1,098,000	36,234,000	36,234,000	-
Purefoods	210,586	27,165,612	27,165,612	-
Cebu Air	204,825	16,867,339	16,867,339	-
Phinma Corporation	1,149,660	13,565,988	13,565,988	-
Ginebra San Miguel	514,600	5,938,484	5,938,484	-
Swift Foods	20,000	2,880	2,880	-
Alliance Global Group	100	1,610	1,610	-
	8,107,309	₱ 382,205,805	₱ 382,205,805	₱ -

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2015

Name of debtor	Designation of debtor	beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
1. Aguadera, Jonax	Officer	₱592,136	₱865,686	₱175,277	₱ -	₱690,409	₱592,136	₱1,282,545
2. Abuyog, Rudy	Officer	109,889	1,389,278	260,649	-	324,400	914,118	1,238,518
3. Baisa, Emerson	Officer	196,320	864,556	10,000	-	50,000	1,000,876	1,050,876
4. Escaño, Jose Maria	Officer	1,096,658	235,431	349,591	-	224,390	758,108	982,498
5. Palma, Efren	Officer	1,079,817	473,926	624,807	-	224,390	704,546	928,936
6. Escano, Rapael	Officer	-	1,001,942	104,188	-	108,387	789,367	897,754
7. Sulatre, Alexis	Officer	1,182,698	148,819	497,315	-	224,390	609,812	834,202
8.Competente, Roque	Officer	13,483	918,402	118,645	-	237,636	575,604	813,240
9.Dy, Carlitos	Officer	71,921	1,042,460	315,828	-	144,900	653,653	798,553
10. Gaid, Carmeli	Officer	445,501	370,636	86,469	-	92,172	637,496	729,668
11. Villanueva, Raul	Officer	802,560	-	179,999	-	180,000	442,561	622,561
12. Villalobos, Randy	Officer	590,039	153,945	123,389	-	110,159	510,436	620,595
13. Encabo Erica	Officer	751,510	10,696	162,478	-	155,346	444,382	599,728
14. Angcos, Agnes	Officer	693,925	13,914	163,524	-	169,261	375,054	544,315
15. Sarraga, Darwin	Officer	560,715	960,963	1,020,989	-	119,521	381,168	500,689
16. Paasa, Christy Ann	Officer	-	517,823	25,891	-	103,565	388,367	491,932
17. Ramis, Frecil	Officer	598,013	7,368	124,780	-	120,825	359,776	480,601
18. Gubalani , Concepcion	Officer	597,225	7,036	134,061	-	104,316	365,884	470,200
19. Mosquera, Leo	Officer	546,041	1,000	76,841	-	91,756	378,444	470,200
20. Gomez, Roger	Officer	596,013	6,209	132,848	-	128,137	341,237	469,374
21. Hatud, Feliciano	Officer	737,898	69,809	369,238	-	155,347	283,122	438,469
22. Martin, Emiliano	Officer	503,439	96,575	185,792	-	90,619	323,603	414,222
23. Aguirre, Elmer	Officer	491,932	118,225	211,941	-	108,233	289,983	398,216
24. Tanzo, Evelyn	Staff	-	353,188	28,920	-	324,268	-	324,268
25. Delima, Robin	Officer	389,388	11,103	93,079	-	76,482	230,930	307,412
26. Galvez, Jorge	Officer	354,200	-	96,597	-	85,867	171,736	257,603
27. Fajardo, Ruben	Staff	408,457	2,730	195,143	-	216,044	-	216,044
28. Trazo, Benjie	Staff	210,072	2,500	9,475	-	203,097	-	203,097
29. Narido, Lean	Staff	459,913	79,400	359,782	-	179,531	-	179,531
30. Logronio, Lucito	Staff	200,417	2,958	34,916	-	168,459	-	168,459
31. Legaspi, Michael	Staff	169,406	193	7,368	-	162,231	-	162,231
32. Bonilla, Gidion	Staff	-	279,635	129,261	-	150,374	-	150,374
33. Montalban	Staff	-	366,898	226,106	-	140,792	-	140,792
34.Magallano, Joedim	Officer	130,408	106,025	134,149	-	102,284	-	102,284
35. Yamut, Jetaime	Officer	212,805	97,720	208,956	-	101,569	-	101,569
36. Oghayon,Renato	Staff	153,613	849	54,321	-	100,141	-	100,141
37. Others		25,082,657	9,823,914	17,818,283	-	11,118,990	5,969,298	17,088,288
TOTAL		**₱40,029,069**	**₱20,401,812**	**₱24,850,896**	**₱ -**	**₱17,088,288**	**₱18,491,696**	**₱35,579,985**

** Others represent amounts receivable from directors, officers, employees and principal stockholders with outstanding balance of ₱100,000 and below as at the end of the reporting period.*

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2015

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	₱ 408,483,345	₱ 2,920,688,908	₱ 2,686,353,115	₱ -	₱ -	₱ 642,819,138	₱ 642,819,138
Oro Oxygen Corporation	Pryce Corporation	95,000,000	-	4,800,000	-	-	90,200,000	90,200,000
Pryce Gases, Inc.	Pryce Pharmaceuticals, Inc.	-	4,700,000	-	-	-	4,700,000	4,700,000
Pryce Corporation	Pryce Gases, Inc.	27,755,050	1,114,118	27,755,050	-	-	1,114,118	1,114,118
Pryce Pharmaceuticals, Inc.	Pryce Gases, Inc.	261,650	-	-	-	-	261,650	261,650
		₱ 531,500,045	₱ 2,926,503,026	₱ 2,718,908,165	₱ -	₱ -	₱ 739,094,906	₱ 739,094,906

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE D – INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2015

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending balance
Goodwill	₱ 68,897,066	₱ 1,771,239	₱ –	₱ –	₱ –	₱ 70,668,305

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE E – LONG TERM DEBT
DECEMBER 31, 2015

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 related statement of financial position
Installment contracts payable		₱ 13,233,575	₱ 36,109,111

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2015

Name of related party	Balance at beginning of period	Balance at end of period
Mindanao Gardens, Inc.	₱ 105,826,967	₱ 136,127,550
Josefina Multi-Ventures Corporation	15,574,663	121,306,101
Hinundayan Holdings Corporation	11,491	34,397,617
PioVeloso	32,766,300	32,766,300
Salvador Escaňo	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
	₱ 174,381,674	₱ 345,199,821

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE G – GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2015

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
DECEMBER 31, 2015

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 reserved 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	1,998,750,000	–	505,104,305	33,492,660	1,461,403,035

SEC Number 168063
File Number ________

PRYCE CORPORATION
(formerly PRYCE PROPERTIES CORPORATION)

Company's Full Name

17th 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)

March 31, 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 March 31, 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. 17th 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.

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

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

Financial indicators for the first quarter ended March 31, 2016 showed marked improvements on all counts compared to the same period in 2015. Consolidated revenues for the first quarter of 2015 rose by 8.0% to P 1.45 billion from P1.35 billion in 2015 on the back of a 23% volume growth in liquefied petroleum gas (LPG) sales. Consolidated net income after tax exhibited a hefty increase of 53.3%, from P128.16 million in 2015 to P194.42 million in 2016.

Revenue contribution and percentage of sales by product category for the first quarter of 2016 were as follows: LPG under the Prycegas brand including cylinders and accessories, P1.32 billion (91.0%); industrial gases , P92.5 million (6.4%); real estate sales, mainly memorial parks, P18.3 million (1.3%); hotel operations, P10.5 million (0.72%) and pharmaceuticals, P9.1 million (0.62%).

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.

<u>Revenue and Volume Growth</u>

Consolidated revenues of P1.45 billion for the first quarter of 2016 was an 8.0% growth over the P1.35 billion achieved for the first quarter of 2015. The increase in consolidated revenue was largely due to the combined effects of 7.97% growth in revenues from LPG and the addition of revenues from real estate and pharmaceutical products. While revenue from industrial gases in 2016 dipped by 2.1% compared to 2015, revenue from real estate and hotel operations turned in positive growths of 0.37% and 54.11% respectively between 2016 and 2015.

LPG volume sold for the first quarter of 2016 climbed by 23.1% to 40,583 metric tons (MT) from 32,981 MT. Of this volume, Luzon and Visayas-Mindanao accounted for 62% and 38% respectively. The expansion in the company's distribution infrastructure, particularly in Luzon, provided some impetus to spur volume growth. Revenues held strong as the company continued to ramp up its LPG volume.

Volume of industrial gas cylinder refills sold increased by 4.4% to 212,779 in 2016 from 203,808 in 2015. Growth in volume of industrial gases was muted when compared to LPG.

<u>Price Movement</u>

Following the movement in the international contract price (CP) for LPG that is significantly affected by the behavior of oil prices, domestic wholesale and retail prices of LPG saw a further round of fall in prices. From US$470.50 per MT in December 2015, CP dropped to US$376.50 in January 2016, US$306.00 in February and then slightly recovered to US$311.00 in March. As a consequence, average selling price per kilogram of LPG for the first quarter of 2016 fell by 13.3% compared to the same period in 2015. Wholesale and retail prices of LPG change on a monthly basis depending on the rise or fall of the CP.

The softening of world and domestic prices of LPG that started in early 2014 has perked up demand for LPG which has practically stagnated for the last ten (10) years prior to 2015.

Competition and Market Aspects

The LPG market continues to be highly competitive with the established brands continuing to hold on to their market share, smaller players slowly losing their foothold in the market and PGI garnering an increasingly significant share as its volume growth exceeded that of industry demand.

Only four companies selling under their own brand supply the LPG requirements of the Visayas and Mindanao market. Competition in Luzon, which accounts for 80% of consumption, has become particularly fierce during the first quarter of 2016 as players tried to protect market share with the entrance of a new terminal operator whose facilities were gutted by a fire in late February 2016.

The synergy of the locations, number and storage capacity of its distribution infrastructure is among the strategic strengths that have propelled the company to become a significant player in the LPG industry.

Profitability

Net income for the first quarter of 2016 jumped by 53.3% to P196.4 million from P128.2 million achieved in 2015.

The increase in sales volume of LPG in the first quarter of 2016 offset the dampening effect of the fall in selling prices and allowed gross profits to still rise by 10.8% from P333.1 million in 2015 to P369.2 million in 2016. Growth in profit margins, however, was virtually flat at 25.40% in 2016 and 24.75% in 2015.

While operating expenses increased by 13.99% to P175.8 million for the first quarter of 2016 from P154.2 million 2015, operating profit margin for 2016 was still maintained at 13.3%. Other income of P36.3 million realized during the first quarter of 2016 and which grew by 274.7% from 2015 further boosted income from operations, thus, ending the quarter on a high note.

Liquidity

Despite the 5.0% dip in liquid assets composed of cash and securities to P676.2 million as of March 31, 2016 from P712.2 million as of December 31, 2015, the company remained highly liquid and would have easily covered short-term liabilities falling due. Liquidity was maintained even as additional investments in property, plant and equipment were made and largely financed by internal cash generation. With the 23.14% reduction in trade and other payables, current ratio registered improvements from 1.88x to 1.92x between December 31, 2015 and March 31, 2016.

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 and cash equivalents	(37.96%)	Due to payment of accounts to suppliers, lenders and other creditors and investment in marketable securities
Financial assets at fair value	23.36%	Additional acquisition of marketable securities and unrealized gain

Trade and other receivables	(53.08%)	Collection of receivables
Prepayments and other current assets	(5.74%)	Increase in prepaid taxes and licenses.
Property plant and equipment	6.26%	Additional acquisition of assets
Trade and other payables	(23.14%)	Payment of accounts
Income tax payable	53.66%	Increase in net income resulting to increase in income tax
Installment contracts payable	(24.54%)	Payment of acquired subdivision lots.
Advances from related parties	(34.84%)	Collection of Advances
Deficit	(78.89%)	Due to net income of 2016
Non-controlling interest	6.41%	Due to increase in net income

Numerical Performance Indicators

The sales performance and revenue growth of each company are presented below.

REVENUES			
PRYCE CORPORATION & Subsidiary Pryce Pharmaceuticals, Inc. (PPhI)			
	with PPhI	without PPhI	
	2016	2015	Percent Growth/ (Decline)
Real Estate	18,278,281	18,211,101	0.37%
Hotel	10,501,573	6,814,431	54.1%
Pharmaceuticals	9,060,804	0	100.00%

REVENUES			
PRYCE GASES, INC. & Subsidiary Oro Oxygen Corp.			
	2016	2015	Percent Growth/ (Decline)
LPG	1,322,983,554	1,225,369,025	8.0%
Ind'l Gas	92,502,869	94,509,792	-2.1%
Fuel	0	836,376	-100.0%

VOLUME			
PRYCE GASES, INC. & Subsidiary Oro Oxygen Corp.			
	2016	2015	Percent Growth/ (Decline)
LPG (in kgs)	40,583,382	32,981,008	23.0%
Industrial Gas (cyl.)	212,779	203,808	4.4%
Fuel (liters)	0	28,531	-100.0%

The measurements of profitability broken down by company are shown below.

PROFITABILITY			
PRYCE CORPORATION & Pryce Pharmaceuticals, Inc. (PPhI)			
	with PPhI	without PPhI	Percent Growth/ (Decline)
	2016	2015	
Gross Margin (%)			
Real estate	80.98%	80.20%	1.0%
Hotel operations	6.48%	5.01%	29.3%
Pharmaceuticals	35.00%	0.00%	100.0%
Return on Assets (%)	4.36%	0.74%	489.2%
Return on Equity (%)	7.20%	1.02%	605.9%
Net profit margin (%)	15.81%	84.20%	-81.2%

PROFITABILITY			
PRYCE GASES, INC. & Oro Oxygen Corp.			
	2016	2015	Percent Growth/ (Decline)
Gross Margin (%)			
LPG	23.62%	22.06%	7.07%
Industrial Gas	50.76%	51.89%	-2.2%
Fuel	0.00%	18.24%	-100.0%
Return on Assets (%)	5.26%	2.86%	83.9%
Return on Equity (%)	7.15%	4.05%	76.5%
Net profit margin (%)	14.72%	8.25%	78.4%

The liquidity and solvency measurements for the parent company and subsidiaries are shown below:

LIQUIDITY			
PRYCE CORPORATION & Subsidiary Pryce Pharmaceuticals, Inc. (PPhI)			
	with PPhI	without PPhI	Percent Growth/ (Decline)
	2016	2015	
Current ratio	2.56	1.59	61.0%
Debt to equity ratio	0.35	0.37	-5.4%

LIQUIDITY			
PRYCE GASES, INC. & Subsidiary Oro Oxygen Corp.			
	2016	2015	Percent Growth/ (Decline)
Current ratio	1.76	1.88	-6.4%
Debt to equity ratio	0.58	0.41	41.5%

PART II – OTHER INFORMATION

In the period under review, reports were filed with the SEC by way of SEC 17-C concerning the: (a) Notice of the Company's Annual Stockholders' Meeting (scheduled on June 23, 2016 at the Makati Shangre-la); and (b) the Company Board's approval of the Audited Financial Statements (Consolidated) of the Company and its Subsidiaries for the year 2015.

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:

EFREN A. PALMA
President

SALVADOR P. ESCAÑO
Chairman & CEO

May 13, 2016

PRYCE CORPORATION AND SUBSIDIARIES

<u>Financial Statements</u>
for the periods ended March 31, 2016 and December 31, 2015

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

	2016	2015
ASSETS		
Current assets		
Cash - note 6	**204,740,667**	329,990,764
Financial assets at fair value through profit or loss (FVPL) - note 7	**471,486,995**	382,205,805
Trade and other receivables (net) - note 8	**170,317,470**	362,983,279
Inventories - note 9	**515,812,268**	536,585,725
Real estate projects - note 10	**848,018,941**	852,717,790
Prepayments and other current assets - note 11	**63,480,805**	60,036,884
	2,273,857,146	2,524,520,247
Noncurrent assets		
Advances to related parties - note 21	**1,635,494**	1,639,463
Property, plant and equipment (net) - notes 12 and 13	**2,870,639,944**	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
	3,069,441,332	2,900,270,509
TOTAL ASSETS	**5,343,298,478**	5,424,790,756
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables - note 16	**879,014,342**	1,143,680,724
Income tax payable	**45,515,066**	29,620,693
Customers' deposits - note 17	**156,763,295**	154,981,477
Installment contracts payable - note 18	**9,986,572**	13,233,575
Short-term debts - note 19	**95,000,000**	-
	1,186,279,275	1,341,516,469
Noncurrent liabilities		
Installment contracts payable - note 18	**36,109,111**	36,109,111
Retirement benefit obligation - note 28	**206,541,569**	208,940,564
Advances from related parties - note 21	**224,924,917**	345,199,821
Deferred tax liabilities	**68,350,708**	68,350,708
	535,926,305	658,600,204
TOTAL LIABILITIES	**1,722,205,580**	2,000,116,673
Equity		
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
Deficit	**(48,205,070)**	(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 - note 20	**(10,352,879)**	(10,352,879)
	3,351,968,534	3,171,772,701
Non-controlling interest	**269,124,364**	252,901,382
TOTAL EQUITY	**3,621,092,898**	3,424,674,083
TOTAL LIABILITIES AND EQUITY	**5,343,298,478**	5,424,790,756

(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 March 31, 2016 and 2015

	2016	2015
REVENUES		
Liquefied petroleum gases, industrial gases and fuels - note 22	**1,415,486,423**	1,320,715,194
Real estate - note 22	**18,278,281**	18,211,101
Hotel operations	**10,501,573**	6,814,431
Pharmaceutical products	**9,060,804**	-
	1,453,327,081	1,345,740,726
COST OF SALES - note 23		
Liquefied petroleum gases, industrial gases and fuels	**1,063,698,686**	1,002,576,736
Real estate	**3,476,007**	3,605,592
Hotel operations	**9,821,084**	6,473,114
Pharmaceutical products	**5,889,523**	-
	1,082,885,300	1,012,655,442
GROSS PROFIT	**370,441,781**	333,085,284
OPERATING EXPENSES - note 24	**175,795,140**	154,219,276
INCOME FROM OPERATIONS	**194,646,641**	178,866,008
OTHER INCOME (CHARGES)		
Finance costs	**(5,178,178)**	(446,146)
Unrealized fair value gain (loss) - note 7	**15,080,901**	(36,138,441)
Other income (net)	**25,151,597**	15,799,281
	35,054,319	(20,785,306)
INCOME BEFORE INCOME TAX	**229,700,960**	158,080,702
INCOME TAX EXPENSE	**(33,282,145)**	(29,923,497)
NET INCOME FOR THE PERIOD	**196,418,815**	128,157,205
Total comprehensive income attributable to:		
Equity holders of the Parent Company	**180,195,833**	125,888,822
Non-controlling interests	**16,222,982**	2,268,383
	196,418,815	128,157,205
EARNINGS PER SHARE - note 29	**0.1006**	0.0641

(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 March 31, 2016 and 2015 and December 31, 2015

	March 31 2016	March 31 2015	December 2015
CAPITAL STOCK	**2,000,000,000**	2,000,000,000	2,000,000,000
ADDITIONAL PAID-IN CAPITAL	**271,834,820**	271,834,820	271,834,820
PAID SUBSCRIPTION	**-**	206,510,267	-
FAIR VALUE GAIN ON REAL ESTATE PROPERTIES	**1,030,726,843**	1,030,726,843	1,030,726,843
OTHER COMPREHENSIVE INCOME	**107,964,820**	111,955,182	107,964,820
DEFICIT			
At beginning of period	**(228,400,903)**	(770,290,188)	(770,290,188)
Net income for the period	**196,418,815**	128,157,206	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	**(16,222,982)**	-	(45,986,795)
At end of period	**(48,205,070)**	(642,132,982)	(228,400,903)
TREASURY STOCK	**(10,352,879)**	-	(10,352,879)
	3,351,968,534	2,978,894,130	3,171,772,701
NON-CONTROLLING INTEREST			
At beginning of period	**252,901,382**	20,841,280	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	**-**	-	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	**16,222,982**	534,221	45,986,795
At end of period	**269,124,364**	21,375,501	252,901,382
TOTAL EQUITY	**3,621,092,898**	3,000,269,631	3,424,674,083

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

	March 31 2016	March 31 2015 (As Restated)	December 31 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**229,700,960**	158,080,702	717,411,489
Adjustments for :			
Depreciation - notes 12 and 13	**59,608,248**	59,144,315	250,908,859
Loss on petroleum exploration	**-**	-	113,513,796
Unrealized loss (gain) on financial assets at FVPL - note 7	**(15,080,901)**	36,138,441	33,742,885
Retirement benefit expense	**4,791,170**	4,441,313	25,773,753
Finance costs - note 25	**5,178,178**	446,146	21,071,191
Loss (gain) on sale of financial assets at FVPL - note 26	**(8,532,741)**	(362,751)	(12,680,058)
Unrealized foreign exchange loss (gain)	**-**	-	(8,434,099)
Gain on settlement of debts	**-**	(14,648,109)	-
Dividend income - note 26	**(822,710)**	-	(4,809,722)
Interest income - note 26	**(95,192)**	(30,554)	(1,453,736)
Loss (gain) on sale of property, plant and equipment	**-**	-	(7,944)
Operating income before working capital changes	**274,747,013**	243,209,503	1,135,036,414
Decrease (increase) in assets:			
Trade and other receivables	**192,665,809**	58,614,641	(1,674,242)
Inventories	**20,773,457**	137,721,059	10,379,731
Prepayments and other current assets	**(3,443,921)**	1,952,087	11,169,014
Real estate projects	**4,698,849**	(905,198)	(11,186,767)
Increase (decrease) in liabilities:			
Trade and other payables	**(264,765,357)**	(392,051,596)	(232,354,883)
Customers' deposits	**1,781,818**	(5,212,144)	13,436,479
Net cash generated from operations	**226,457,668**	43,328,352	924,805,746
Interest received	**95,192**	30,554	1,453,736
Income taxes paid	**(17,387,772)**	(17,928,196)	(108,623,390)
Retirement benefits paid	**(7,190,166)**	-	(7,214,907)
Net cash generated from operating activities	**201,974,922**	25,430,710	810,421,185
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment - notes 12 and 13	**(228,783,040)**	(115,953,899)	(604,648,941)
Additions to financial assets at FVPL - note 7	**(145,688,213)**	(86,481,416)	(149,053,027)
Investment in petroleum exploration	**-**	-	(113,513,796)
Proceeds from sale of financial assets at FVPL	**80,025,265**	2,160,162	94,856,195
Settlement of debts using assets held for dacion en pago	**-**	124,731,803	-
Dividends received - note 26	**822,710**	-	4,809,722
Proceeds from sale of property, plant and equipment	**-**	-	2,311,278
Proceeds from (payment of) advances from related parties	**(120,274,904)**	-	816,617
Net cash used in investing activities	**(413,898,182)**	(75,543,350)	(764,421,952)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds received from short-term debts	**95,000,000**	-	220,000,000
Proceeds from issuance of capital stock	**-**	206,510,267	206,500,000
Payment of short-term debts	**-**	(190,000,000)	(470,000,000)
Payment of restructured debts covered by the Rehabilitation Plan	**-**	(19,027,973)	(118,690,186)
Settlement (availment) of advances from related parties	**-**	(15,409,894)	(38,663,997)
Finance costs paid	**(5,079,835)**	(7,421,896)	(21,071,191)
Payment of installment contracts payable	**(3,247,003)**	-	(12,592,068)
Purchase of treasury stock - note 20	**-**	-	(10,352,879)
Payment of debts for dacion en pago covered by the Rehabilitation Plan	**-**	(277,624,056)	(6,877,226)
Net cash generated from (used in) financing activities	**86,673,162**	(302,973,552)	(251,747,547)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**-**	-	737,588
NET INCREASE (DECREASE) IN CASH	**(125,250,097)**	(353,086,192)	(205,010,726)
CASH - note 6			
AT BEGINNING OF PERIOD	**329,990,764**	535,001,490	535,001,490
AT END OF PERIOD	**204,740,667**	181,915,298	329,990,764

(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 March 31, 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:

Name of Company	Date of Incorporation
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 March 31, 2016 is ₱2.84 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 17th 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 March 31, 2016 and December 31, 2015:

Name of Subsidiary	Nature of Business	Ownership and Voting Interest 2016	Ownership and Voting Interest 2015
Pryce Gases, Inc. (PGI)	Manufacturer/Distributor of Industrial Gases and Liquefied Petroleum Gas (LPG)	**91.04%**	91.04%
Oro Oxygen Corporation (OOC)	Trading, and marketing in general merchandise, industrial, medical and other gases and Liquefied Petroleum Gas (LPG)	**89.73%**	89.73%
Pryce Pharmaceuticals, Inc. (PPhI)*	Trading of pharmaceutical products	**88.61%**	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 March 31, 2016, PGI has 8 liquefied petroleum gas (LPG) marine-fed terminals and 33 refilling plants of varying storage capacities.

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

Oro Oxygen Corporation (OOC)

OOC is primarily engaged in the purchase, importation, 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 his 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.

As at March 31, 2016, OOC has 9 liquefied petroleum gas (LPG) refilling plants of varying storage capacities.

OOC's registered office address is 1st 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 34. 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 reach 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 judgement 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 chose 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 an 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 pertains 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, 10.27% 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.

<u>Financial instruments</u>

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 March 31, 2016 and December 31, 2015.

<u>Financial assets at fair value through profit or loss (FVPL)</u>

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 March 31, 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 March 31, 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.

<u>Cash</u>

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:

	In Years
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 or 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 Mach 31, 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 March 31, 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 March 31, 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 March 31, 2016 and December 31, 2015, the carrying amount of inventories amounted to ₱515.8 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 March 31, 2016 and December 31, 2015, the net carrying amounts of real estate projects amounted to ₱848 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 March 31, 2016 and December 31, 2015, the carrying amounts of property, plant and equipment, net of accumulated depreciation of ₱3.603 billion and ₱3.54 billion, amounted to ₱2.871 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 March 31, 2016 and December 31, 2015 amounted to ₱70.7 million. No impairment was recognized for the period ended March 31, 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 March 31, 2016 and December 31, 2015 are ₱206.5 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 March 31, 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 March 31, 2016 and December 31, 2015, the net carrying amounts of property, plant and equipment amounted to ₱2.871 billion and ₱2.701 billion, respectively (see Notes 12 and 13).

6. CASH

This account consists of:

	2016	2015
Cash on hand	**₱ 2,799,540**	₱ 32,408,979
Cash in banks	**201,941,127**	297,581,785
	₱ 204,740,667	₱ 329,990,764

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

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

The movement of the account is as follows:

	2016	2015
Cost		
Balance January 1	**₱ 369,120,955**	₱ 302,244,065
Additions	**145,688,213**	149,053,027
Disposals	**(71,492,524)**	(82,176,137)
	443,316,644	369,120,955
Fair value gain (loss)	**28,170,351**	13,084,850
Balance March 31 and December 31	**₱ 471,486,995**	₱ 382,205,805

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 March 31, 2016 and December 31, 2015 are as follows:

	2016	2015
Balance January 1	**₱ 13,084,850**	₱ 46,827,735
Realized fair value gain	**-**	-
Fair value gain (loss) during the period	**15,085,501**	(33,742,885)
Balance March 31 and December 31	**₱ 28,170,351**	₱ 13,084,850

The Group recognizes the fair value gain (loss) on financial assets at FVTPL 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	**₱ 105,789,374**	₱ 314,666,976
Less: Allowance for impairment loss	**23,111,347**	23,111,347
	82,678,027	291,555,629
Advances to officers and employees	**37,906,167**	35,579,985
Refundable deposits	**11,467,545**	9,303,098
Advances to contractors and suppliers	**18,651,751**	8,762,642
Cylinder deposits		1,903,304
Others	**24,226,531**	23,357,016
	92,251,994	78,906,045
Less: Allowance for impairment loss	**4,612,551**	7,478,395
	87,639,443	71,427,650
Net	**₱ 170,317,470**	₱ 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	**(2,865,844)**	(20,238,019)
Balance March 31 and December 31	**₱ 27,723,898**	₱ 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	**₱ 424,111,262**	₱ 371,584,869
Industrial gases	**21,959,826**	9,956,793
Fuel		68,216
Pharmaceutical products	**8,682,459**	4,868,563
	454,753,547	386,478,441
In-transit LPG		60,969,238
Material and supplies	**58,487,784**	80,370,835
Raw materials	**2,570,937**	8,767,211
	₱ 515,812,268	₱ 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	**₱ 72,926,277**	₱ 74,661,704

Zamboanga Memorial Gardens	**70,934,107**	71,740,838
Mt. Apo Gardens	**63,297,375**	63,735,003
Pryce Gardens – Pagadian	**49,615,067**	49,615,067
Pryce Gardens – Manolo Fortich	**27,917,030**	28,257,030
North Zamboanga Gardens	**18,178,491**	18,527,122
Ma. Cristina Gardens	**16,696,016**	17,195,224
Pryce Gardens – Alabel	**15,998,347**	15,998,347
Pryce Gardens – Bislig	**15,494,335**	15,734,334
Ozamis Memorial Gardens	**15,704,494**	15,715,719
Pryce Gardens – Malita	**13,470,164**	13,470,164
Pryce Gardens – Malaybalay	**11,036,069**	11,316,069
	391,267,772	395,966,621
Subdivision lots:		
Puerto Heights Village	**30,770,005**	30,770,005
Villa Josefina Resort Village	**68,538,020**	68,538,020
Saint Joseph Homes	**11,980,499**	11,980,499
Pryce Business Park	**-**	-
	111,288,524	111,288,524
Condominium units:		
Pryce Tower	**₱ 98,768,412**	₱ 98,768,412
Land held for future development:		
Cagayan de Oro	**164,022,528**	164,022,528
Davao	**47,133,094**	47,133,094
Misamis Oriental	**27,979,122**	27,979,122
Cotabato	**7,559,489**	7,559,489
	246,694,233	246,694,233
	₱ 848,018,941	₱ 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:

	2016	2015
Prepaid rent	**₱ 26,765,404**	₱ 27,172,997
Prepaid taxes and licenses	**16,831,493**	7,086,331
Prepaid insurance	**5,596,320**	6,711,376
Prepaid maintenance	**-**	3,587,389
Deferred charges	**4,851,956**	3,282,727
Inventory materials	**2,104,222**	2,260,493
Foods and materials inventory	**1,655,263**	1,580,910
Input tax	**435,478**	216,778
Excess tax credit	**811,637**	577,619
Others	**4,429,032**	7,560,264
	₱ 63,480,805	₱ 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 March 31, 2016

	Net carrying amounts, January 1, 2016	Additions	Depreciation	Disposal	Net carrying amounts, March 31, 2016
Land and improvements	₱ 488,102,652	₱ 88,678,730	(₱ 209,800)	-	576,571,582
Buildings and structures	160,372,411	3,227,821	(4,206,788)	-	159,393,444
Machinery and equipment	9,977,485	-	(778,799)	-	9,198,686
Oxygen and acetylene cylinders	88,778,270	931,413	(5,289,908)	-	84,419,775
Hotel and office equipment	9,922,905	-	(332,098)	-	9,590,807
	₱ 757,153,723	**₱ 92,837,964**	**(₱ 10,817,393)**	**-**	**₱ 839,174,294**

	Cost	Accumulated depreciation	Net carrying amounts, March 31, 2016
Land and improvements	₱ 590,502,185	(₱ 13,930,603)	₱ 576,571,582
Buildings and structures	570,848,330	(411,454,886)	159,393,444
Machinery and equipment	220,138,803	(210,940,117)	9,198,686
Oxygen and acetylene cylinders	712,734,008	(628,314,233)	84,419,775
Hotel and office equipment	73,289,463	(63,698,656)	9,590,807
	₱ 2,167,512,789	**(1,328,338,495)**	**₱ 839,174,294**

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:

	March 31, 2016	December 31, 2015
Cost of sales	**₱ 7,893,784**	₱ 27,993,429
Operating expenses	**2,923,609**	15,068,204
	₱ 10,817,393	₱ 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 March 31, 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 March 31, 2016

	Net carrying amounts, January 1, 2016	**Additions**	**Depreciation**	**Net carrying amounts, March 31, 2016**
LPG plant machinery and equipment	₱ 1,029,615,384	₱ 49,944,628	(₱34,853,782)	₱ 1,044,706,230
Machinery and equipment	353,804,125	-	(4,745,445)	349,058,680
Transportation equipment	77,717,280	1,638,223	(6,866,798)	72,488,705
Leasehold improvement	3,833,407	-	(300,677)	3,532,730
Furniture, fixtures and equipment	19,059,857	7,651,335	(1,908,667)	24,802,525
Construction in progress	453,133,402	76,710,890	-	529,844,292
Building and structures	7,147,974	-	(115,486)	7,032,488
	₱ 1,944,311,429	**₱ 135,945,076**	**(₱48,790,855)**	**₱ 2,031,465,650**

	Cost	**Accumulated depreciation**	**Net carrying amounts, March 31, 2016**
LPG plant machinery and equipment	₱ 2,824,757,866	(₱ 1,780,051,636)	₱ 1,044,706,230
Machinery and equipment	476,826,588	(127,767,908)	349,058,680
Transportation equipment	329,674,319	(257,185,614)	72,488,705
Leasehold improvement	16,947,296	(13,414,566)	3,532,730
Furniture, fixtures and equipment	116,281,432	(91,478,907)	24,802,525
Construction in progress	529,844,292	-	529,844,292
Building and structures	11,446,460	(4,413,972)	7,032,488
	₱ 4,305,778,253	**(₱ 2,274,312,603)**	**₱ 2,031,465,650**

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
	₱ 1,687,881,267	₱ 464,277,388	(₱207,847,226)	₱ 1,944,311,429

	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
	₱ 4,167,626,193	(₱ 2,223,314,764)	₱ 1,944,311,429

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

	March 31, 2016	December 31, 2015
Cost of sales	**₱ 36,754,173**	₱ 140,743,958
Operating expenses	**12,036,682**	67,103,268
	₱ 48,790,855	₱ 207,847,226

Construction in progress as at March 31, 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, respectively.

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
	₱ 109,957,888	₱ 109,957,888

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
	₱ 70,668,305	₱ 70,668,305

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 March 31, 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	**₱ 658,610,849**	₱ 969,409,021
Nontrade	**33,940,921**	5,815,480
Accrued expenses:		
Salaries, wages and benefits	**17,672,857**	12,398,890
Interest	**817,374**	-
Others	**21,277,780**	9,141,279
Deposits for park internment services	**69,276,768**	63,406,359
Cylinder and autogas kit deposits	**75,304,022**	45,538,392
Due to government agencies	**2,113,771**	25,343,177
Reserve fund liability	**-**	8,608,970
Deferred income	**-**	4,019,156
	₱ 879,014,342	₱ 1,143,680,724

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 ₱156,763,295 and ₱154,981,477 as at March 31, 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 March 31 and December 31 follows:

	2016	2015
Current portion	**₱ 9,986,572**	₱ 13,233,575
Non-current portion	**36,109,111**	36,109,111
	₱ 46,095,683	₱ 49,342,686

19. SHORT-TERM DEBTS

On January 4, 2016, a ₱35 million unsecured short-term debt from a local bank by OOC, which is payable within 60-90 days from the date of loan release and renewable upon maturity. Interest rate is at 5.5% per annum, subject to a penalty in case of default in payment. As at March 31, 2016, the loan is outstanding.

On February 23, 2016, a ₱60 million unsecured short-term debt from another local bank by OOC, which is payable within 60 days from the date of loan release and renewable upon maturity. Interest rate is at 5.75% per annum, also subject to a penalty in case of default in payment. As at March 31, 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	**₱ 2,000,000,000**	₱ 2,000,000,000
Issued – 1,998,750,000 common shares	**₱ 1,998,750,000**	₱ 1,998,750,000
Subscribed – 1,250,000 common shares	**1,250,000**	1,250,000
Total	**₱ 2,000,000,000**	₱ 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 March 31, 2016 and December 31, 2015, the Parent Company's stock price amounted to ₱2.84 per share and ₱2.38 per share, respectively.

As at March 31, 2016 and December 31, 2015, the Parent Company's capital stock is fully subscribed and has 370 and 369 equity holders, respectively.

Treasury stock

PGI acquired 47,058,543 of the Parent Company shares through acquisition with the Philippine Stock Exchange (PSE). The total amount paid to acquire the shares, net of income tax, was ₱10,352,879 and is presented as a deduction in the consolidated statement of changes in equity as "Treasury stock".

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

Related parties	Relationship
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 2016	2015	Outstanding balances 2016	2015
PPI	₱ **-**	₱ -	₱ **1,328,255**	₱ 1,339,463
MGI	**-**	-	**-**	-
PDC	**7,239**	300,000	**307,239**	300,000
Net	₱ **7,239**	₱ 300,000	₱ **1,635,494**	₱ 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 2016	2015	Outstanding balances 2016	2015
MGI	₱ **-**	₱ 30,300,583	**₱ 30,300,584**	₱ 136,127,550
JMVC	**-**	105,731,438	**106,097,280**	121,306,101
KMP	**-**	-	**49,293,300**	49,293,300
HHC	**760,883**	34,386,126	**35,158,500**	34,397,617
CLOAC	**-**	-	**3,675,253**	3,675,253
PFLC	**-**	400,000	**400,000**	400,000
	₱ **760,883**	₱ 170,818,147	**₱ 224,924,917**	₱ 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	**₱ 1,217,182,787**	₱ 1,139,826,628
Autogas	**70,331,168**	67,036,558
Cylinders	**34,057,875**	17,820,229
Stoves and accessories	**1,411,724**	685,610
Sub-total	**1,322,983,554**	1,225,369,025

Industrial gases:		
Oxygen	**67,949,643**	67,182,319
Acetylene	**18,684,014**	19,545,874
Other gases	**5,869,212**	7,781,600
Sub-total	**92,502,869**	94,509,793
Fuels:		
Diesel	**-**	836,376
Gasoline	**-**	-
Lubricants	**-**	-
Sub-total	**-**	836,376
	₱ 1,415,486,423	₱ 1,320,715,194

b) Real estate

Revenue from real estate amounted to ₱18,278,281 and ₱18,211,101 for the quarters ended March 31, 2016 and 2015, respectively.

Accumulated collections on contracts not yet recognized as revenue and recorded under the "Customers' deposits" account amounted to ₱156,763,295 and ₱154,981,477 as at March 31, 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	**₱ 936,848,644**	₱ 897,051,985
Autogas	**45,241,701**	43,619,541
Cylinders	**35,087,309**	15,531,603
Stoves and accessories	**969,540**	220,115
Sub-total	**1,018,147,194**	956,423,244
Industrial gases:		
Oxygen	**33,348,804**	31,249,639
Acetylene	**9,446,493**	9,856,079
Other gases	**2,756,195**	4,363,937
Sub-total	**45,551,492**	45,469,655
Fuels:		
Diesel	**-**	683,837
Gasoline	**-**	-
Lubricants	**-**	-
Sub-total	**-**	683,837
	₱ 1,063,698,686	₱ 1,002,576,736

b) Cost of sales on hotel operations amounted to ₱9,821,084 and ₱6,473,114 for the quarters ended March 31, 2016 and 2015, respectively.

c) Cost of sales on pharmaceutical products

	2016	2015
Beginning inventory – note 9	**₱ 4,868,563**	₱ -
Add: Purchases	**9,703,419**	-
Total goods available for sale	**14,571,982**	-
Less: Ending inventory – note 9	**8,682,459**	-
	₱ 5,889,523	₱ -

d) Cost of real estate amounted to ₱3,476,007 and ₱3,605,592 for the quarters ended March 31, 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	**₱ 28,711,714**	₱ 18,427,438
Freight and handling	**5,355,177**	6,143,169
Repairs and maintenance	**2,054,351**	4,260,911
Outside services	**8,935,745**	7,214,509
Depreciation – notes 12 and 13	**4,404,310**	4,633,517
Fuel and oil	**2,418,859**	5,610,515
Rent and utilities	**4,510,201**	3,976,175
Materials and supplies	**1,409,346**	1,096,576
Travel and transportation	**2,073,422**	2,166,826
Commissions	**1,643,944**	2,296,061
Taxes and licenses	**1,723,222**	3,089,881
Representation and entertainment	**650,735**	306,943
Advertisements	**591,421**	391,628
Insurance	**1,005,790**	1,059,269
Training and seminars	**669,162**	471,779
Dues and subscriptions	**41,154**	119,249
Professional fees	**229,794**	511,338
Others	**1,320,280**	1,016,472
	67,748,627	62,792,256
General and administrative expenses:		
Salaries, wages and benefits	**₱ 38,290,796**	₱ 24,086,366
Depreciation – notes 12 and 13	**10,555,981**	11,105,331
Repairs and maintenance	**7,741,631**	8,586,731
Travel and transportation	**2,913,626**	4,037,103
Taxes and licenses	**3,050,910**	2,926,570
Fuel and oil	**1,677,254**	2,352,179
Outside services	**4,239,296**	3,356,080
Rent and utilities	**3,932,916**	4,028,237
Materials and supplies	**1,883,518**	1,906,853
Freight and handling	**1,930,550**	2,994,480

Advertisements	**1,221,287**	59,653
Representation and entertainment	**694,389**	592,723
Insurance	**1,861,957**	1,932,825
Dues and subscriptions	**699,061**	1,734,856
Professional fees	**1,173,362**	959,083
Donation	**677,553**	624,463
Meetings and conferences	**397,233**	1,036,063
Training and seminars	**98,228**	88,195
Others	**25,006,965**	19,019,229
	108,046,513	91,427,020
	₱ 175,795,140	₱ 154,219,276

25. FINANCE COSTS

This account consists of:

	2016	2015
Importations	**₱ 4,463,051**	₱ 446,146
Installment contracts payable	**616,784**	-
Short-term debts	**98,343**	-
	₱ 5,178,178	₱ 446,146

26. OTHER INCOME (NET)

This account consists of:

	2016	2015
Other income (loss):		
Gain on settlement of debts	**₱ 15,208,821**	₱ 14,648,109
Gain on sale of financial assets at FVPL	**8,532,741**	362,751
Dividends	**822,710**	-
Sale of scrap and junked materials	**492,132**	-
Interest income from banks	**95,193**	30,554
Unrealized gain (loss) on financial assets at FVPL	**15,080,901**	(36,138,441)
Others	**-**	757,867
	₱ 40,232,498	(₱ 20,339,160)

27. OTHER COMPREHENSIVE INCOME

	2016	2015
Remeasurement gains on retirement benefit obligation		
At beginning of period	**₱ 18,643,586**	₱ 18,643,586
Remeasurement gain during the period	**-**	-
Effect of deferred income tax	**-**	-
At end of period	**18,643,586**	18,643,586

Revaluation reserve		
At beginning of period	**89,321,234**	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	**89,321,234**	89,321,234
Total other comprehensive income	**₱ 107,964,820**	₱ 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 March 31, 2016 and December 31, 2015, the present value of the retirement benefit obligation amounted to ₱206,541,569 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 March 31, 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 were 1,952,941,457 and 2,000,000,000 for the first quarters of 2016 and 2015, respectively.

	2016	2015
Net income	**₱ 196,418,815**	₱ 128,157,205
Weighted average number of common shares	**1,952,941,457**	2,000,000,000
	₱ 0.101	₱ 0.064

30. FAIR VALUE GAIN ON TRANSFERRED REAL ESTATE PROPERTIES THRU DACION EN PAGO COVERED BY THE REHABILITIATION 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 March 31, 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 reduces the consolidated deficit as at March 31, 2016 and December 31, 2015 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 March 31, 2016 and December 31, 2015 are as follows:

	2016	2015
Cash in banks (excluding cash on hand)	**₱ 201,941,127**	₱ 297,581,785
Trade and other receivables	**170,317,470**	362,983,279
Due from related parties	**1,635,494**	1,639,463
	₱ 373,894,091	₱ 662,204,527

Credit quality information

As at March 31, 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
2016	**100**	**(₱33,004,090)**
	50	**(16,502,045)**
	(100)	**33,004,090**
	(50)	**16,502,045**
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 and OOC's short-term debts in 2016 and the Parent Company's installment contracts payable in 2015 (see Notes 18 and 19).The impact on the Group's equity is immaterial.

	Increase (Decrease) in Basis Points	Effect in Income After Tax
2016	**100**	**(₱ 9,876,698)**
	50	**(4,938,349)**
	(100)	**9,876,698**
	(50)	**4,938,349**
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 March 31, 2016 and December 31, 2015, the Group's ratios of interest-bearing debt to total capital are as follow:

	2016	2015
Total interest-bearing debt (a)	**₱ 141,095,683**	₱ 49,342,686
Total equity	**3,351,968,534**	3,171,772,701
Total interest-bearing debt and equity (b)	**₱ 3,493,064,217**	₱ 3,221,115,387
Gearing ratio (a/b)	**4%**	2%

As at March 31, 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	**₱ 141,095,683**	₱ 49,342,686
Less: Cash	**201,941,127**	297,581,785
Financial assets at FVPL	**471,486,995**	382,205,805
Net interest-bearing debt (a)	**(532,332,439)**	(630,444,904)

Total equity	**3,351,968,534**	3,171,772,701
Net interest-bearing debt and equity (b)	**₱ 2,819,636,095**	₱ 2,541,327,797
Gearing ratio (a/b)	**(19%)**	(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	Valuation
	Mar. 31, 2016	Dec. 31, 2015	hierarchy	techniques
Financial assets at FVPL	**₱ 471,486,995**	₱ 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.

i. Due to the short-term maturities of cash and cash equivalents, trade and other receivables, trade and other payables, short-term debts and current portion of installment contracts payable, their carrying amounts approximate their fair values.

ii. 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			
	Carrying Value	**Fair Value**	Carrying Value	Fair Value	Fair value hierarchy	Input used
Assets						
Advances to related parties	**₱ 1,635,494**	**₱ 1,601,290**	₱ 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)
Liabilities						
Installment contracts payable	**36,109,111**	**30,863,212**	36,109,111	30,681,163	Level 3	(b)
Advances from related parties	**224,924,917**	**192,248,030**	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 0.707% 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 5.372% 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 March 31, 2016 and December 31, 2015:

		Increase (Decrease) in carrying amount		
	Change in Unobservable Input to Valuation Model	Advances from related parties	Advances to related parties	Installment contracts payable
2016	**.05%**	**(₱ 273,411)**	**(₱ 2,383)**	**(₱ 43,893)**
	-.05%	**273,930**	**2,387**	**43,976**
2015	.05%	(₱ 416,317)	(₱ 2,450)	(₱ 43,548)
	-.05%	417,106	2,455	43,631

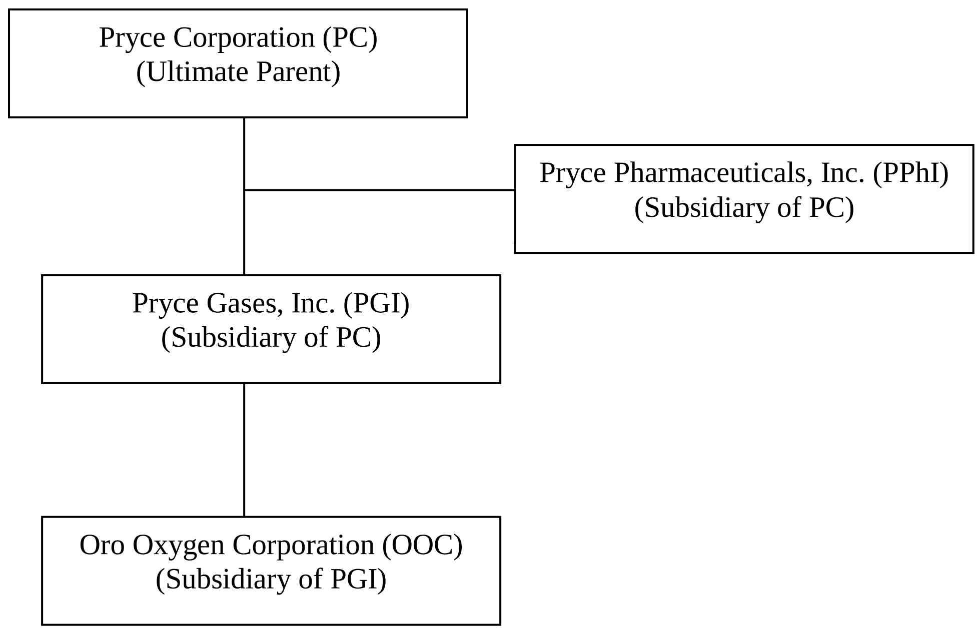
There has been no transfer from one fair value hierarchy level to another

* * *

PRYCE CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS
March 31, 2016 and December 31, 2015

	2016	2015
Profitability ratios:		
Return on assets	**4.36%**	13.68%
Return on equity	**7.20%**	25.39%
Net profit margin	**15.81%**	12.43%
Solvency and liquidity ratios:		
Current ratio	**1.920**	1.880
Debt to equity ratio	**0.510**	0.630
Financial leverage ratio:		
Asset to equity ratio	**1.590**	1.710
Debt to asset ratio	**0.320**	0.370
Interest rate coverage ratio	**45.36**	35.05

PRYCE CORPORATION AND SUBSIDIARIES
ANNEX A – MAP OF CONGLOMERATE OR GROUP
OF COMPANIES WITHIN WHICH THE COMPANY BELONGS
MARCH 31, 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:

	Effective date	
New amendments interpretations to existing standards effective in 2011		
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
2010 improvements to PFRS (effective for the annual periods on or after January 1, 2011)		
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
MARCH 31, 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
Phinma Corporation	1,095,760	12,601,240	12,601,240	
Swift Foods, Inc.	20,000	3,180	3,180	
Alliance Global Group	100	1,650	1,650	
San Miguel Corporation	1,690,163	130,142,544	130,142,544	
RCBC	1,098,000	32,994,900	32,994,900	
Cebu Air	79,955	7,155,973	7,155,973	
SMC-Purefoods	217,086	37,772,964	37,772,964	
Top Frontier	1,395,206	244,440,145	244,440,145	
Ginebra San Miguel	531,200	6,374,400	6,374,400	
	6,127,470	**471,486,995**	**471,486,995**	

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS AND EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
FOR THE PERIOD ENDED MARCH 31 , 2016

Name of Debtor	Designation of Debtor	Balance at beg of the period	Additions	Amount Collected	Amount Written off	Current	Non current	Balance at end of period
1. Aguadera, Jonax	Officer	1,282,545	2,000	56,882		65,700	1,161,963	1,227,663
2. Baisa, Emerson	Officer	1,050,876	18,000				1,068,875	1,068,876
3. Abuyog, Rudy	Officer	1,238,518	15,849	322,996		372,632	558,739	931,371
4. Palma, Efren	Officer	928,936	62,449	130,183		262,828	598,374	861,202
5. Escaño, Jose Maria	Officer	982,498	18,885	156,097		340,406	504,880	845,286
6. Paasa, Christy Ann	Officer	491,932	383,318	131,260		381,514	362,476	743,990
7.Dy, Carlitos	Officer	798,553	51,563	119,621		261,759	468,736	730,495
8. Sulatre, Alexis	Officer	834,202	9,999	161,097		215,175	467,929	683,104
9. Yamut, Jetaime	Officer	101,569	675,000	101,569		675,000		675,000
10.Competente, Roque	Officer	813,240	2,046	149,835		147,628	517,823	665,451
11. Villalobos, Randy	Officer	620,595	2,793	24,798		224,370	374,220	598,590
12. Encabo Erica	Officer	599,728		30,122		143,068	426,538	569,606
13. Villanueva, Raul	Officer	622,561		64,467		200,001	358,093	558,094
14. Escano, Rafael	Officer	897,754	144,791	487,735		51,139	503,671	554,810
15. Hatud, Feliciano	Officer	438,469	144,083	38,837		155,348	388,367	543,715
16. Angcos, Agnes	Officer	544,315		44,574		155,344	344,397	499,741
17. Ramis, Frecil	Officer	480,601		30,206		128,194	322,201	450,395
18. Sarraga, Darwin	Officer	500,689	77,061	127,507		350,641	99,602	450,243
19. Mosquera, Leo	Officer	470,200		30,207		127,860	312,133	439,993
20. Gubalani , Concepcion	Officer	470,200		30,207		127,860	312,133	439,993
21. Gomez, Roger	Officer	469,374		30,207		127,034	312,133	439,167
22. Galvez, Jorge	Officer	257,603	154,637			229,773	182,467	412,240
23. Martin, Emiliano	Officer	414,222	21,934	47,854		156,719	231,583	388,302
24. Gaid, Carmeli	Officer	729,668		346,417		99,052	284,199	383,251
25. Aguirre, Elmer	Officer	398,216	26,083	49,409		115,978	258,912	374,890
26. Lim, Jose Angelo	Officer	0	448,739	86,153		362,586		362,586
27. Delima, Robin	Officer	307,412		20,494		81,976	204,942	286,918
28.Magallano, Joedim	Officer	102,284	326,096	174,862		253,518		253,518
29. Lagunay , Jose	Officer	0	236,517	18,609		217,908		217,908
30. Trazo, Benjie	Staff	203,097		17,387		20,000	165,710	185,710
31. Montalban	Staff	140,792	29,171			169,963		169,963
32. Bonilla, Gidion	Staff	150,374		4,251		146,123		146,123
33. Various employees	with below 100k balances	18,238,962	5,678,989	6,869,726		10,908,455	6,139,770	17,048,225
TOTAL		35,579,985	8,530,003	9,903,569		17,275,551	16,930,866	34,206,418

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
MARCH 31, 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	134,335,551	402,204,794	-	-	374,949,895	374,949,895
Oro Oxygen Corporation	Pryce Corporation	90,500,000	-	-	-	-	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	1,675,881	1,581,863	-	-	1,208,136	1,208,136
Pryce Pharmaceuicals, Inc.	Pryce Gases, Inc.	261,650	-	261,650	-	-	-	-
		739,094,906	136,011,432	408,748,307	-	-	466,358,031	466,358,031

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE D – INTANGIBLE ASSETS - OTHER ASSETS
MARCH 31, 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
MARCH 31, 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		₱9,986,572	₱36,109,111

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED COMPANIES)
MARCH 31, 2016

Name of related party	**Balance at beginning of period**	Balance at end of period
Mindanao Gardens, Inc.	**₱ 136,127,550**	₱ 30,300,584
Josefina Multi-Ventures Corporation	**121,306,101**	106,097,280
Hinundayan Holdings Corporation	**34,397,617**	35,158,500
PioVeloso	**32,766,300**	32,766,300
Salvador Escaňo	**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**	400,000
	₱ 345,199,821	₱ 224,924,917

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE G – GUARANTEES OF SECURITIES OF OTHER ISSUERS
MARCH 31, 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
MARCH 31, 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	60,559,786	1,426,759,002

PRYCE CORPORATION (Parent Company)
Aging of Accounts Receivable
As of March 31, 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
a. Trade Receivables									
1. Subdivision	**-**	-	-	-	-	-	-		-
2. Low-cost housing	**2,227,064**	230,233	270,335	331,499	358,540	415,969	620,488		
3. Memorial Parks	**31,195,584**	3,800,795	3,976,089	4,145,821	4,503,984	4,071,998	3,231,327		7,465,570
4. Hotel	**4,768,974**	2,035,822	2,733,152						
5. Head Office	**111,161**	111,161	-						
Totals	**38,302,784**	**6,178,011**	**6,979,576**	**4,477,320**	**4,862,524**	**4,487,967**	**3,851,815**	**-**	**7,465,570**
Less: Allow. For Doubtful Acct.	**7,415,618**								7,415,618
Sub Total	***30,887,166***	***6,178,011***	***6,979,576***	***4,477,320***	***4,862,524***	***4,487,967***	***3,851,815***	**-**	***49,952***
b. Non-trade Receivables									
Advances to Officers & Employees	**4,538,627**	699,825	561,710						3,277,092
Advances to Suppliers & Contractors	**1,551,424**	508,557	337,137						705,730
Others	**1,971,242**	378,092	567,491					-	1,025,659
Totals	**8,061,294**	**1,586,474**	**1,466,338**	**-**	**-**	**-**	**-**	**-**	**5,008,481**
Less: Allow. For Doubtful Acct.	**4,612,551**								4,612,551
Sub Total	***3,448,743***	***1,586,474***	***1,466,338***	**-**	**-**	**-**	**-**	**-**	***395,930***
Grand Total	***34,335,908***	***7,764,484***	***8,445,914***	***4,477,320***	***4,862,524***	***4,487,967***	***3,851,815***	**-**	***445,882***

Accounts Receivable Description

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