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)

June 30, 2018

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 June 30, 2018
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 Outstanding shares
Common Shares	2,024,500,000

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

Pryce Corporation (PPC) posted a consolidated net income of P711.89 million for the first half of the year 2018, generating a 22.34% increase from last year's P581.90 million. Growth in the company's consolidated revenues drove the improvement in net income for the comparative period. PPC's gross revenue reached P 4.83 billion, increasing by 14.24% compared to last year's figure of P4.23 billion. Sale of liquefied petroleum gas (LPG) accounted for 91.45% of the group's total revenue, while sale of industrial gases, real estate, and pharmaceutical products accounted for the balance.

LPG products (LPG, cylinders & accessories) and industrial gases are product lines handled by the subsidiary, Pryce Gases, Inc. (PGI) under the PryceGas brand, while real estate sales (excludes hotel operations which ceased operations on December 31, 2016) are the responsibility of the parent company, Pryce Corporation. The accounts also include those of: Pryce Pharmaceuticals, Inc. which handles vitamins and some over-the-counter pharmaceutical products; and Oro Oxygen Corporation (OOC, a wholly-owned subsidiary of PGI) that is engaged in the same business as PGI's, but operates only in Luzon.

<u>Revenues and Volume Growth</u>

Consolidated revenues aggregated P4.83 billion for the first-half period ended June 30, 2018, broken down by product line as follows: liquefied petroleum gas (LPG) products, P4.419 billion (or 91.45% of total); industrial gases, P211.45 million (4.38%); real estate sales, P179.92 million (3.72%); and revenues from pharmaceutical products, P21.61 million (0.44%). Revenues for the first semester registered an increase of 14.24% over the previous year's figure of P4.23 billion.

LPG sales volume rose by 13.48% in the Visayas and Mindanao regions and 2.35% in Luzon. Collectively, sale of LPG grew by 6.96% for the first half of 2018, from 91,243 metric tons (MT) to 97,590 metric tons (MT).

Industrial gas sales rose by 10.13% to P211.45 million compared to the year-before figure of P192.00 million, due principally to the growth in sales of oxygen from P139.73 million to 152.80 million. Sales of acetylene and other gases increased by 12.21% to P58.66 million. In terms of volume, the number of refilled cylinders reached 527,612 compared to the previous year's 476,674, or a growth of 10.69%.

Sale of real estate also contributed to the group's growth in revenue with a 166.6% growth due primarily to the sale of office condominium units of Pryce Tower in Davao City. Sale of said condominium units amounted to P120 million, while the balance of P59.92 was mainly accounted for by memorial lot sales.

<u>Price Movement and Market Demand</u>

Increase in the international contract price in LPG (CP) impacts on the country's local LPG prices, which affects consumer behaviour particularly in the Vis-Min areas. The average LPG contract price in the first half of 2018, increased by about 8% to USD 515 per MT compared to last year's USD

477 per MT. Despite the rising price of LPG, overall demand, especially LPG for household cooking, remained strong so that the company was able to achieve an increase in its sales volume.

As a result of this substantial increase in average CP, the average selling price of PGI to its dealers for the Prycegas brand household/cooking LPG rose to P43.53/kg. in the first half of 2018 from P38.54/kg. in 2017 of the same period.

The Department of Energy's (DOE) first quarter LPG demand figure of 429,000 metric tons indicates that if the same is annualized, the previous year's aggregate demand of 1.626 million metric tons is likely to be exceeded.

Competition and Market Share

In the latest DOE report for 2018 (first quarter), PGI was listed as having an 11% market share nationwide. The same report indicates that in the combined Visayas-Mindanao market, PGI remains the 2nd largest player with a market share of 25%. PGI's sales volume in the Visayas and Mindanao regions increased by 13.48% for the first six months of 2018 compared to the same period in 2017. Luzon's operations, however, had a modest growth of 2.35% in sales volume in 2018 compared to 2017.

The ongoing expansion projects on the company's marine-fed terminals and construction of new refilling plants nationwide are expected to provide improved growth in LPG sales volume in the second half of the year as the LPG product becomes available over a wider area and brought even closer to the market's dealers and consumers.

Profitability

Gross margins improved to 25.35% in the first half of 2018 compared to 22.68% of the previous year due mainly to the increases in the price of LPG. In absolute amounts, gross profit from LPG and industrial gas sales (revenue less cost of sales) amounted to P1.11 billion against last year's P895.66 million, or a growth of 23.50%. Gross profit from real estate sales was P108.71 million that came from the sales of office condominium units and memorial lots, whereas pharmaceutical products contributed P7.56 million.

The total gross income for the period of P1.225 billion is an improvement of 27.70% from the year-before figure of P959.48 million. Operating expenses totalled P409.58 million, a slight increase of 1.36% from the prior year's P404.09 million. Other income declined to P30.17 million from last year's P132.92 million. These resulted in a net income before tax of P845.84 million. Provision for income tax was computed at P133.95 million, to yield a bottom-line income for the six-month period of P711.89 million.

Liquidity

Total liquid assets of the company as of June 30, 2018 amounted to P1.71 billion, which is higher by 11.0% from the P1.54 billion recorded as of yearend 2017 based on audited accounts. These liquid assets consisted of Cash and cash equivalents of P1,223.59 million and Financial Assets at fair value of P483.23 million.

Current ratio as of the end of the first semester 2018 was at 1.89:1 while total debt-to-equity ratio stood at 0.40.

Balance Sheet Changes

Compared to the December 31, 2017 audited financial statements, the significant movements in balance sheet accounts are as shown below.

Account Name	% Increase or (Decrease)	Reason for Change
Cash	51.28%	Due to the increase in income and availment of short-term loans
Financial assets at fair value	(33.83%)	Due to disposal in marketable securities and recognition of unrealized loss
Trade and other receivables	38.01%	Due to increase in revenue
Inventories	10.84%	Increase in inventory for resale
Real estate projects	(6.92%)	Due to sale of condominium units
Prepayments and other current assets	(16.44%)	Due to application of creditable withholding tax and amortization of prepayments
Advances to related parties	(62.92%)	Due to collection of advances
Property, plant and equipment	11.52%	Due to additional expansion of PGI
Goodwill	10.58%	Acquisition by mother company of the shares of the minority interest in subsidiary
Trade and other payables	14.35%	Due to increase in purchases and various accruals.
Income tax payable	(9.46%)	Due to payment of income tax
Customers' deposits	34.64%	Due to increase in collection of downpayment on real estate
Short-term debts	101.92%	Additional availment of short term loan
Retirement benefit obligation	(34.54%)	Due to payment of benefit obligation to the retirement fund
Retained earnings	27.79%	Due to net income of 2018.
Non-controlling interest	6.92%	Due to increase in net income.

Numerical Performance Indicators

The measures of revenue growth are presented below.

REVENUE GROWTH			
Pryce Corporation & Subsidiaries			
	2018 (June 30, 2018)	**2017 (June 30, 2017)**	Percent Growth/ (Decline)
REVENUE	Php 4,832,527,702	Php 4,230,300,287	14.18%

VOLUME GROWTH			
Principal Product – Liquefied Petroleum Gas (LPG) in metric tons			
	2018 (June 30, 2018)	**2017 (June 30, 2017)**	Percent Growth/ (Decline)
Retail Sales (MT)	97,590	91,243	6.96%
Bulk Sales (MT)	754	8,385	(91.0%)

Measurements on profitability (before tax) are shown below.

	2018 (June 30, 2018)	**2017 (June 30, 2017)**
Return on Assets (%)	8.50%	8.10%
Return on Equity (%)	12.16%	11.58%
Net profit margin (%)	17.50%	16.27%

The measurements on liquidity are shown below.

LIQUIDITY		
Pryce Corporation & Subsidiaries		
	2018 (June 30, 2018)	**2017 (June 30, 2016)**
Current ratio	1.89	3.18
Debt to equity ratio	0.40	0.32

PART II – OTHER INFORMATION

For the period under review, reports were filed with the SEC by way of SEC 17-C concerning the: a) notice of the annual stockholders' meeting that was filed with the PSE and SEC on May 9, 2018 and May 10, 2018 and which meeting was held on June 28, 2018; b) declaration of cash dividend (June 7, 2018); and c) results of the annual stockholders' meeting (June 29, 2018).

SIGNATURES

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

PRYCE CORPORATION
By:

JOSE MA. C. ORDENES
Senior Vice President

SALVADOR P. ESCAÑO
Chairman & CEO

August 13, 2018

PRYCE CORPORATION and SUBSIDIARIES

Financial Statements
For the periods ended June 30, 2018 and 2017, and December 31, 2017

PRYCE CORPORATION and SUBSIDIARIES
Consolidated Statements of Financial Position
As at June 30, 2018 (Unaudited) and December 31, 2017 (Audited)

	2018	Audited 2017
ASSETS		
Current assets		
Cash and cash equivalents - note 5	**1,223,594,246**	808,828,983
Financial assets at fair value through profit or loss (FVPL) - note 6	**483,229,526**	730,280,402
Trade and other receivables (net) - note 7	**457,439,410**	331,458,795
Inventories - note 8	**872,978,937**	787,570,966
Real estate projects - note 9	**786,226,611**	844,664,436
Prepayments and other current assets - note 10	**57,000,705**	68,212,104
	3,880,469,435	3,571,015,686
Noncurrent assets		
Advances to related parties - note 20	**48,746,117**	131,444,881
Property, plant and equipment (net) - notes 11 and 12	**6,375,509,630**	5,716,962,400
Investment properties - note 13	**115,497,888**	115,497,888
Deferred tax assets	**39,616,841**	39,616,841
Goodwill - note 14	**78,148,305**	70,668,305
	6,657,518,781	6,074,190,315
TOTAL ASSETS	**10,537,988,216**	9,645,206,001
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables - note 15	**834,575,334**	729,839,796
Income tax payable	**82,844,278**	91,501,863
Customers' deposits - note 16	**188,637,531**	140,109,299
Short-term debts - note 17	**706,715,790**	350,000,000
Dividends payable	**243,786,914**	242,940,000
	2,056,559,847	1,554,390,958
Noncurrent liabilities		
Retirement benefit obligation - note 27	**86,439,817**	132,056,136
Deferred tax liabilities	**733,531,274**	751,376,471
	819,971,091	883,432,607
TOTAL LIABILITIES	**2,876,530,938**	2,437,823,565
Equity		
Equity attributable to equity holders of the Parent Company		
Capital stock - note 18	**2,024,500,000**	2,024,500,000
Additional paid-in capital	**369,834,820**	369,834,820
Retained earnings	**2,163,092,840**	1,692,745,178
Fair value gain on real estate properties - note 29	**1,030,726,843**	1,030,726,843
Other comprehensive income - note 26	**1,681,419,903**	1,723,058,695
	7,269,574,406	6,840,865,536
Non-controlling interest	**391,882,872**	366,516,900
TOTAL EQUITY	**7,661,457,278**	7,207,382,436
TOTAL LIABILITIES AND EQUITY	**10,537,988,216**	9,645,206,001

(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 June 30, 2018 and 2017

	2018	2017 As Restated
REVENUES - note 21		
Liquefied petroleum and industrial gases	**4,630,998,452**	4,148,131,289
Real estate	**179,922,853**	67,479,999
Pharmaceutical products	**21,606,397**	14,688,999
	4,832,527,702	4,230,300,287
COST OF SALES - note 22		
Liquefied petroleum and industrial gases	**3,522,025,929**	3,249,785,894
Real estate	**71,214,393**	11,858,073
Pharmaceutical products	**14,044,158**	9,172,336
	3,607,284,480	3,270,816,303
GROSS INCOME	**1,225,243,222**	959,483,984
OPERATING EXPENSES - note 23	**409,575,551**	404,088,032
INCOME FROM OPERATIONS	**815,667,670**	555,395,952
OTHER INCOME (CHARGES) - Net		
Finance costs - note 24	**(12,399,831)**	(11,190,944)
Fair value gain (loss) on financial assets at FVPL	**(38,576,695)**	64,081,360
Other income (net) - note 25	**81,146,764**	80,032,661
	30,170,238	132,923,077
NET INCOME BEFORE TAX	**845,837,908**	688,319,029
Provision for Income Tax	**(133,952,540)**	(106,417,142)
NET INCOME	**711,885,368**	581,901,887
Total comprehensive income attributable to:		
Equity holders of the Parent Company	**653,803,673**	534,638,136
Non-controlling interests	**58,081,695**	47,263,751
	711,885,368	581,901,887
EARNINGS PER SHARE - note 28	**0.3229**	0.2641

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

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

	Period April 1 to June 30	
	2018	2017 As Restated
REVENUES		
Liquefied petroleum and industrial gases	**2,314,079,571**	1,966,979,274
Real estate	**155,182,725**	42,017,258
Pharmaceutical products	**10,279,435**	7,319,872
	2,479,541,731	2,016,316,404
COST OF SALES		
Liquefied petroleum and industrial gases	**1,726,169,053**	1,545,114,086
Real estate	**66,710,929**	6,809,594
Pharmaceutical products	**6,602,632**	4,382,403
	1,799,482,614	1,556,306,083
GROSS PROFIT	**680,059,117**	460,010,321
OPERATING EXPENSES	**205,100,827**	215,848,139
INCOME FROM OPERATIONS	**474,958,290**	244,162,182
OTHER INCOME (CHARGES)	**(23,333,276)**	84,362,831
NET INCOME BEFORE TAX	**451,625,014**	328,525,013
Provision for Income Tax	**(80,071,146)**	(48,332,836)
NET INCOME	**371,553,868**	280,192,177
Total comprehensive income attributable to:		
Equity holders of the Parent Company	**340,075,299**	258,972,020
Non-controlling interests	**31,478,569**	21,220,157
	371,553,868	280,192,177
EARNINGS PER SHARE	**0.1680**	0.1279

(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 June 30, 2018 and 2017 and December 31, 2017

	June 30 2018	June 30 2017 As Restated	December 31 2017 Audited
CAPITAL STOCK	**2,024,500,000**	2,000,000,000	2,024,500,000
ADDITIONAL PAID-IN CAPITAL	**369,834,820**	271,834,820	369,834,820
FAIR VALUE GAIN ON REAL ESTATE PROPERTIES	**1,030,726,843**	1,030,726,843	1,030,726,843
OTHER COMPREHENSIVE INCOME	**1,681,419,903**	1,738,523,996	1,723,058,695
RETAINED EARNINGS (DEFICIT)			
At beginning of period	**1,692,745,178**	668,034,738	668,034,738
Net income for the period	**653,803,673**	534,638,136	1,148,682,457
Transfer of revaluation reserve deducted from operations through additional depreciation charges	**59,483,989**	75,610,437	118,967,983
Declaration of cash dividends	**(242,940,000)**	-	(242,940,000)
At end of period	**2,163,092,840**	1,278,283,311	1,692,745,178
TREASURY STOCK	**-**	-	-
	7,269,574,406	6,319,368,970	6,840,865,536
NON-CONTROLLING INTEREST			
At beginning of period	**366,516,900**	330,930,478	330,930,478
Net income for the period	**58,081,695**	47,263,751	103,263,874
Declaration of cash dividends	**(24,215,723)**	(42,611,729)	(67,677,452)
Acquisition of 8.5 million PGI common shares of non-controlling interest	**(8,500,000)**	-	-
At end of period	**391,882,872**	335,582,500	366,516,900
TOTAL EQUITY	**7,661,457,278**	6,654,951,470	7,207,382,436

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Period Ended June 30, 2018 and 2017 and December 31, 2017

	June 30 2018	June 30 2017 As Restated	December 31 2017 Audited
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**845,837,908**	688,319,029	1,537,723,657
Adjustments for :			
Depreciation - notes 11 and 12	**153,720,743**	152,659,468	319,757,627
Retirement benefit expense	**14,400,072**	17,753,063	14,487,168
Finance costs - note 24	**12,399,831**	11,190,944	31,460,634
Unrealized loss (gain) on financial assets at FVPL - note 6	**38,576,695**	(64,081,360)	(37,321,484)
Gain on sale of financial assets at FVPL - note 25	**(12,737,442)**	(34,735,847)	(71,166,680)
Dividend income - note 25	**(19,884,655)**	(2,806,038)	(8,610,501)
Retirement benefit income	**-**	-	(2,456,485)
Interest income - note 25	**(204,657)**	(241,986)	(1,043,506)
Unrealized foreign exchange gain	**-**	-	(1,459,337)
Gain on sale of property, plant and equipment	**(25,171,600)**	-	(2,636,014)
Operating income before working capital changes	**1,006,936,896**	768,057,273	1,778,735,079
Decrease (increase) in assets:			
Trade and other receivables	**(125,980,615)**	167,610,616	23,356,261
Inventories	**(85,407,971)**	2,216,201	(177,188,754)
Prepayments and other current assets	**11,211,399**	14,966,316	8,130,571
Real estate projects	**58,437,825**	(19,909,107)	(22,060,631)
Increase (decrease) in liabilities:			
Trade and other payables	**104,735,539**	(117,749,017)	241,575,435
Customers' deposits	**48,528,232**	(11,821,752)	(40,570,169)
Net cash from operations	**1,018,461,305**	803,370,530	1,811,977,792
Additions to financial assets at FVPL - note 6	**(60,368,736)**	(224,004,132)	(713,531,925)
Proceeds from sale of financial assets at FVPL	**281,580,358**	199,432,853	521,334,601
Interest received	**204,657**	241,986	1,043,506
Income taxes paid	**(142,610,125)**	(146,728,579)	(262,243,932)
Contributions and retirement benefits paid	**(60,016,392)**	(69,471,601)	(84,561,459)
Net cash from operating activities	**1,037,251,066**	562,841,057	1,274,018,583
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment - notes 11 and 12	**(814,676,853)**	(193,695,030)	(589,352,628)
Additional investment in shares of stock	**(15,980,000)**	-	-
Additional investment properties - note 13	**-**	(3,870,000)	(5,540,000)
Proceeds from sale of property, plant and equipment	**27,580,481**	-	8,737,454
Dividends received - note 25	**19,884,655**	2,806,038	8,610,501
Collection of advances to related parties	**-**	-	29,287
Grant of advances to related parties	**82,698,764**	(43,301)	(131,444,881)
Net cash used in investing activities	**(700,492,953)**	(194,802,293)	(708,960,267)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of short-term debts	**906,715,790**	510,000,000	600,000,000
Settlement of advances from related parties	**-**	(30,325,412)	(60,470,817)
Finance costs paid	**(12,399,831)**	(11,190,944)	(31,460,634)
Payment of short-term debts	**(550,000,000)**	(735,000,000)	(825,000,000)
Payment of dividends	**(266,308,809)**	(42,611,729)	(67,677,447)
Net cash used in financing activities	**78,007,150**	(309,128,085)	(384,608,898)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**-**	-	316,524
NET INCREASE (DECREASE) IN CASH and CASH EQUIVALENTS	**414,765,263**	58,910,679	180,765,942
CASH and CASH EQUIVALENTS - note 5			
AT BEGINNING OF PERIOD	**808,828,983**	628,063,041	628,063,041
AT END OF PERIOD	**1,223,594,246**	686,973,720	808,828,983

(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 periods ended June 30, 2018 and December 31, 2017
(Expressed in Philippine Peso)

1. CORPORATE INFORMATION

Pryce Corporation (the "Parent Company") and its Subsidiaries (collectively referred to as the "Group") were incorporated in the Philippines and registered with the 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 at June 30, 2018 amounted to ₱5.95 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 June 30, 2018 and December 31, 2017:

Name of Subsidiary	Nature of Business	Ownership and Voting Interest 2018	2017
Pryce Gases, Inc. (PGI)	Manufacturer/Distributor of Industrial Gases and Liquefied Petroleum Gas (LPG)	91.35%	91.04%
Oro Oxygen Corporation (OOC)	Trading, and marketing in general merchandise, industrial, medical and other gases and Liquefied Petroleum Gas (LPG)	91.00%	90.69%
Pryce Pharmaceuticals, Inc. (PPhI)*	Trading of pharmaceutical products	88.66%	88.61%

** Includes indirect equity ownership of 13.66% and 13.61% in 2018 and 2017, respectively.*

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 section 9 of Republic Act No. 8479 otherwise known as Oil Industry Deregulation Law. As a registered enterprise with the BOI, the Company is entitled to all benefits and incentives provided for under RA 8479. 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 on January 1, 2014 for a period of five (5) years.

On September 21, 2016, the Company was registered with the Board of Investments (BOI) under section 9 of Republic Act No. 8479 otherwise known as Oil Industry Deregulation Law. As a registered enterprise with the BOI, the Company is entitled to all benefits and incentives provided for under RA 8479. Under the income tax holiday period, the Company has one (1) tank with 2,000 metric tons (MT) gross capacity located in Albuera, Leyte. The incentive was availed of by the Company on February 1, 2017 for a period of five (5) years.

On February 19, 2018, the Parent Company purchased 8.5 million common shares of PGI from Marubeni Corporation for ₱15.98 million. As a result, the Parent Company further increased its equity interest from 91.04% in 2017 to 91.35% in 2018 of the outstanding capital stock of PGI.

As at June 30, 2018, PGI has eight (8) liquefied petroleum gas (LPG) marine-fed terminals and fifty-seven (57) 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.

The significant information on the statements of financial position of PGI as at June 30, 2018 (unaudited) and December 31, 2017 (audited) is as follows:

Financial position

	2018	2017
Current assets	**₱ 1,897,895,825**	₱ 1,795,158,575
Noncurrent assets	**5,908,260,679**	5,408,473,410
Total assets	**7,806,156,504**	7,203,631,985
Current liabilities	**1,298,991,134**	923,894,239
Noncurrent liabilities	**505,723,673**	683,177,598
Total liabilities	**1,804,714,807**	1,607,071,837
Equity	**₱ 6,001,441,697**	₱ 5,596,560,148

The significant information on the unaudited statements of comprehensive income of PGI for the periods ended June 30, 2018 and 2017 is as follows:

Results of operations

	2018	2017
Revenues	**₱ 4,637,615,701**	₱4,179,797,082
Costs and expenses	**(3,969,206,316)**	(3,653,354,489)
Profit for the period	**668,409,385**	526,442,593
Total comprehensive income for the period	**₱ 668,409,385**	₱526,442,593

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. (MGI), the assignor, and PGI, the assignee, wherein MGI transfers, conveys, sells, cedes and assigns all its rights, title and interest in the 30,595,949 shares of OOC, with a par value of ₱1 per share, to PGI. Consequently, PGI increased its equity interest to 98.56% of the outstanding capital stock of OOC.

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

OOC's registered office address is 1st Lower Level Pryce Plaza Hotel, Carmen Hill, Cagayan de Oro City.

The significant information on the statements of financial position of OOC as at June 30, 2018 (unaudited) and December 31, 2017 (audited) is as follows:

Financial position

	2018	2017
Current assets	**₱ 231,413,016**	₱ 317,698,756
Noncurrent assets	**525,840,723**	515,762,431
Total assets	**757,253,739**	833,461,187
Current liabilities	**114,693,497**	104,094,089
Noncurrent liabilities	**106,553,268**	195,725,582
Total liabilities	**221,246,765**	299,819,671
Equity	**₱ 536,006,974**	₱ 533,641,516

The significant information on the unaudited statements of comprehensive income of OOC for the periods ended June 30, 2018 and 2017 is as follows:

Results of operations

	2018	2017
Revenue	₱ 120,699,738	₱ 150,318,580
Costs and expenses	(118,334,279)	(149,615,094)
Profit for the period	2,365,459	703,486
Total comprehensive income for the period	₱ 2,365,459	₱ 703,486

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.

The significant information on the statements of financial position of PPhI as at June 30, 2018 (unaudited) and December 31, 2017 (audited) is as follows:

Financial position

	2018	2017
Current assets	₱ 19,474,267	₱ 14,523,906
Noncurrent assets	1,470,627	4,922,132
Total assets	20,944,894	19,446,038
Current liabilities	10,548,125	9,502,331
Noncurrent liabilities	-	-
Total liabilities	10,548,125	9,502,331
Equity	₱ 10,396,769	₱ 9,943,707

The significant information on the unaudited statements of comprehensive income of PPhI for the periods ended June 30, 2018 and 2017 is as follows:

Results of operations

	2018	2017
Revenue	₱ 21,606,397	₱ 14,688,999
Costs and expenses	(21,153,335)	(14,412,770)
Profit for the period	453,062	276,229
Total comprehensive income for the period	₱ 453,062	₱ 276,229

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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 29. 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.

The consolidated financial statements are presented in Philippine peso (₱), the Group's functional and presentation currency. All amounts are rounded to the nearest peso except when otherwise indicated.

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial years except for the following amended PFRS that are mandatorily effective for annual periods beginning on or after January 1, 2017.

PAS 7 (Amendment), Statement of Cash Flows – Disclosure Initiative. The amendment requires to provide disclosures to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The amendment did not result in disclosure of reconciliation of liabilities arising from financing activities, reflecting both changes arising from cash flows and non-cash changes.

PAS 12 (Amendment), Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses. This amendment clarifies the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendment also clarifies that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendment provides guidance on how an entity should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount.

The amendments have no material impact on the disclosures and amounts recognized on the Group's financial statements.

Annual Improvements to PFRSs 2014-2016 Cycle

The Annual Improvements to PFRSs 2014-2016 Cycle sets out the amendments to PFRS 1, PFRS 12 and PAS 28. The amendments to PFRS 12 is adopted by the Group for the current year. The other amendments are not yet mandatorily effective and have not been early adopted by the Group.

The annual improvements addressed the following issues:

PFRS 12 (Amendment), Disclosure of Interests in Other Entities – Clarification of the Scope of the Standard. The amendments clarify the scope of PFRS 12 by specifying that its disclosure requirements, except for those in paragraphs B10–B16, apply to an entity's interests that are classified (or included in a disposal group that is classified) as held for sale or discontinued operations in accordance with PFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

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

<u>New accounting standards, interpretations and amendments to existing standards effective subsequent to January 1, 2017</u>

Standards issued but not yet effective up to the date of the Group 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 2014-2016 Cycle

The Annual Improvements to PFRSs 2014-2016 Cycle sets out the amendments to PFRS 1, PFRS 12 and PAS 28. The amendments to PFRS 1 and PAS 28 are effective for annual periods beginning on or after January 1, 2018. The amendments to PAS 28 shall be applied retrospectively with earlier application permitted. The amendments to PFRS 12 is effective for the current year.

The annual improvements addressed the following issues:

PAS 28 (Amendment), Investments in Associates and Joint Ventures – Measuring an Associate or Joint Venture at Fair Value. The amendment clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The application of the above improvement will have no impact on the disclosures and amounts recognized on the Group's financial statements.

PAS 40 (Amendment), Investment Property – Transfers of Investment Property. The amendment clarifies that to transfer to, or from, investment properties there must be a change in use. A change in use would involve (a) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (b) supporting evidence that a change in use has occurred. The application of the amendments provides two options for transition: (a) An entity shall apply those amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments; or (b) retrospective application if, and only if, that is possible without the use of hindsight. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

The amendment will not have a material impact on the disclosures and amounts recognized on the Group's financial statements.

PFRS 2 (Amendment), Share-based Payment – Classification and Measurement of Share-based Payment Transactions. The amendment addresses the: (a) accounting for modifications to the terms and conditions of share-based payments that change the classification of the transaction from cash-settled to equity-settled; (b) accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; and (c) the classification of share-based payment transactions with a net settlement feature for withholding tax obligations. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

The amendments will not have an impact on the disclosures and amounts recognized on the Group's financial statements.

PFRS 9, Financial Instruments (2014). 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.

PFRS 15, Revenue from Contracts with Customers. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in that framework is that an entity should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps: (a) identify the contracts with customers; (b) identify the performance obligations in the contract; (c) determine the transaction price; (d) allocate the transaction price to the performance obligations in the contract; and (e) recognize revenue when the entity satisfies a performance obligation. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

The standard will have an impact in the measurement, recognition and disclosure of the Group's revenue.

PFRS 15 (Amendment), Revenue from Contracts with Customers – Clarifications to PFRS 15 Revenue from Contracts with Customers. This addresses clarifying amendments to PFRS 15 and introduced a transitional relief for entities applying the standard for the first time. The focus of this amendment is on clarifying the application of PFRS 15 when (a) identifying performance obligations by clarifying how to apply the concept of 'distinct', (b) determining whether an entity is acting as principal or an agent in a transaction by clarifying how to apply the control principle, and (c) assessing whether a license transfers to a customer over time or at a point in time by clarifying when a company's activities significantly affect the intellectual property to which the customer has rights. The amendments also add two practical expedients to the transition requirements of PFRS 15 for completed contracts under the full retrospective transition approach and contract modifications at transition. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

The amendments will have an impact in the measurement, recognition and disclosure of the Company's revenue.

Philippine Interpretation IFRIC-22, Foreign Currency Transactions and Advance Consideration. This interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. This interpretation is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

The interpretation will have no significant impact on the Group's financial statements.

Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments. This interpretation addresses how to apply the recognition and measurement requirements of PAS 12 Income Taxes when there is uncertainty over income tax treatments. This interpretation is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

The interpretation will have no significant impact on the Group's financial statements.

PAS 28 *(Amendment)*, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*. The amendment clarifies that an entity applies PFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendment is effective for annual periods beginning on or after January 1, 2019 and shall be applied retrospectively. However, early application of these amendments is permitted.

The amendments will not have a significant impact on the disclosures and amounts recognized on the Group's financial statements.

PFRS 9 (Amendment), *Financial Instruments – Prepayment Features with Negative Compensation*. This addresses the concerns about how PFRS 9 classifies particular prepayable financial assets. The amendments also include clarifications to the accounting for a modification or exchange of a financial liability that does not result in derecognition. The amendment is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

The amendment will not have a significant impact on the disclosures and amounts recognized on the Group's financial statements.

PFRS 16, Leases. This new standard introduces a single lessee accounting model to be applied to all leases, whilst substantially carries forward the lessor accounting requirements in PAS 17 Leases. Lessees recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments for all leases with a term of more than twelve (12) months, unless the underlying asset is of low value. Whereas, lessors continue to classify leases as operating leases or finance leases, and to account for those two types of leases differently. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16.

The standard will not have a material impact on the financial statements since the lease entered into by the Group as a lessee has a term of twelve (12) months or less does not contain a purchase option. Consequently, lease payments will continue to be recognized as an expense on a straight-line basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and all subsidiaries it controls. Control is achieved when the Parent Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. 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.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting year, using accounting policies that are consistent with those of the Company. Intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions are eliminated in full 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 statements 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 statements 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 statements 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 interest represents the portion of the net assets of consolidated subsidiaries not held by the Group, and is presented separately in the consolidated statements of comprehensive income, consolidated statement of changes in equity and within the equity section of the consolidated statement of financial position, separate from the Group's equity. Non-controlling interest share in the losses even if the losses exceed the non-controlling equity interest in the subsidiary.

Non-controlling interest represents the 8.65% in 2018 and 8.96% in 2017 interest in PGI not owned by the Parent Company, 9% in 2018 and 9.31% in 2017 interest in OOC not owned by the Parent Company, and 11.34% in 2018 and 11.39% in 2017 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.

Changes in the ownership interests in existing subsidiaries

Changes in the ownership interests in subsidiaries that do not result in the loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes to their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

If the Group loses control over a subsidiary, it: (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary; (b) derecognizes the carrying amounts of any non-controlling interest; (c) recognizes the fair value of consideration received; (d) recognizes the fair value of any investment retained; (e) recognizes any surplus or deficit in the consolidated statements of comprehensive income; and (f) reclassifies the parent's share of components previously recognized in consolidated statements of comprehensive income to the consolidated statements of comprehensive income or retained earnings, as appropriate.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured at its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest in associate, joint venture, or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in the other comprehensive income are reclassified to profit or loss.

Segment reporting

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

Financial instruments

Initial recognition, measurement and classification of financial instruments

The Company recognizes financial assets and financial liabilities in the 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.

Financial instruments are recognized initially 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.

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 June 30, 2018 and December 31, 2017.

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 as 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 investments held for trading are recognized in the consolidated statements of comprehensive income under “Other income (charges)” as “Fair value gain (loss)”.

Financial assets may be designated by management at initial recognition as 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 is 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 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 consolidated statements of comprehensive income.

This category includes the Company’s investment in listed equity securities (see Note 6).

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 nonrecurring measurement, such as investment properties.

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 statements 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 statements 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.

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 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 statements 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 twelve (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 June 30, 2018 and December 31, 2017, included under loans and receivables are the Group's cash, trade and other receivables, and advances to related parties (see Notes 5, 7, and 20).

Cash

Cash includes cash on hand and cash in banks.

Trade and other receivables

Trade and other receivables consists of amounts due from customers, advances to suppliers and contractors, advances to officers and employees, refundable deposits, cylinder deposits, and other receivables.

Other financial liabilities

Other financial liabilities are initially recognized at fair value, less directly attributable transaction costs. After initial recognition, other financial liabilities 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 statements of comprehensive income when the liabilities are derecognized as well as through the amortization process.

As at June 30, 2018 and December 31, 2017, included in other financial liabilities are the Group's trade and other payables, dividends payable, and short-term debts (see Notes 15 and 17).

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 nontrade payables, deposits for park interment services, cylinder deposits, due to government agencies, accrued expenses and other payables.

Trade payable and accrued expenses are classified as current liabilities if payment is due within one (1) year or less or in the normal operating cycle of the business if longer, while nontrade payables are classified as current liabilities if payment is due within one (1) 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.

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.

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 statements of comprehensive income.

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 statements 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 statements of comprehensive income under "Other income (charges)" account. Any subsequent reversal of an impairment loss is recognized in the consolidated statements 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.

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 real estate projects is recognized as an expense in the period in which the related revenue is recognized.

Inventories

Inventories are composed of three (3) product lines namely as: (1) LPG, cylinders, stoves and accessories, (2) industrial gases and (3) 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.

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. In case of supplies, net realizable value is the estimated realizable value of the supplies when disposed of at their condition at the end of reporting period.

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 statements 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 twelve (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 cost 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, machineries and equipment, oxygen and acetylene cylinders, 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 additional costs of property, plant and equipment.

Independent appraisal on land and land improvements, buildings and structures, machineries and equipment, oxygen and acetylene cylinders, 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, oxygen and acetylene cylinders, and 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 (except land) 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 statements 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 statements 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 (deficit).

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

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

When property, plant and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations. Fully depreciated property, plant and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.

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. If any 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 fair value less costs to sell and value in use. The fair value less costs to sell 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 statements 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 statements of comprehensive income. However, the increased in 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

Investment properties, which are properties held to earn rentals and/or for capital appreciation, is measured initially at cost, including transaction costs. 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 properties are measured at cost less 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 fair value less cost of disposal and value in use. The fair value less cost of disposal 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 statements 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 statements 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 statements 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 June 30, 2018 and December 31, 2017, 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

At the end of each reporting period, the Company assesses whether there is any indication that any of its assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized as income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

<u>Borrowings and borrowing costs</u>

(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 statements 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 costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the statement of comprehensive income in the period incurred.

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 statements of comprehensive income on a straight-line basis over the period of the lease.

Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statements 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

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.

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 statements 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 statements 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 statements of comprehensive income in subsequent periods. All remeasurements are recognized in "Remeasurement gains (loss) on retirement benefit obligation" account under other comprehensive income, and is presented in the consolidated statements of financial position, are not reclassified to another equity account in subsequent periods.

Related party relationships and transactions

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

Related party relationship exists when: (a) a person or a close member of that person's family has control or joint control, has significant influence or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity; and (b) when any of the following conditions apply: (i) the entity and the Company are members of the same group; (ii) one entity is an associate or joint venture of the other entity; (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party; (v) the entity is a post-employment benefit plan for the benefit of employees of the Company; (vi) the entity is controlled or jointly controlled by a person as identified in (a) above; (vii) the entity or any member of a group of which it is part, provides key management personnel services to the Company or to the parent of the Company; (viii) a person identified in (a) above has significant influence over the entity or is a member of the key management personnel of the entity or of a parent of the entity.

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

Deposit for future stock subscription

Deposit for future stock subscription includes any premium received from stockholder in excess of the authorized stocks for subscription.

Deposit for future stock subscription is classified as equity when: (a) the unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract; (b) the Board of Directors approved the proposed increase in authorized capital stock; (c) the stockholders approved the increase; and (d) the application for the approval of the proposed increase has been presented for filing or has been filed with the Commission as at the reporting period. Above requisites should be complied, otherwise deposit for future stock subscription is classified as a liability.

Equity

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

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 (1) class of stock, a separate account is maintained for each class of stock and the number of shares issued.

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

Treasury stock represents own equity instruments reacquired, the amount of the consideration paid, including directly attributable cost, net of any tax effects, is recognized as a reduction from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as Additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to Additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Dividends payable

Cash dividends on common shares are recognized as a liability and deducted from equity when approved by the Company's BOD. Dividends for the period that are approved after the end of reporting period are dealt with as a non-adjusting event after the end of reporting period.

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 statements of financial position.

- *Sale of goods*

  Revenue from sale of goods, shown under "Liquefied petroleum gases, and industrial gases" 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 on straight-line basis over the lease term.

- *Interest income*

  Interest is recognized on a time proportion basis using the effective interest method.

- *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 (BOD).

- *Other comprehensive income*

  Other comprehensive income (OCI) comprises items of income and expenses, including items previously presented under the consolidated statements 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

Cost and expenses are recognized in the consolidated statements 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 statements 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 statements of financial position as 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.

Foreign currency transactions

(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 Group 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 statements of comprehensive income.

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 statements 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.

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.

4. 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 an investment property. The Group considers each property separately in making its judgment.

(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 June 30, 2018 and December 31, 2017.

(h) Impairment of non-financial assets

Management is required to perform test of impairment when impairment indicators are present. Property and equipment and investment properties 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 the management 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.

Management believes that there are no indications that the property and equipment and investment properties are impaired as at June 30, 2018 and December 31, 2017.

(i) 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.

Management believes that there are no indications that the goodwill is impaired as at June 30, 2018 and December 31, 2017.

(j) 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.

Significant accounting estimates and assumptions

(a) 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 June 30, 2018 and December 31, 2017, the carrying amounts of property, plant and equipment, net of accumulated depreciation of ₱4.25 billion and ₱4.09 billion, amounted to ₱6.38 billion and ₱5.72 billion, respectively (see Notes 11 and 12).

(b) 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 amounted to ₱86.44 million and ₱132.06 million as at June 30, 2018 and December 31, 2017, respectively (see Note 27).

(c) *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 June 30, 2018 and December 31, 2017, 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 ₱39.62 million, net of unrecognized deferred tax asset amounting to ₱9.18 million.

5. CASH AND CASH EQUIVALENTS

This account consists of:

	2018	2017
Cash on hand	**₱ 3,603,473**	₱ 74,151,647
Cash in banks and equivalents	**1,219,990,773**	734,677,336
	₱ 1,223,594,246	₱ 808,828,983

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 ₱204,657 and ₱241,986 for the periods ended June 30, 2018 and 2017, respectively (see Note 25).

There are no legal restrictions on the Group's cash and cash equivalents as at June 30, 2018 and December 31, 2017.

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

The movement of the account is as follows:

	2018	2017
Cost		
Balance at beginning of period	**₱ 619,653,819**	₱ 356,289,815
Additions	**182,274,556**	713,531,925
Disposals/reclassifications	**(390,748,737)**	(450,167,921)
	411,179,638	619,653,819
Fair value gain	**72,049,888**	110,626,583
Balance at end of period	**₱ 483,229,526**	₱ 730,280,402

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.

Dividend income earned from financial assets at FVPL is presented under "Other income (net)" account in the consolidated statements of comprehensive income amounting to ₱19.9 million and ₱2.8 million for the periods ended June 30, 2018 and 2017, respectively (see Note 25).

The movements of the fair value gain as at June 30, 2018 and December 31, 2017 are as follows:

	2018	2017
Balance at beginning of period	**₱ 110,626,583**	₱ 73,305,099
Fair value gain (loss) during the period	**(38,576,695)**	37,321,484
Balance at end of period	**₱ 72,049,888**	₱ 110,626,583

The Group recognizes the fair value gain (loss) on financial assets at FVPL under "Fair value gain (loss)" account in the consolidated statements of comprehensive income.

7. TRADE AND OTHER RECEIVABLES (NET)

This account consists of:

	2018	2017
Trade	**₱ 336,241,759**	₱ 218,874,047
Receivable from memorial lot owners	**52,891,172**	53,849,000
Advances to contractors and suppliers	**19,073,280**	16,966,654
Advances to officers and employees	**29,824,545**	23,636,583
Refundable deposits	**13,997,506**	8,824,148
Cylinder deposits	**-**	-
Others	**36,000,890**	39,898,105
	488,029,152	362,048,537
Less: Allowance for impairment loss	**30,589,742**	30,589,742
Net	**₱ 457,439,410**	₱ 331,458,795

Trade receivables of PGI and OOC are usually due within thirty (30) to one hundred twenty (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 contractors and suppliers pertain to advance payments made to suppliers and contractors for the development of real estate projects and acquisition of property and equipment which will be subsequently reclassified to property and equipment once the title has been transferred to the Company.

Advances to officers and employees include advances for travels, purchases of materials, permit processing and car plans. Except for advances for car plans which are interest bearing, all the others are non-interest bearing. Non-interest bearing advances are subject to liquidation by concerned employees or officers. Car plan amortizations are paid through salary deductions.

Refundable deposits mainly represent bonds paid to various suppliers.

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

	2018	2017
Balance at beginning of period	**₱ 30,589,742**	₱ 30,589,742
Provision during the period	**-**	-
Balance at end of period	**₱ 30,589,742**	₱ 30,589,742

The provision for impairment pertains to accounts that management believes to be doubtful of collections.

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.

8. INVENTORIES

This account consists of:

	2018	2017
Finished goods:		
LPG, cylinders, stoves and accessories	**₱ 735,418,716**	₱ 647,705,282
Industrial gases	**13,297,231**	56,058,253
Lawn Mower/Genset/accessories	**28,190,513**	-
Pharmaceutical products	**6,349,315**	5,686,286
	783,255,775	709,449,821
In-transit LPG	**-**	-
Materials and supplies	**85,852,091**	71,306,989
Raw materials	**3,871,071**	6,814,156
	₱ 872,978,937	₱ 787,570,966

The inventories are stated at cost, 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.

There are no inventories pledged as security for liabilities as at June 30, 2018 and December 31, 2017.

9. REAL ESTATE PROJECTS

Real estate projects consist of:

	2018	2017
Memorial park lots	**₱ 438,091,826**	₱ 437,901,349
Subdivision lots	**104,195,817**	105,015,532
Condominium units	**40,959,825**	98,768,412
Land held for development	**202,979,143**	202,979,143
	₱ 786,226,611	₱ 844,664,436

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

10. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

	2018	2017 As Restated
Prepaid taxes and licenses	**₱ 11,467,226**	₱ 12,138,966
Input tax	**511,543**	7,497,157
Prepaid insurance	**4,095,479**	6,550,820
Prepaid rent	**25,224,085**	27,232,004
Deferred charges	**2,608,513**	1,061,629
Prepaid maintenance	**-**	834,246
Creditable withholding tax	**280,947**	-
Others	**12,812,912**	12,897,282
	₱ 57,000,705	₱ 68,212,104

Prepaid taxes and licenses represent advance payment of business taxes for the succeeding year.

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.

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

Details of property, plant and equipment are as follow:

As at June 30, 2018

	Net carrying amounts, January 1, 2018	Appraisal increase (decrease)	Additions	Depreciation	Reclassification	Disposals	Net carrying amounts, June 30, 2018
Land and improvements	₱1,475,127,433	₱ -	₱163,515	(₱ 606,806)	₱ -	(₱2,381,900)	₱1,472,302,242
Buildings and structures	852,641,430	-	30,318,950	(38,622,983)	588,249,691	-	1,432,587,088
Machinery and equipment	2,121,536,019	-	8,557,216	(64,953,211)	(588,249,691)	-	1,476,890,333
Oxygen and acetylene cylinders	278,500,848	-	6,463,210	(13,614,050)	-	-	271,350,007
Hotel and office equipment	7,411,339	-	-	(818,500)	-	-	6,592,839
	₱4,735,217,069	**₱ -**	**₱45,502,891**	**(₱118,615,550)**	**₱ -**	**(₱2,381,900)**	**₱4,659,722,510**

	Cost	Accumulated depreciation	Net carrying amounts, June 30, 2018
Land and improvements	₱ 1,489,833,900	(₱ 17,531,658)	₱ 1,472,302,242
Buildings and structures	2,344,041,311	(911,454,223)	1,432,587,088
Machinery and equipment	3,347,616,090	(1,870,725,757)	1,476,890,333
Oxygen and acetylene cylinders	970,272,056	(698,922,049)	271,350,007
Hotel and office equipment	73,278,235	(66,685,396)	6,592,839
	₱ 8,225,041,592	**(₱ 3,565,319,082)**	**₱ 4,659,722,510**

As at December 31, 2017

	Net carrying amounts, January 1, 2017	Appraisal increase (decrease)	Additions	Depreciation	Reclassification	Disposals	Net carrying amounts, December 31, 2017
Land and improvements	₱1,374,764,733	₱ -	₱105,319,025	(₱ 2,184,500)	₱ -	(₱ 2,771,825)	₱1,475,127,433
Buildings and structures	797,687,089	-	25,919,204	(81,668,368)	110,703,505	-	852,641,430
Machinery and equipment	1,656,868,174	-	11,169,589	(133,410,396)	589,604,006	(2,695,354)	2,121,536,019
Oxygen and acetylene cylinders	296,601,019	-	11,466,991	(29,563,791)	-	(3,371)	278,500,848
Hotel and office equipment	8,229,839	-	-	(818,500)	-	-	7,411,339
	₱4,134,150,854	₱ -	₱153,874,809	(₱247,645,555)	₱700,307,511	(₱5,470,550)	₱4,735,217,069

	Cost	Accumulated depreciation	Net carrying amounts, December 31, 2017
Land and improvements	₱ 1,492,052,285	(₱ 16,924,852)	₱ 1,475,127,433
Buildings and structures	1,373,273,495	(520,632,065)	852,641,430
Machinery and equipment	4,290,219,814	(2,168,683,795)	2,121,536,019
Oxygen and acetylene cylinders	953,886,225	(675,385,377)	278,500,848
Hotel and office equipment	73,278,235	(65,866,896)	7,411,339
	₱ 8,182,710,054	(₱ 3,447,492,985)	₱ 4,735,217,069

Depreciation charged to operations was allocated as follows:

	June 30, 2018	June 30, 2017
Cost of sales	**₱ 71,576,999**	₱ 70,678,851
Operating expenses	**47,038,551**	61,186,618
	₱ 118,615,550	₱ 131,865,469

The fair market value of the properties was determined by an independent appraiser on June 29, 2016 and September 11, 2016. 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 "Revaluation reserves" and are shown in "Other comprehensive income" in the stockholders' equity.

As at June 30, 2018 and December 31, 2017, there are no property and equipment pledged as security for liabilities and no restrictions on title had been imposed. No contractual commitments have been entered into by the Company for acquisition of any property and equipment.

As at June 30, 2018 and December 31, 2017, there are no restrictions on the distribution of the balance to shareholders.

12. PROPERTY, PLANT AND EQUIPMENT AT COST (NET)

Details of property, plant and equipment are as follow:

As at June 30, 2018

	Net carrying amounts, January 1, 2018	**Additions**	**Reclassification**	**Disposals**	**Depreciation**	**Net carrying amounts, June 30, 2018**
LPG plant, machinery and equipment	₱ 104,708,398	₱ 8,159,472	₱ -	₱ -	(₱ 3,415,172)	₱ 109,452,698
Machinery and equipment	468,928,321	26,598,030	-	(26,981)	(10,712,484)	484,786,887
Transportation equipment	78,076,797	43,796,320	-	-	(14,643,585)	107,229,532
Leasehold improvements	1,527,114	152,850	-	-	(643,755)	1,036,210
Furniture, fixtures and equipment	26,405,906	4,490,507	-	-	(5,459,211)	25,437,202
Construction in progress	295,874,769	685,976,783	-	-	-	981,851,552
Buildings and structures	6,224,026	-	-	-	(230,988)	5,993,038
	₱ 981,745,331	**₱ 769,173,962**	**₱ -**	**(₱ 26,981)**	**(₱ 35,105,193)**	**₱ 1,715,787,120**

	Cost	Accumulated depreciation	Net carrying amounts, June 30, 2018
LPG plant machinery and equipment	₱ 191,095,378	(₱ 81,642,679)	₱ 109,452,698
Machinery and equipment	649,840,020	(165,053,133)	484,786,887
Transportation equipment	412,422,978	(305,193,446)	107,229,532
Leasehold improvements	17,397,400	(16,361,190)	1,036,210
Furniture, fixtures and equipment	136,282,687	(110,845,485)	25,437,202
Construction in progress	981,851,552	-	981,851,552
Buildings and structures	9,239,474	(3,246,436)	5,993,038
	₱ 2,398,129,488	**(₱ 682,342,368)**	**₱ 1,715,787,120**

As at December 31, 2017

	Net carrying amounts, January 1, 2017	Additions	Reclassification	Disposals	Depreciation	Net carrying amounts, December 31, 2017
LPG plant machinery and equipment	₱ 78,167,924	₱ 43,255,281	₱ -	₱ -	(₱ 16,714,807)	₱ 104,708,398
Machinery and equipment	331,483,543	26,324,333	133,225,959	(544,319)	(21,561,195)	468,928,321
Transportation equipment	76,229,632	24,883,666	-	(86,571)	(22,949,930)	78,076,797
Leasehold improvement	2,828,888	-	-	-	(1,301,774)	1,527,114
Furniture, fixtures and equipment	22,014,906	13,513,393	-	-	(9,122,393)	26,405,906
Construction in progress	801,907,093	327,501,146	(833,533,470)	-	-	295,874,769
Building and structures	6,686,000	-	-	-	(461,974)	6,224,026
	₱ 1,319,317,986	₱ 435,477,819	(₱ 700,307,511)	(₱ 630,890)	(₱ 72,112,072)	₱ 981,745,331

	Cost	Accumulated depreciation	Net carrying amounts, December 31, 2017
LPG plant machinery and equipment	₱ 182,241,903	(₱ 77,533,505)	₱ 104,708,398
Machinery and equipment	623,246,944	(154,318,623)	468,928,321
Transportation equipment	368,634,350	(290,557,553)	78,076,797
Leasehold improvement	17,244,552	(15,717,438)	1,527,114
Furniture, fixtures and equipment	131,711,061	(105,305,155)	26,405,906
Construction in progress	295,874,769	-	295,874,769
Building and structures	9,239,473	(3,015,447)	6,224,026
	₱ 1,628,193,052	(₱ 646,447,721)	₱ 981,745,331

Depreciation charged to operations was allocated as follows:

	June 30, 2018	June 30, 2017
Cost of sales	**₱ 24,380,027**	₱ 13,828,488
Operating expenses	**10,725,166**	6,965,511
	₱ 35,105,193	₱ 20,793,999

Construction in progress pertains mainly to LPG and refilling plants.

As at June 30, 2018 and December 31, 2017, there are no property and equipment pledged as security for liabilities and no restrictions on title had been imposed. No contractual commitments have been entered into by the Company for acquisition of any property and equipment.

As at June 30, 2018 and December 31, 2017, there are no restrictions on the distribution of the balance to shareholders.

13. INVESTMENT PROPERTIES

This account consists of:

	2018	2017
Memorial lawn lots	₱ 78,470,747	₱ 78,470,747
Land	37,027,141	37,027,141
	₱ 115,497,888	₱ 115,497,888

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 rehabilitation plan 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".

On March 31, 2017 and September 4, 2017, PGI, Polytech Industrial Corporation and Site Resources Development Corporation entered into an agreement for the rescission of the Dacion en Pago covering several parcels of memorial lots dated March 11, 2004 and August 3, 2004, respectively. In fulfillment of the agreement, the Company paid ₱5,540,000 thereby rescinding the Dacion en Pago.

The movements of the investment properties as at June 30, 2018 and December 31, 2017 are as follows:

	2018	2017
Balance at beginning of period	₱ 115,497,888	₱ 109,957,888
Additions for the period	-	5,540,000
Balance at end of period	₱ 115,497,888	₱ 115,497,888

As at June 30, 2018 and December 31, 2017, there are no investment properties pledged as security for liabilities and no restrictions on title had been imposed. No contractual commitments have been entered into by the Group for acquisition of any investment properties.

The fair value of the land is the same as its cost since the management believes that the fair value of the investment properties does not significantly change from the time of acquisition.

The Group considers the carrying amount of the memorial lawn lots to be a reasonable approximation of their fair values. The approximation is assessed by management based on the selling price of memorial lots by the Parent Company.

14. 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.

	2018	2017
Attributable to:		
Investment in subsidiaries by Parent Company		
Pryce Gases, Inc. (PGI)	**₱ 76,377,066**	₱ 68,897,066
Pryce Pharmaceuticals, Inc. (PPhI)	**1,771,239**	1,771,239
	₱ 78,148,305	₱ 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 ₱76,377,066 and ₱68,897,066 as at June 30, 2018 and December 31, 2017, respectively. No impairment loss was recognized for goodwill arising from the acquisition of PGI.

The calculations of value in use for PGI's 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

On February 19, 2018, by virtue of the Parent Company's purchase of 8.5 million common shares of PGI from Marubeni Corporation for ₱15.98 million, the Parent Company increased its indirect equity interest (through PGI) in PPhI from 13.61% in 2017 to 13.66% in 2018.

15. TRADE AND OTHER PAYABLES

	2018	2017
Accounts payable:		
Trade	**₱ 542,834,057**	₱ 485,250,574
Nontrade	**4,096,138**	6,383,809
Accrued expenses:		
Salaries, wages and benefits	**11,324,715**	10,277,725
Others	**23,857,711**	4,139,378
Deposits for park internment services	**129,811,746**	98,821,755
Due to park maintenance fund	**17,581,501**	17,245,826
Cylinder deposits	**79,396,668**	56,000,100
Due to government agencies	**18,407,691**	42,374,975
Reserve fund liability	**7,265,107**	6,643,777
Deferred income	**-**	2,701,877
	₱ 834,575,334	₱ 729,839,796

Trade payables are non-interest bearing and are normally settled within a 30-day term.

Cylinder deposits pertain to deposits made by customers for its fifty (50) kg LPG cylinders and industrial gases cylinders lent out by the Group.

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

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

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

16. CUSTOMERS' DEPOSITS

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

The customers' deposits amounted to ₱188,637,531 and ₱140,109,299 as at June 30, 2018 and December 31, 2017, respectively.

17. SHORT-TERM DEBTS

Short-term debts consist of:

PGI

In 2018 and 2017, PGI obtained various short-term debts from local banks with an aggregate amount of ₱856.7 million and ₱600 million, respectively, at an average interest rate of 3.75% to 5.00% per annum. These are generally termed for ninety (90) days to one (1) year. The outstanding balance of the short term loan amounted to ₱631.7 million and ₱250 million as at June 30, 2018 and December 31, 2017, respectively.

OOC

In 2018 and 2017, OOC obtained various short-term debts from local banks with an aggregate amount of ₱50 million and ₱100 million, respectively, at an average interest rate of 4.50% to 5.0% per annum. The outstanding balance of the short term loan amounted to ₱75 million and ₱100 million as at June 30, 2018 and December 31, 2017, respectively.

Total interest incurred charged to operations amounted to ₱9.3 million and ₱10.6 million for the periods ended June 30, 2018 and 2017, respectively (see Note 24).

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.

18. CAPITAL STOCK

Details of this account are as follows:

	2018	2017
Common stock – ₱1 par value Authorized – 2,098,000,000 common shares	**₱2,098,000,000**	₱2,098,000,000
Issued – 2,024,500,000 common shares	**₱2,024,500,000**	₱2,024,500,000
Total	**₱2,024,500,000**	₱2,024,500,000

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 December 13, 2017, the SEC approved the increase of the capital stock of the Parent Company from ₱2,000,000,000 divided into 2,000,000,000 shares with the par value of ₱1 per share to ₱2,098,000,000 divided into 2,098,000,000 shares with the par value of ₱1 per share.

The Parent Company's shares are listed in the PSE. As at June 30, 2018 and December 31, 2017, the Parent Company's stock price amounted to ₱5.95 and ₱6.80 per share, respectively.

As at June 30, 2018 and December 31, 2017, the Parent Company has three hundred sixty-two (362) and three hundred sixty-five (365) equity holders, respectively.

19. RETAINED EARNINGS

In a special meeting held on June 7, 2018, the BOD of the Parent Company declared cash dividends amounting to ₱242,940,000 equivalent to ₱0.12 per share to stockholders of record as of June 25, 2018 payable on July 19, 2018. Outstanding dividends payable amounted to ₱243,786,914 and ₱242,940,000 as of June 30, 2018 and December 31, 2017, respectively. The dividends were paid on July 19, 2018.

On May 4, 2018, the BOD of PGI, in a special meeting held for the purpose thereof, approved the declaration of cash dividend at ₱0.10 per share on the present paid up and outstanding capital stock of the Company amounting to ₱280 million to be taken out of the Company's earned surplus as of December 31, 2017 and to be issued to stockholders of record as of May 11, 2018, which was paid on June 29, 2018.

In a special meeting held on December 21, 2017, the BOD of the Parent Company declared cash dividends amounting to ₱242,940,000 equivalent to ₱0.12 per share to stockholders of record as of January 12, 2018 payable on February 5, 2018. The dividends were paid on February 5, 2018.

On May 24, 2017, the BOD of PGI, in a special meeting held for the purpose thereof, approved the declaration of cash dividend at ₱0.17 per share on the present paid up and outstanding capital stock of the Company amounting to ₱476 million to be taken out of the Company's earned surplus as of December 31, 2016 and to be issued to stockholders of record as of April 21, 2017, which was paid on May 31, 2017.

On September 12, 2017, the BOD of PGI, in a special meeting held for the purpose thereof, approved the declaration of cash dividend at ₱0.10 per share on the present paid up and outstanding capital stock of the Company amounting to ₱280 million to be taken out of the Company's earned surplus as of December 31, 2016 and to be issued to stockholders of record as of September 14, 2017, which was paid on September 21, 2017.

The dividend income received by the Parent Company from PGI amounted to ₱255,784,277 and ₱433,388,271 for the periods ended June 30, 2018 and 2017, respectively.

20. RELATED PARTY TRANSACTIONS

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
Pryce Retirement Fund, Inc. (PRFI)	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

The Group has unsecured non-interest bearing advances to its 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 parties	**2018**	2017	**2018**	2017
PRFI	**(₱19,919,233)**	₱ 67,660,704	**₱ 47,741,471**	₱ 67,660,704
JMVC	-	(26,487)	-	-
PPI	-	(2,800)	-	-
HHC	**18,091**	-	**18,091**	-
DMTI	**14,055**	-	**14,055**	-
Stockholders	**(62,811,677)**	63,784,177	**972,500**	63,784,177
	(₱ 82,698,764)	₱ 131,415,594	**₱ 48,746,117**	₱ 131,444,881

There are no provisions for impairment loss recognized as expense at the end of the reporting period.

21. REVENUES

The details of this account are as follows:

a) Liquefied petroleum and industrial gases

	2018	2017
LPG, cylinders, stoves and accessories:		
Content	**₱ 4,281,169,685**	₱ 3,840,023,168
Cylinders	**129,735,816**	111,649,909
Stove and accessories	**8,639,633**	4,452,623
	4,419,545,134	3,956,125,700
Industrial gases:		
Oxygen	**152,796,783**	139,729,961
Acetylene	**33,812,854**	33,560,721
Other gases	**24,843,681**	18,714,907
	211,453,318	192,005,589
	₱ 4,630,998,452	₱ 4,148,131,289

b) Real estate

Revenues from real estate amounted to ₱179,922,853 and ₱67,479,999 for the periods ended June 30, 2018 and 2017, respectively.

c) Pharmaceutical products

Revenues from pharmaceutical products amounted to ₱21,606,397 and ₱14,688,999 for the periods ended June 30, 2018 and 2017, respectively.

22. COST OF SALES

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

	2018	2017
LPG, cylinders, stoves and accessories:		
Content	**₱ 3,293,308,747**	₱ 3,056,766,925
Cylinders	**107,742,056**	104,943,667
Stoves and accessories	**7,654,456**	3,320,840
	3,408,705,259	3,165,031,432
Industrial gases:		
Oxygen	**78,627,294**	61,047,987
Acetylene	**22,441,276**	16,645,995
Other gases	**12,252,100**	7,060,480
	113,320,670	84,754,462
	₱ 3,522,025,929	₱ 3,249,785,894

b) Cost of real estate amounted to ₱71,214,393 and ₱11,858,073 for the periods ended June 30, 2018 and 2017, 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.

c) Cost of sales on pharmaceutical products

		2018		2017
Beginning inventory – note 8	₱	**5,686,286**	₱	2,743,015
Add: Purchases		**14,707,187**		12,007,422
Total good available for sale		**20,393,473**		14,750,437
Less: Ending inventory – note 8		**6,349,315**		5,578,101
	₱	**14,044,158**	₱	9,172,336

23. OPERATING EXPENSES

This account consists of:

		2018		2017
Selling expenses		**203,350,062**		183,720,966
General and administrative expenses		**206,225,489**		220,367,066
	₱	**409,575,551**	₱	404,088,032

24. FINANCE COSTS

This account consists of:

		2018		2017
Importations	₱	**3,000,126**	₱	555,274
Short-term debts – note 17		**9,336,014**		10,635,670
Others		**63,691**		-
	₱	**12,399,831**	₱	11,190,944

25. OTHER INCOME (NET)

This account consists of:

		2018		2017
Other income:				
Gain on sale of financial assets at FVPL – note 6	₱	**12,737,442**	₱	34,735,848
Gain on settlement of debts covered by rehabilitation plan		-		30,235,410
Dividends - note 6		**19,884,655**		2,806,039
Sale of scrap and junked materials		**20,494,127**		12,013,378
Interest income from banks – note 5		**204,657**		241,986
Gain on sale of property and equipment		**25,171,600**		-
Others		**2,654,283**		-
	₱	**81,146,764**	₱	80,032,661

26. OTHER COMPREHENSIVE INCOME

	2018	2017
Remeasurement gains on retirement benefit obligation		
At beginning of period	₱ **20,848,377**	₱ 5,963,396
Remeasurement gain (loss) during the period	-	21,264,258
Effect of deferred income tax	-	(6,379,277)
At end of period	**20,848,377**	20,848,377
Revaluation reserve		
At beginning of period	**1,702,210,318**	1,785,487,906
Appraisal increase	-	-
Deferred tax effect on revaluation reserve of the appraisal increase	-	-
Transfer of revaluation reserve deducted from operations through additional depreciation charges	**(59,483,989)**	(118,967,983)
Deferred income tax effect on revaluation reserve charged to operations through additional depreciation	**17,845,197**	35,690,395
At end of period	**1,660,571,526**	1,702,210,318
Total other comprehensive income	₱ **1,681,419,903**	₱ 1,723,058,695

27. RETIREMENT BENEFIT OBLIGATION

The Group maintains a retirement benefit plan covering all employees on regular employment status. The plan is a funded noncontributory defined benefit plan that provides 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.

Contributions and costs are determined in accordance with actuarial valuation made for the plan. The Group's latest actuarial valuation is as at December 31, 2017.

The Group maintains a funded noncontributory retirement benefit obligation as at June 30, 2018 and December 31, 2017.

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

Parent Company

	2018	2017
Discount rate	**5.70%**	5.70%
Expected salary increase rate	**7%**	7%

PGI

	2018	2017
Discount rate	**5.70%**	5.70%
Expected salary increase rate	**7.0%**	7.0%

The discount rate as at June 30, 2018 and December 31, 2017, 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.

28. EARNINGS PER SHARE

Earnings per share are computed based on the weighted average number of common shares outstanding during the period. The number of shares used to compute basic earnings per share were 2,024,500,000 in 2018 and 2,000,000,000 in 2017.

	2018	2017
Net income attributable to the owners of the Parent Company	**₱ 653,803,673**	₱ 534,638,136
Weighted average number of common shares	**2,024,500,000**	2,024,500,000
	₱ 0.323	₱ 0.264

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

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

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

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

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

i) Both the Parent Company and subsidiary are under rehabilitation and the basis for the measurement of the real estate properties transferred was based on Court Order by the Regional Trial Court handling the rehabilitation and not on the basis of the parties involved;

ii) At the time of transfer, PGI's net asset carrying amounts was below the par value per share of its shares of stock due to its continued losses which resulted to a deficit amounting to ₱989,836,714 as at December 31, 2004. The fair value recognition on the transfer of Parent Company's real estate properties to PGI in exchange of PGI's shares of stock in the Parent Company's books and records would result to:

- Recognition of a substantial amount of unrealized fair value gain on real estate properties; and

- Overvalued carrying amount of its investment in subsidiary (PGI) because of the continued losses incurred by PGI that reduces the net carrying amounts of PGI's net assets.

<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 June 30, 2018 and December 31, 2017 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 statements 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 increases the consolidated retained earnings as at June 30, 2018 and December 31, 2017 by ₱1.03 billion.

30. 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.

31. 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 statements of financial position.

Credit risk exposure

The Group's financial assets are actively monitored to avoid significant concentration of credit risk. The maximum amount of exposure to credit risk as at June 30, 2018 and December 31, 2017 are as follows:

	2018	2017
Cash and cash equivalents (excluding cash on hand)	**₱ 1,219,990,773**	₱ 734,677,336
Trade and other receivables	**389,132,931**	272,723,047
Advances to related parties	**48,746,117**	131,444,881
	₱ 1,657,869,821	₱ 1,138,845,264

There is no requirement for collateral and other credit enhancements on the above financial assets.

Credit quality information

As at June 30, 2018 and December 31, 2017, 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*

  Prudent liquidity risk management implies maintaining sufficient cash to meet operating capital requirements. The Group aims to maintain flexibility in funding through an efficient collection of its receivables and from the continuous financial assistance extended by its related parties in the form of loans and advances.

- *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 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 on Income Before Tax	Effect on Equity After Tax
2018	**100**	**(₱48,322,953)**	**(₱33,826,067)**
	50	**(24,161,476)**	**(16,913,033)**
	(100)	**48,322,953**	**33,826,067**
	(50)	**24,161,476**	**16,913,033**
2017	100	(₱73,028,040)	(₱51,119,628)
	50	(36,514,020)	(25,559,814)
	(100)	73,028,040	51,119,628
	(50)	36,514,020	25,559,814

- *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.

  The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the PGI and OOC's short-term debts in 2018 and 2017.The impact on the Group's equity is immaterial.

	Increase (Decrease) in Basis Points	Effect on Income Before Tax	Effect on Equity After Tax
2018	**100**	**(₱ 70,671,579)**	**(₱ 49,470,105)**
	50	**(35,335,790)**	**(24,735,053)**
	(100)	**70,671,579**	**49,470,105**
	(50)	**35,335,790**	**24,735,053**
2017	100	(₱ 35,000,000)	(₱ 24,500,000)
	50	(17,500,000)	(12,250,000)
	(100)	35,000,000	24,500,000
	(50)	17,500,000	12,250,000

32. 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 statements 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.

The equity ratios as at June 30, 2018 and December 31, 2017 are as follows:

	2018	2017
Total equity (a)	**₱ 7,661,457,278**	₱ 7,207,382,436
Total assets (b)	**10,537,988,216**	9,645,206,001
Equity ratio (a/b)	**73%**	75%

The Group is not subject to any externally imposed capital requirements.

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 Jun. 30, 2018 and Dec. 31, 2017		Fair value hierarchy	Valuation techniques
	2018	2017		
Financial assets at FVPL	**₱ 483,229,526**	₱ 730,280,402	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, trade and other receivables, trade and other payables, dividends payable, and short-term debts, 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 table as follows:

	2018		2017			
	Carrying Value	**Fair Value**	Carrying Value	Fair Value	Fair value hierarchy	Input used
Financial asset						
Advances to related parties	**₱ 48,746,117**	**₱ 40,899,235**	₱ 131,444,881	₱ 111,059,988	Level 3	(b)
Nonfinancial asset						
Investment properties	**115,497,888**	**115,497,888**	115,497,888	115,497,888	Level 2	(a)
	164,244,005	**156,397,123**	246,942,769	226,557,876		
Liability						
Advances from related parties	**₱ -**	**₱ -**	₱ -	₱ -	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

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

Significant unobservable input	Relationship of unfavorable inputs
Discounted cash flows of zero-rated liabilities from related parties determined by reference to prevailing market lending rate of 6.025% in 2018 and 5.778% in 2017.	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 amounts of the due to and from related parties as at June 30, 2018 and December 31, 2017:

		Increase (Decrease) in carrying amount	
	Change in Unobservable Input to Valuation Model	Advances from related party	Advances to related parties
2018	**0.05%**	**₱ -**	**(₱ 57,808)**
	-0.05%	**-**	**57,917**
2017	0.05%	₱ -	(₱ 157,341)
	-0.05%	-	157,639

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

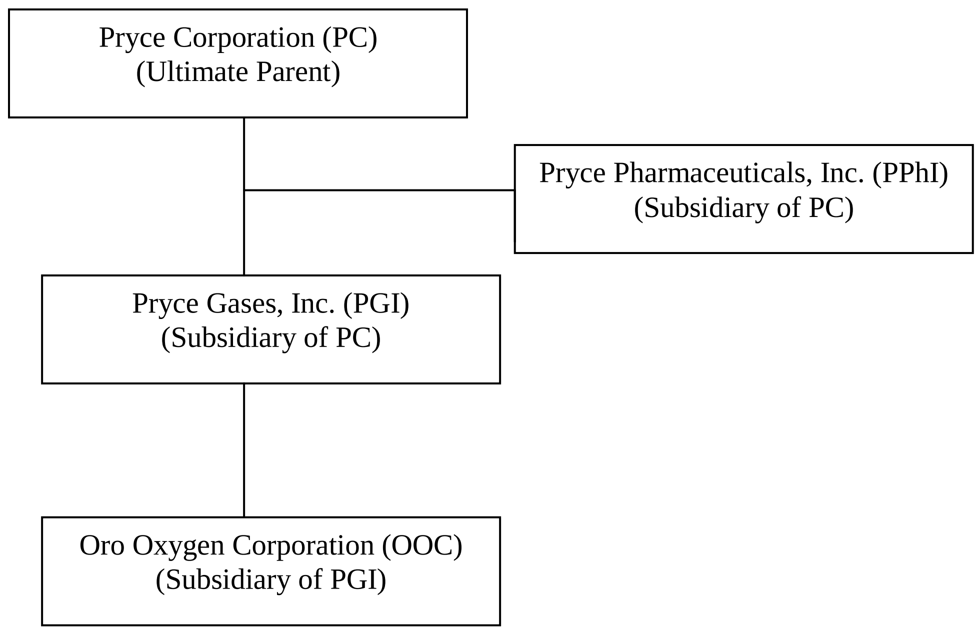
* * *

PRYCE CORPORATION AND SUBSIDIARIES
ANNEX "A" - FINANCIAL SOUNDNESS

	Jan to Jun 2018	Jan to Jun 2017
Profitability ratios :		
Return on assets	**8.50%**	8.10%
Return on equity	**12.16%**	11.58%
Net profit margin	**17.50%**	16.27%

	Jun. 30 2018	Dec. 31 2017
Solvency and liquidity ratios:		
Current ratio	**1.887**	2.297
Debt to equity ratio	**0.396**	0.356
Financial leverage ratio:		
Asset to equity ratio	**1.450**	1.410
Debt to asset ratio	**0.273**	0.253
Interest rate coverage ratio	**69.214**	49.878

PRYCE CORPORATION AND SUBSIDIARIES
ANNEX "B" – MAP OF CONGLOMERATE OR GROUP
OF COMPANIES WITHIN WHICH THE COMPANY BELONGS
JUNE 30, 2018



“Annex C”

PRYCE CORPORATION AND SUBSIDIARIES
JUNE 30, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as at June 30, 2018**		**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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2018		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	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			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
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			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2018		Adopted	Not Adopted	Not Applicable
	Instruments and Obligations Arising on Liquidation			
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
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	✓		
	Amendments to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2018		Adopted	Not Adopted	Not Applicable
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
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			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at June 30, 2018		Adopted	Not Adopted	Not Applicable
	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			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
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 June 30, 2018		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, 2017 but will never be applicable to the Group due to the nature of its operations or not relevant to the Group 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, 2017 and were not early adopted by the Group.

Please refer to Note 2 to the financial statements for related discussion on the assessed impact on the Group’s financial statements on the adoption of new standards and interpretations effective in 2017 including standards effective in 2017 and onwards.

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE A – FINANCIAL ASSETS
JUNE 30, 2018

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
Century Properties Group, Inc.	175,000	₱ 77,000	₱ 77,000
Energy Development Corp.	2,679,527	14,013,926	14,013,926
First Philippine Holdings	1,070,765	65,423,742	65,423,742
Ginebra San Miguel	3,504,260	75,166,377	75,166,377
Global-Estate Resort, Inc,	76,009,000	91,970,890	91,970,890
San Miguel Corp. Series 2-B Preference	242,330	18,489,779	18,489,779
San Miguel Corp. Series 2-C Preference	2,344,054	186,117,888	186,117,888
Top Frontier	123,436	31,969,925	31,969,925
Total	86,148,372	₱ 483,229,526	₱ 483,229,526

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS AND EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
June 30, 2018

	Name of Debtor	Debtor designation	Balance at beginning of the period	Additions	Amount Collected	Amount Written off	Current	Non current	Balance at end of the period
1 .	Deguit, Ethelbert	Officer	1,877,000	20,535	104,934		170,250	1,622,351	1,792,601
2 .	Simba, Francisco	Staff	-	4,943,438	3,462,246		1,481,192	-	1,481,192
3	Layug, Sonny	Staff	-	973,998	294,749		679,249	-	679,249
4 .	Paasa, Christy Ann	Officer	569,931	210,971	107,732		77,674	595,497	673,171
5	Eco, Servillano Jr.	Officer	688,472	36,481	77,673		77,674	569,606	647,280
6 .	Salcedo, Bernard	Officer	600,338	1,475,607	1,473,371		602,573	-	602,573
7 .	Cuady IV, Julius	Staff	-	608,817	13,361		595,456	-	595,456
8 .	Magallano, Joedim	Officer	530,875	361,677	324,978		274,859	292,714	567,573
9	Dy, Carlitos	Officer	423,793	365,296	277,786		511,303	-	511,303
10 .	Veloso, Rolando	Officer	565,601	-	60,413		62,162	443,027	505,188
11 .	Ascaño, Mark Alf	Officer	510,544	-	51,782		57,448	401,313	458,761
12 .	Sangalang, Alexander	Staff	141,857	643,766	331,155		454,469	-	454,469
13 .	Demetrio, Yvone	Staff	-	1,583,068	1,130,946		452,121	-	452,121
14 .	Villegas, Franz Jonas	Officer	521,168	-	77,673		42,181	401,313	443,495
15 .	Sumillano, Jeremy Riel	Officer	-	605,145	245,868		60,515	298,762	359,277
16 .	Competente, Roque	Officer	425,564	-	77,673		101,925	245,966	347,891
17 .	Albaran, Teotimo	Staff	-	741,479	410,790		330,689	-	330,689
18 .	Villalobos, Randy	Officer	180,390	551,000	414,000		317,390	-	317,390
19 .	Gubalani, Concepcion	Officer	316,594	324,057	366,689		173,274	100,688	273,962
20 .	Sulatre, Alexis	Officer	348,684	279,813	355,852		197,399	75,247	272,646
21 .	Dagalea, Dennis	Staff	-	245,000	-		245,000	-	245,000
22 .	Aguadera, Jonax	Officer	381,527	137,622	279,334		239,815	-	239,815
23 .	Encabo Erica	Officer	305,603	-	77,673		85,528	142,402	227,930
24 .	Gaid, Carmeli	Officer	221,707	50,387	75,582		73,615	122,897	196,511
25 .	Lumahang, Jimmy	Staff	-	180,000	-		180,000	-	180,000
26 .	Gomez, Roger	Officer	236,895	6,157	63,913		78,452	100,688	179,140
27 .	Lacson,Zaide	Staff	166,180	-	-		166,180	-	166,180
28 .	Escaño, Jose Ma.	Officer	-	218,322	61,109		157,212	-	157,212
29 .	Villanueva, Raul	Officer	238,094	6,157	90,500		95,658	58,094	153,751
30 .	Baisa, Emerson	Staff	-	148,810	-		148,810	-	148,810
31 .	Mosquera, Leo	Officer	208,857	12,655	60,413		60,412	100,688	161,100
32	Trazo, Benjie	Staff	148,922	244	12,244		136,922	-	136,922
33	Escaño, Rafael	Officer	314,651	195,119	381,338		128,432	-	128,432
34	Martin, Emiliano	Officer	143,552	14,067	33,155		74,120	50,343	124,463
35	Delima, Robin	Officer	-	594,221	472,893		121,328	-	121,328
36	Aquino, Romulo	Staff	-	155,871	46,424		109,447	-	109,447
37	Lagunay, Jose Jr.	Staff	106,437	-	-		106,437	-	106,437
38	Various Employees	below 100k b	13,463,347	7,227,193	5,414,759		11,180,002	4,095,778	15,275,780
	TOTAL		**23,636,583**	**22,916,975**	**16,729,013**	-	**20,107,173**	**9,717,372**	**29,824,545**

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
JUNE 30, 2018

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	195,725,582		89,172,314	-	-	106,553,268	106,553,268
Oro Oxygen Corporation	Pryce Corporation	80,600,000		2,400,000	-	-	78,200,000	78,200,000
Pryce Gases, Inc.	Pryce Corporation		19,265,886	9,265,886	-	-	10,000,000	10,000,000
Pryce Corporation	Pryce Gases, Inc.	109,523,325		109,523,325	-	-	-	
Pryce Pharmaceuticals, Inc.	Pryce Gases, Inc.	509,554	15,134		-	-	524,688	524,688
		386,358,461	19,281,020	210,361,525	-	-	195,277,956	195,277,956

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE D – INTANGIBLE ASSETS - OTHER ASSETS
JUNE 30, 2018

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 7,480,000	P –	P –	P –	P 78,148,305

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE E – LONG TERM DEBT
JUNE 30, 2018

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
-N I L-	Not Applicable		

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED COMPANIES)
JUNE 30, 2018

Name of related party	Balance at beginning of period	Balance at end of period
-N I L-	Not Applicable	Not Applicable

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE G – GUARANTEES OF SECURITIES OF OTHER ISSUERS
JUNE 30, 2018

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
-N I L-		Not Applicable		

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE H – CAPITAL STOCK
JUNE 30, 2018

Title of issue	Number of shares authorized	Number of shares subscribed and outstanding	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	2,098,000,000	2,024,500,000	–	512,681,212	60,569,115	1,451,249,673

PRYCE CORPORATION (Parent Company)
Aging of Accounts Receivable
As of June 30, 2018

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/Condo	**136,576,389**	134,800,813	528,915	602,277	644,384				
2. Low-cost housing	**3,554,339**	260,789	539,648	623,745	873,005	1,257,152			
3. Memorial Parks	**131,494,447**	18,631,099	19,018,504	21,123,339	23,012,817	22,480,054	19,040,944		8,187,690
4. Head Office	**76,341**	76,341							
Totals	**271,701,516**	**153,769,042**	**20,087,067**	**22,349,361**	**24,530,206**	**23,737,206**	**19,040,944**	**-**	**8,187,690**
Less: Allow. For Doubtful Acct.	**7,415,618**								7,415,618
Sub Total	***264,285,898***	***153,769,042***	***20,087,067***	***22,349,361***	***24,530,206***	***23,737,206***	***19,040,944***	**-**	***772,072***
b. Non-trade Receivables									
Advances to Officers & Employees	**2,233,374**	151,850	191,635						1,889,889
Advances to Suppliers & Contractors	**1,181,651**	438,935	388,060						354,656
Others	**2,788,926**	176,960	115,826						2,496,140
Totals	**6,203,951**	**767,745**	**695,521**	**-**	**-**	**-**	**-**	**-**	**4,740,685**
Less: Allow. For Doubtful Acct.	**4,612,551**								4,612,551
Sub Total	***1,591,400***	***767,745***	***695,521***	**-**	**-**	**-**	**-**	**-**	***128,134***
Grand Total	***265,877,298***	***154,536,787***	***20,782,588***	***22,349,361***	***24,530,206***	***23,737,206***	***19,040,944***	**-**	***900,206***

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
	Head Office	1-3 months