

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-A

Form Type

N/A

Amendment Designation (if applicable)

December 31, 2015

Period Ended Date

N/A

Secondary License Type and File Number

SECURITIES AND EXCHANGE COMMISSION

SEC Form 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended December 31, 2015
2. SEC Identification Number 168063 3. BIR Identification No. 000-065-142-000
4. PRYCE 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. Telephone No. (632) 899-44-01 (trunkline)
9. (formerly PRYCE PROPERTIES CORPORATION)
10. Securities registered pursuant to Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>No. of shares</u>
Subscribed & Issued Common Shares	1,998,750,000
Subscribed Common Shares (partially paid)	1,250,000

11. Are any or all of these securities listed on the Philippine Stock Exchange.
 Yes ☒ No ☐

Philippine Stock Exchange

Common Stock

12. Check whether the issuer:
- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 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 that 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 ☐

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant.

Market value of voting stock, held by non-affiliates of the registrant, is approximately P3,395,736,405 based on 1,426,780,002 shares at P2.38 per share, which was the market price at the close of the last trading of the year, i.e., December 29, 2015.

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission. -- Not Applicable to Issuer

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Background

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

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

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

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

Corporate Rehabilitation of Pryce Corporation

Background

Pryce Corporation ("the Company" or "PC") filed a petition for rehabilitation with the Regional Trial Court, Branch 138 (later Branch 149) of Makati ("the Commercial Court") on July 9, 2004; following this, the same court, in an order dated July 13, 2004, appointed a Receiver and ordered a stay in the settlement of all debts with the banks and trade creditors. In the years preceding the filing of said petition, the Company experienced a series of downturns in its real estate revenues due to the effects of the Asian financial crisis of 1997. This resulted in declines in cash flows that led to its inability to service its maturing bank debts. The Company had been negotiating with its bank creditors, as early as three years prior to the filing of same petition, for restructuring and/or payment of its debts via *dacion en pago*. However, no agreement was finalized because of several sticking points on the selection and valuation of assets as well as the accrual of interest and penalties. Meantime, China Banking Corp. (CBC) and the Bank of Phil. Islands (BPI) issued legal notices demanding payments. BPI, in fact, subsequently foreclosed on some of PC's assets mortgaged to the former.

In the midst of the aforesaid circumstances and stand-off with the banks and holders of the Long Term Commercial Papers (LTCP), Management decided to file a petition for rehabilitation to

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

On December 1, 2004, the Receiver submitted his comments and recommendations on the proposed rehabilitation plan of the Company, following which the rehabilitation plan of the company was approved by the Commercial Court thru an order it issued on January 17, 2005, which was implemented by the Receiver.

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

Court Litigations in Relation to PC's Rehabilitation Proceedings

The two creditor-banks, however, filed their respective petitions for review of the Commercial Court's orders before the Court of Appeals (CA) in February, 2005 opposing the rehabilitation plan.

On the BPI case, the 1st Division of the CA issued its decision on May 3, 2006 in favor of BPI. The Company filed a Motion for Reconsideration on May 26, 2006 and the CA on May 23, 2007 reversed itself, ruling in favor of PC thereby affirming the ruling of the RTC-Makati. BPI filed a Petition for Review on Certiorari with the Supreme Court (SC) which was denied on January 30, 2008. BPI then filed a Motion for Reconsideration, but this was likewise denied with finality when on April 28, 2008 the SC ruled that BPI did not present substantial argument to warrant a modification of the SC's earlier resolution.

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

Termination of the Company's Rehabilitation Proceedings

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

On July 31, 2015, PC received an Order dated July 28, 2015 from the Commercial Court. The Order disposed of PC's motion to terminate its corporate rehabilitation proceedings and declared the rehabilitation proceedings of PC as closed and terminated.

Product Mix

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

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

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

In late 2005, PGI decided to enter the LPG automotive fuel ("autogas") business as it believed in the long-term viability of this business considering that it is environmentally a cleaner alternative to the gasoline and diesel fuels. As of December 2014, it has a total of 35 autogas stations: 20 are in Mindanao, 15 in Visayas.

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

The Company also has a first class convention hotel called Pryce Plaza, located in Cagayan de Oro City. The hotel has an in-house marketing and sales staff, one located at the hotel and another based at the Company's head office in Makati City.

In 1996, two years after PC built its first memorial park in Cagayan de Oro City, the Company decided to undertake a policy shift in regard to its property development activities; it decided to focus its efforts in the development and selling of memorial lots. Thus, in just a span of 5 years (1996 to 2001) after such decision, the Company was able to complete five (5) more memorial parks in the following locations: Iligan City, Zamboanga City, Polanco in North Zamboanga (i.e., near Dipolog City), Ozamiz City and Davao City. All of these major memorial parks (discussed in more detail below) are operational, although certain areas in these parks are reserved for future development. Then, beginning in 2005, the Company commenced the development of what it calls "boutique" (or smaller-size) memorial parks. Four (4) boutique memorial parks were essentially completed in the places of: Manolo Fortich, Bukidnon; Malita, Davao Del Sur; Bislig, Surigao Del Sur; and Malaybalay City, Bukidnon. Alabel, Sarangani and recently (in June 2014) in Pagadian, City.

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

Another product group that belongs to the mix consist of private branded multi-vitamins and some 'over-the-counter' generic drugs that belongs to Company's subsidiary, Pryce Pharmaceuticals,

Inc. At the moment, the contribution to revenue of such products is small as the subsidiary was just recently acquired in July 2015 and is a relatively new player in the market.

Personnel and Manpower

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

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

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

Marketing and Sales

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

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

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

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

Competition

In the VisMin areas, where PGI had operated for about 18 years, its LPG business competes with the main players Petron (Gasul brand), Petronas, and Isla Gas (Solane brand). In Luzon however, PGI is a relatively new entrant having entered the fray about two years ago in late 2013; it competes with Petron, Liquigaz, Isla Gas, as well as with South Pacific, Inc. (SPI), the latest entrant in Luzon, whose marine storage terminal (in Calaca, Batangas) came into operation in late 2015. (This got burned down in February 2015 and is currently non-operational.) At the refilling plant level, Management estimates that PGI competes with more than a hundred independent refilling plants all over Luzon.

PGI has an aggregate LPG storage capacity of 19,886 metric tons (MT) thru its sea-fed / marine terminals and inland refilling plants which are distributed in strategic areas in Luzon, Visayas and Mindanao (see breakdown and locations in a tabulation under the discussion below titled **LPG Plants**). PGI's total storage capacity of 10,270 MT that covers the Vis-Min regions, is the biggest compared to any of its competitors in that area. In Luzon, PGI's total storage capacity of 8,400 MT is second only to Liquigaz, which has the largest aggregate capacity in the whole of Luzon (including NCR). On product distribution capability, PGI and its subsidiary, Oro Oxygen Corp., has, as of this writing, twenty-two (26) refilling plants strategically located in various parts of Luzon and NCR. The larger capacity terminals and refilling plants at various locations across the country allow PGI to cover a wide range of the market within those regions. Moreover, the location of its network of terminals and refilling plants gives it the flexibility to transfer product to ensure continuity of supply in the event of possible stock-outs due to fortuitous events.

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

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

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

Prices are determined by market forces, resulting in increasing competition. Although the LPG business operates in a deregulated environment in the Philippines, the government exercises moral suasion or outright pressure on the industry from time to time to prevent upward price movements or to influence the magnitude of price increases. (A more specific discussion of price and market demand is provided in the section on *Results of Operations* under Item 5 of Part II (Operational and Financial Information of this report.))

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

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

A. Cagayan de Oro Gardens (Cagayan de Oro City)

- Greenhills Memorial Park
- Divine Shepherd Memorial Park
- Golden Haven Memorial Park

B. Ma. Cristina Gardens (Iligan City)

- St. Michael Park
- there exist a public and a Chinese cemeteries but these are not considered significant competitors

C. Zamboanga Memorial Gardens (Zamboanga City)

- Forest Lake Memorial Park
- Ayala Public Cemetery
- Chinese Cemetery
- Lund Memorial Park
- Golden Haven Memorial Park

D. North Zamboanga Gardens (Dipolog City)

- Century Memorial Park
- Millenium Cemetery (this was foreclosed by a government bank and appears as not being effectively marketed)
- Gulayon Public Cemetery

E. Ozamiz Memorial Gardens (Ozamiz City)

- Malindang Memorial Gardens
- Ozamiz Chinese Cemetery

F. Mt. Apo Memorial Gardens (Davao City)

- Davao Memorial Park
- Buhangin Memorial Park
- Toril Memorial Park
- Forest Lake Memorial Park
- Manila Memorial Park
- Calinan Memorial Gardens

G. Pryce Gardens, CDO-Manolo Fortich (at junction of CDO and Bukidnon)

- three small public cemeteries located in Bugo, Agusan & Tablon
- the private cemeteries in the city of Cagayan de Oro City, Golden Haven and Divine Shepherd, although remote, may also be considered competitors
- Damlag Cemetery in Bukidnon

H. Pryce Gardens – Malaybalay (Bukidnon)

- Shepherd Meadows Memorial Park
- Valencia Memorial Gardens

I. Pryce Gardens – Malita (Davao del Sur)

- Backyard interment
- Inaburan Public Cemetery

J. Pryce Gardens – Bislig (Surigao del Sur)

- Bislig Public Cemetery
- Abaya Memorial Park
- Salazar Memorial Park

K. Pryce Gardens – Alabel (Sarangani)

(most 'competitors' are some distance away in General Santos City)

- Forest Lake Memorial Park (Apopong, General Santos City)
- Monte Cielo Memorial (Conel, General Santos City)
- Holy Trinity Memorial (Polomolok, South Cotabato)
- Spring Public Cemetery

L. Pryce Gardens – Pagadian

- Chrysanthemum Memorial Garden (Barangay Tiguma)
- Pagadian Memorial Park (Barangay Paglaom)
- Pielago Memorial Park (Barangay Paglaom)
- Pagadian Public Cemetery (Barangay Paglaom)

Government Approvals, Licenses and Permits

Licenses, permits and other government-required approvals have been obtained by PGI for the operation of all of its production facilities. It is registered with the Board of Investments (BOI) under the Omnibus Investments Code of 1987 (as amended by RA No. 7369), otherwise known as Executive Order No. 226, as a new operator of distribution facilities for LPG in various Visayas and Mindanao regions on a non-pioneer status. PGI is entitled to certain tax and non-tax incentives such as income tax holiday ranging from four to six years and duty-free importation of capital equipment and others. PGI's San Fabian terminal in Luzon is also registered with the BOI and enjoys tax incentives. The company owns the registered brand name, "PRYCEGAS" for its cylinders, but it does not have any patent to a product or process.

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

Shown below are the amounts that the Company group has spent for its development activities in the last three fiscal years:

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

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

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

Environmental Regulations

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

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

Major Risk Factors and their Management

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

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

1. Risk of over-optimistic estimation of an area (for a new memorial park development) in terms of the achievability of sustainable revenue and profit and the shortness of period taken to reach such sustainability for the new park. The said risk is avoided by doing a careful study of the area using criteria that measure the stability and growth of the local market's buying capacity and the robustness of the area's economy. The area is assessed in terms of number of existing/competing memorial parks, mortality rate and population growth, levels of net income and wages, capacity for steady employment, which is dependent on the area's capability and potential for business and industrial growth/expansions. The area's economy is likewise assessed as to what extent it is affected by the country's economic climate and growth.
2. Risk of decline in revenues and profitability, if not income loss, usually due to a combination of: a) competitors' pricing tactics and marketing/sales efforts that tend to reduce the Company's market share; b) local market's unanticipated feeble response to designed marketing/sales programs; c) creeping or unabated inflation causing increased operating expenses and low sales since purchase of memorial lots is regarded by many as low priority expenditure; d) ingrained cultural practices like backyard burial. This risk is addressed and mitigated by the following:

- a) The Company has firm belief and pride in the exceptional quality of its products and services relative to its competitors, and has a strong commitment to its customers in maintaining such superior quality. Such commitment and consistency of higher quality entail costs, a prime reason why the Company's products are priced above those of the competitors. Through the Company's park business managers and sales people, the prospective or target customers are educated on why the Company's products are priced higher than the competitors'. Further explained to these customers, are the benefits of buying such products from a Company that is dedicated to consistent high product quality and has long and significant experience in the development and management of memorial parks. Notwithstanding a higher-priced product, the Company's prospective buyers can purchase the same by way of 'soft and easy terms', as majority of its customers had done so, whereby they pay via instalment payments with no downpayment or interest charge for as long as three years.
 - b) Management regularly meets at least twice a year with its regional operations officers and all its park business managers to actively discuss and evaluate, among many other things, how the market reacts to the Company's current marketing strategy and sales programs and decide decisively on what manner of response or plan of action is to be undertaken.
 - c) Pricing of the products and services are adjusted, when necessary or called for, to a calculated level (such as discounts given) so that it will not negatively impinge on the buyer's decision to buy. Management believes that the price of memorial lots and other services should be indexed against the inflation rate.
 - d) On backyard burials, the Company continues to lobby with the municipal office of the area concerned to pass a specific ordinance banning such practice since there are laws (e.g., Code on Sanitation, P.D. No. 856) that prohibit such burials because of public health hazards.
3. Risk of a reduced capacity to continually maintain the park to its committed first class standards. Other than the regular increase in price to cope with inflation, this is addressed by increasing the charge on contribution to the park maintenance fund, which form part of the gross price of the memorial lot. Separately though, and when necessary, the memorial park association(s) imposes an assessment on the lot owners who after all are the stakeholders of the memorial park. Without this assessment(s), a situation leading to the deterioration of the park's maintenance could ensue, which absolutely cannot be allowed given the Company's avowed commitment and responsibility to maintain the memorial parks at set standards. Such commitment and assurances benefit the lot owners and users of the park as their investment are protected in the long run.
 4. Risk of other developers putting up their memorial park despite limited market.

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

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

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

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

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

Pryce Pharmaceuticals, Inc. (PPI), a subsidiary of Pryce Corporation, operates in the distribution and sale of pharmaceutical products, mainly in vitamins and food supplements. Among the major risks involved in the business and in its industry are:

1. Dependence on Toll Manufacturers
PPI purchases its products from different licensed medicine and pharmaceutical traders and toll manufacturers. However, there are numerous circumstances beyond PPI's control that lead to delays in the manufacturing and delivery of orders. This increases the risk of disruptions in the company's supply chain should the toll manufacturer encounter operational issues and backlogged orders. In order to address this, PPI has developed a robust procurement system ensuring the continuity of supply for extended periods despite delays in manufacturing and delivery. PPI is also exploring further diversification of its suppliers by acquiring new products from other toll manufacturers, and even importing from other countries.
2. Perishable Nature of Pharmaceutical Products
Most of PPI's products have shelf lives of two years, and distributors and retailers have requirements when it comes to the remaining shelf life of any orders. For the most part, any inventory with a remaining shelf life a year or less becomes unsellable without heavy promotions or discounts, thereby significantly affecting profitability. PPI manages this by executing a FIFO system and balancing its procurement with its forecasts based on seasonality and historical performance in order to ensure that the competing risks oversupply and undersupply are addressed. PPI takes full advantage of the time available for selling its products such that near expiry stocks are minimized and there are enough safety stocks to avoid outages.
3. Commoditized Industry and Low Barrier to Entry
PPI experiences competition from major national and multinational pharmaceutical firms as well as numerous small and medium sized drug distributors. The availability of medicine traders and toll manufacturers to smaller pharmaceutical firms allow them to compete at a similar level to PPI and offer similar products. This creates a market with numerous players competing for market share offering homogenous products, creating a very difficult environment. PPI has tried to differentiate itself by leveraging on the popularity of the "Pryce" brand for key markets and committing to increased marketing activities. PPI has also separated itself from smaller brands by investing in an above-the-line marketing campaign to increase brand awareness.

The discussion on Financial Risk Management is incorporated by way of reference to relevant parts of Notes to the Financial Statements (see Note no. 37), under the heading *Financial Risk Management: Objectives and Policies*.

Item 2. Properties

Completed Projects

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

Cagayan de Oro Gardens

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

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

Puerto Heights Village

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

Pryce Tower

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

Socialized Housing Projects

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

Villa Josefina Resort Village

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

Pryce Business Park, Davao

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

Essentially Completed Projects

Pryce Business Park- Iligan City

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

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

Maria Cristina Gardens

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

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

Zamboanga Memorial Gardens

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

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

North Zamboanga Gardens

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

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

Ozamiz Memorial Gardens

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

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

Mt. Apo Gardens

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

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

Pryce Gardens CDO-Manolo Fortich

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

Pryce Gardens-Malaybalay

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

Pryce Gardens-Malita

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

Pryce Gardens-Bislig

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

Pryce Gardens-Alabel

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

Recently Completed Project

Pryce Gardens-Pagadian

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

Other Properties

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

Location	Total Area (in sq.m.)
Cagayan de Oro City	
Tin-ao	138,654
Bugo	270,276
Bulua	242,000

Misamis Oriental	
Balingasag	170,745
Tagoloan*	450,000
Sta. Ana	1,261,034
Polomolok, South Cotabato	67,521
Malagos, Davao City	475,800
TOTAL	3,076,030

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

Joint Venture

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

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

LPG Plants

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

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

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

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

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

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

Construction of the additional 2000-MT storage tank at the import-marine terminal in Albuera, Leyte has began and is expected to be completed in the 1st quarter of 2017. This will increase that terminal's storage capacity from its existing 1,000 MT to 3,000 MT. (See related disclosure in the **Plans and Prospects** under Item 6, Part II.)

Encumbered Assets

Over the period that the Company was in corporate rehabilitation, it was able to settle its debts with the creditor banks in a gradual manner through the following: a) implementation of the court-approved rehabilitation plan; b) pursuance of effective legal defences against the opposition of two creditor banks, Bank of the Philippine Islands (BPI) and China Banking Corporation (CBC), to PC's rehabilitation; and c) settlement with certain creditors via sale of an encumbered asset with the consent of the Commercial Court. PC's rehabilitation proceedings would have been consummated much earlier were it not for the opposition of the said two banks which went all the way to the Supreme Court with PC eventually winning the final rulings in that court.

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

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

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

Item 3. Legal Proceedings

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

1. **Pryce Corporation vs. Raul P. Solidum, et al.**

Civil Case No. 98-571, Branch 17, RTC of Misamis Oriental

Nature: This is an action for "Specific Performance" against the Solidums relative to the 52 hectare lot at Casinglot, Tagoloan, Misamis Oriental. Pryce Corporation entered into a Memorandum of Agreement with the Solidums, thru their attorney-in-fact, Atty. Purita Ramos, whereby the Solidums undertook to sell to Pryce Corporation the property, conditioned upon the removal of the squatters and conversion of the property into industrial/commercial use. The Solidums failed to remove all the squatters and execute the deed of sale, despite advances of about PhP8million. The parties finalized a Memorandum of Agreement, which was subsequently annotated by the Provincial Register of Deeds of Misamis Oriental on the Transfer Certificate of Title of the subject lot.

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

2. **In the matter of the Corporate Rehabilitation of Pryce Gases, Inc.**

Civil Case No. 02-1016, RTC-Makati, Branch 149

Nature: This is a creditor-initiated corporate rehabilitation. The petition was filed by INTERNATIONAL FINANCE CORP. AND NEDERLANDSSE FINANCIERINGS- MAATSCHAPPIJ VOOR ONTWIKKELINGSLANDE N.V. with a view towards judicially helping Pryce Gases, Inc., a subsidiary of Pryce Corporation, to recover financially. The rehabilitation plan has been approved and is now being implemented. BPI, however, filed a Petition for Review with the CA to question the dacion en pago aspect mandated in the rehabilitation plan. The CA ruled in PGI's favour but BPI filed a Motion for Reconsideration. CA denied the Motion for Reconsideration of BPI. BPI then filed a Petition for Review on Certiorari with the Supreme Court. In compliance with the directive of the SC, the parties filed their respective comments. The Petition for Certiorari was denied by the Supreme Court. Entry of judgment was made on 27 July 2011 by the Supreme Court on BPI's Petition. The parties are in the process of implementing the terms of the approved Rehabilitation Plan.

Status: On 27 August 2015, the Rehabilitation Court, finding the rehabilitation of Pryce Gases, Inc. to be successful, approved the termination of the rehabilitation proceedings of Pryce Gases Inc.

3. **In the matter of the Petition for Corporate Rehabilitation of Pryce Corporation**

Sp. Proc. No. M-5901, RTC-Makati, Branch 149

Nature: Pryce Corporation filed a petition for corporate rehabilitation. The Commercial Court approved the rehabilitation plan, as amended by the Receiver, and is currently being implemented. Some of the creditors have already executed Dacion en Pago Agreements with Pryce Corporation involving dacion of real estate properties. However, the creditors Bank of the Philippine Islands (BPI) and China Banking Corporation (CBC) respectively filed their petitions for review before the Court of Appeals (CA).

The BPI case went up to the Supreme Court (SC), which denied the petition of BPI. The denial has long become final.

In the case of CBC, it was also brought up to the SC on a petition filed by the Company. The Court denied the petition and affirmed the CA decision in favour of CBC. The Company filed a Motion for Reconsideration but the Court denied it. A second Motion for Reconsideration was filed.

On 18 February 2014, the Supreme Court en banc found the arguments of the Company meritorious and gave due course to the Company's second motion for reconsideration and, thus, set aside the earlier decision of the Supreme Court's First Division. This was a promulgation in favor of the Company, which in effect upheld the Commercial Court's: (i) stay order; (ii) order giving due course to the petition for rehabilitation; (iii) order finding the Company eligible to be placed under rehabilitation.

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

Related cases stemming from China Bank's challenging the Company's court-approved corporate rehabilitation plan:

4. Pryce Corporation vs. China Banking Corporation (or "China Bank")

Civil Case No. 2005-231, Branch 20, RTC of Misamis Oriental

Nature: This is a case filed by Pryce Corp. against China Bank for injunction since the latter is consolidating its title over certain properties of the former by virtue of an extra-judicial foreclosure sale despite a Stay Order that was issued by the RTC, Branch 138 (which is now with Branch 149), Makati City, in Special Proceeding Case no. M-5901, which pertains to Pryce Corp.'s petition for corporate rehabilitation that was filed before such court on July 9, 2004.

Status: Pryce Corporation and China Bank have worked out a compromise agreement

5. Consulta No. 4440

Land Registration Authority

Nature: China Banking Corporation filed an Affidavit of Consolidation with the Register of Deeds of Cagayan de Oro City, for the transfer of title to foreclosed properties belonging to Pryce Corporation. The Registrar of Deeds referred the matter en consulta to the Land Registration Authority due to doubts as to the registrability of the Affidavit of Consolidation. Pryce Corporation and China Bank have worked out a compromise agreement.

Status: The Land Registration Authority issued an order finding the Affidavit of Consolidation not registrable.

Other cases arising from China Bank's refusal to comply with the Company's corporate rehabilitation plan approved by the commercial court (i.e., to release titles to properties that are without actual mortgage):

a. Sotero Octubre vs. Pryce Corporation (or the Company) and China Banking Corporation

HLURB Case No. LSS-X-REM 518-04-008, Cagayan de Oro

Nature: This is a case for rescission of contract with damages. The action was instituted by Octubre due to the failure of Pryce Corporation to execute the deed of sale and transfer of title over the lots purchased at Puerto Heights Village. Pryce Corporation alleged that it was prevented due to the fact that receivables on the payment of the lot were assigned to China Banking Corporation, with the transfer certificate of title on said lot being held by the China Banking Corporation.

Status: A decision has been rendered by the Regional Arbiter finding the Company liable and directing the payment of the total installment payments plus damages. After the denial of its Motion for Reconsideration, the Company appealed the decision to the HLURB Board of Commissioners. The latter set aside the Decision of the Regional Office and rendered a new decision which, aside from requiring the refund of **P4,292,297.92** with legal interest in the event of failure or refusal within 30 days by the Company to deliver the title, in addition, it required the Company to pay damages, attorney's fees and cost of suit totaling **P82,868.12**. The Motion for Reconsideration of the Company was denied and its Motion for suspension of proceedings due to the pendency of the rehabilitation proceedings was likewise denied. The Company appealed this case to the Office of the President. However, the Office of the President affirmed the ruling of HLURB's Board of Commissioners. Thus, the Company filed a Petition for Review Under Rule 43 before the Court of Appeals in Manila. The parties were ordered to submit their memoranda, after which the case shall be deemed submitted for resolution. The Company already filed its Memorandum last October 14, 2008. An adverse decision was promulgated on December 11, 2008. The Company had filed a Motion for Reconsideration from said Decision. On 24 February 2009, the Court of Appeals issued a resolution denying the Company's motion for reconsideration. On 3 April 2009, the Company filed a Petition for Review on Certiorari under Rule 45 with the Supreme Court, which is now pending resolution.

b. Alejandro B. Adaptar and Grace A. Adaptar vs. Pryce Properties Corporation (now Pryce Corporation)

HLURB Case No. REM-01-18-06-317

Nature: Complainants filed a case to rescind his contract to purchase a parcel of land in the Villa Josefina Resort Village in Davao to respondent and to get a refund of the purchase price.

Status: On 30 April 2010, the HLURB Board of Commissioners rendered a Decision which set aside the decision of the HLURB Regional Office, and directed that China Banking Corporation be impleaded as party-defendant in the case. The Decision further directed the case to be remanded to the Regional Office for further proceedings. The HLURB Board of Commissioners denied the Motion for Reconsideration filed subsequently by Sps. Adaptar. Thereafter, Sps. Adaptar elevated the case through a Petition for Review with the Office of the President. The Company filed its Reply Memorandum on March 2011. The Office of the President dismissed the Petition for Review of Sps. Adaptar. Thereafter, Sps. Adaptar filed a Motion for Reconsideration, which is now pending resolution by the Office of the President.

6. Ponce vs. Pryce Corporation, et al.

Pending before the Supreme Court, Second Division, G.R. No. 206863

Nature and Antecedents: This is an action for quieting of title filed by Vicente Ponce, whose title overlaps with that of PC over a 4.8ha portion of property in Iligan City over which PC operates and maintains the Maria Cristina Gardens Memorial Park. Ponce obtained his title from Solosa, whose title was derived from an alleged Homestead

Patent that was administratively reconstituted. PC meanwhile obtained its title from the Quidlat sisters, whose title was adjudged by a cadastral court. The RTC ruled in favor of Ponce, upholding his title over the contested portion. On appeal, the CA sustained the trial court's ruling. PC filed a Petition for Review on Certiorari with the Supreme Court, to which Ponce filed his Comment.

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

7. **MARIO CONSON, for himself and as Atty-in-fact of VENCILOR ELLO SIRIPON ALOLOD, ROSEMARIE UBANAN, PASTOR CONSON, CESAR CONSON and CARLITO CONSON, Plaintiffs, versus PRYCE PROPERTIES CORPORATION AND HON. REGISTER OF DEEDS OF ILIGAN CITY, Civil Case No. 7759, REGIONAL TRIAL COURT, 12th Judicial Region, Branch 06, Iligan City**

Nature of the Case: The Plaintiffs filed a case for annulment of the deed of sale over a parcel of land being occupied by Pryce as a memorial park in Iligan City, alleging that the other heirs did not consent to the sale.

Status: The case was dismissed by the trial court for lack of effective service of summons. The plaintiffs filed for a petition for certiorari at the Court of Appeals, alleging grave abuse of discretion on the part of the court. The petition is still pending.

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

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

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

Cases involving directors and officers of Pryce Corporation:

The disclosure hereunder notwithstanding, it must be emphasized that these cases were filed due to alleged malfeasance by the said directors/officers in their capacity as such and in connection with the performance of their official functions.

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

Nature: The directors and officers of PGI were implicated in this case because of the alleged existence of conspiracy. Neither the directors nor the officers issued any directive whatsoever, much less, passive acquiescence to commit fraud or crime for that matter. There is no basis, therefore, for the allegation of conspiracy.

Status: A Resolution was released by the DOJ dismissing the case. Pilipinas Shell filed a Motion for Reconsideration (MR). Accordingly, PGI filed its Comment and/or Opposition thereto. After Shell filed its Reply to the Comment and/or Opposition, PGI filed a Rejoinder thereto. PGI is still awaiting the resolution of Shell's Motion for Reconsideration.

2. **People of the Philippines vs. Benjamin P. Escaño/Pryce Corp.**

Criminal Case No. 06-16036

Regional Trial Court, Branch 6, Iligan City

Nature: Complainant filed a complaint against the respondents for failure to give the supposed senior citizen's discount for the burial services of decedent, a senior citizen. Respondents replied stating that, the law being specific as to what burial services are covered by the discount, interment fees cannot be construed as part of burial services. Since interment fees are not included in the coverage, the maxim *expressio unius est exclusio alterius* should apply. The prosecutor however disagreed with respondents and the Information was filed with the court.

Status: Settlement was made between the defendant and the complainant in August 2015. Court's termination / dismissal of the case was issued in September 2015.

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

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

Status: The cases are still at the preliminary investigation stage.

Item 4. Submission of Matters to a Vote by Security Holders - None.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

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

Year	High	Low
<u>2015</u>		
First Quarter	4.50	1.00
Second Quarter	3.87	1.90
Third Quarter	4.16	1.97
Fourth Quarter	3.44	2.00

Trading of PC's shares was actually suspended on two occasions, both of which pertain to the Company's corporate rehabilitation. The first was shortly after the Company filed its petition for corporate rehabilitation with the Regional Trial Court of Makati (RTC-Makati) on July 9, 2004. This suspension was subsequently lifted on January 26, 2005 after the RTC-Makati approved the Company's corporate rehabilitation plan on January 17, 2005. The second suspension came on June 5, 2006 as a result of the ruling of the Court of Appeals (CA) on the petitions for review (of PC's rehabilitation plan approved by the lower court) filed separately by creditor banks China Banking Corp. (CBC) and Bank of the Phil. Islands (BPI) before different divisions of that appellate court. These cases have reached the Supreme Court and were resolved in favour of Pryce Corporation, which are discussed under the heading *Corporate Rehabilitation* in Part 1, Item 1, of this annual report.

As of December 29, 2015 (the last trading date in that year), the market price of the company's share closed at P2.38 per share.

Public Ownership of PC shares as of December 31, 2015

	% to Total Outstanding Shares	Number of Shares
Total Outstanding Shares	100%	2,000,000,000
Less:		
Directors	3.0213%	60,425,916
Senior Officers	0.0056%	112,870
Affiliates	25.6341%	512,681,212
Sub-total	28.6610%	573,219,998
Shares owned by the public	71.34%	1,426,780,002

Holders

As of December 31, 2015, the company has 369 stockholders; 99.71% of the outstanding shares as of date hereof are registered in the name of persons who are citizens of the Philippines or corporations or associations organised under the laws of the Philippines at least 60% of the capital of which is owned by Philippine citizens.

Top 20 Shareholders as of December 31, 2015

Rank	Account Name	Number of Shares	Percentage to total
1st	Guild Securities, Inc.	1,017,140,468	50.857%
2nd	PCD Nominee Corporation	578,159,170	28.908%
3rd	Hinundayan Holdings Corp.	160,708,000	8.035%
4th	GSIS	76,116,200	3.806%
5th	Pryce Development Corp.	61,800,000	3.090%
6th	Salvador P. Escaño	33,492,660	1.675%
7th	Sol F. Escaño	27,909,000	1.395%
8th	PCD Nominee Corp. (Non-Filipino)	5,544,650	0.277%
9th	Pryce Insurance Consultants, Inc.	5,175,000	0.259%
10th	Four Treasures Development Corp.	4,808,616	0.240%
11th	CBC TA #501-0091	4,528,720	0.226%
12th	JGF Holdings, Inc.	3,221,427	0.161%
13th	Networth Land Management Corp.	3,068,514	0.153%
14th	Notre Dame of Greater Manila	2,300,000	0.115%
15th	Pryce Plans, Inc.	1,830,000	0.092%
16th	Salvador P. Escaño ITF Pryce Dev't Corp.	1,684,450	0.084%
17th	Pryce Securities Corp.	1,008,000	0.050%
18th	Jack &/or Frank Gaisano &/or Edward &/or Margaret Gaisano	575,000	0.029%

19th	CBC TA #501-0091 FAO: PPI	450,000	0.023%
20th	Fernando L. Trinidad ITF Pryce Dev't Corp.	417,000	0.021%

* PICI is not an affiliate of the Pryce Group.

Dividend History

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

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

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

Item 6. Management's Discussion and Analysis or Plan of Operation

Results of Operations

2015 Compared to 2014

Consolidated revenue for the year ended December 31, 2015 amounted to P5.77 billion, an 8.84% decline from the previous year's record of P6.33 billion, largely due to the fall in the world price of LPG. Consolidated gross profit, however, leapfrogged from P1.07 billion in 2014 to P1.49 billion in 2015. Gross margins of 16.86% in 2014 jumped to 25.87% in 2015. Net income after tax almost doubled, increasing by 98.39% from P269.92 million in 2014 to P589.06 million in 2015.

Revenue contribution by product line is as follows: liquefied petroleum gas (LPG), P 5.29 billion (91.67% of total); industrial gases, P331.47 million (5.74%) ; real estate sales, P82.14 million (1.42%) ; hotel operations, P35.26 million (0.61%) ; pharmaceuticals, P29.82 million (0.52%) and the remaining balance came from sale of fuels.

Gross profit and profit margins across all product lines showed remarkable improvements. LPG turned in the highest gross profit contribution of P1.31 billion, a marked increase from the previous record of P685.18 million in 2014. Gross margins on LPG rose from 13.22% in 2014 to 25.09% in 2015. Gross profit from industrial gases declined by 19.79%, from P154.18 million in 2014 to P123.66 million in 2015; profit margins were, however, maintained at same levels, dipping to only 37.31% in 2015 from 39.42% in 2014.

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

LPG under the Prycegas brand, industrial gases and fuels are product lines of the subsidiary, Pryce Gases, Inc. (PGI). Real estate sales and hotel operations are under the holding company, Pryce Corporation while vitamins and supplements are under Pryce Pharmaceuticals, Inc. Oro Oxygen Corporation (OOC), a subsidiary of PGI, is engaged in the same business as PGI whose operations are concentrated in Luzon.

Revenue and Volume Growth

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

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

Volume sold and revenues realized from the sale of industrial gases shrunk by 15.39% and 15.26% respectively between 2014 and 2015. This contraction was an expected consequence of management's decision to improve the quality of its sales by veering away from credit sales in favor of cash transactions and the selective curtailment of the lending out of cylinders. Of total revenues from industrial gases of P331.47 million, oxygen, acetylene and other gases accounted for 68.72%, 23.00% and 8.29% respectively. Visayas-Mindanao accounted for 59.38% of sales volume and 69.67% of revenue. Luzon, the market with lower margins, accounted for 40.62% of sales volume and 30.33% of revenues.

After netting out the non-recurring sale of a commercial property closed in 2014, real estate sales in 2015 of P82.14 million was a 44.58% improvement over 2014. Revenue recognized from the sale of memorial lots that almost tripled in 2015 accounted for 66.06% of real estate sales. Revenue from hotel operations of P35.26 million in 2015 was lower by 7.56% compared to 2014. Revenue from pharmaceutical products was only taken up in the books in 2015.

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

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

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

Price Movement and Market Demand

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

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

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

Competition and Market Share

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

On an aggregate basis, the company has the largest LPG storage capacity in the country to date. The company's infrastructure complement includes eight (8) marine-fed import terminals with an aggregate storage capacity of 18,200 MT (1 in Luzon, 4 in Visayas and 3 in Mindanao) and forty one (41) refilling plants spread nationwide (26 in Luzon, 9 in Visayas and 6 in Mindanao) with storage capacity ranging from 25 MT to 100 MT. The San Fabian(Pangasinan) Terminal's storage capacity of 8,300 MT is the second largest in the country.

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

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

Profitability

All measures of profitability show that 2015 was a banner year for the company as profits continued to hold strong and even exceed expectations. Gross profits of P1.49 billion in 2015 was a significant leap from the P1.07 billion achieved in 2014. While volume turnover of LPG jumped by 29.03%, operating expenses were successfully reduced by 1.20%. Consequently, income from operations jumped by 127.79% from P340.15 million in 2014 to P774.84 million 2015.

Income from operations together with other income earned amounting to P110.90 million provided a cushion that absorbed the recognition of losses from the participation in an oil exploration project aggregating to P113.5 million.

After deducting income tax expense of P128.35 million, net income for 2015 amounting to P589.06 million represents a growth of 98.39% over the prior year's income of P296.92 million. This doubling of net income translates into a doubling of earnings per share to P0.302 on the 2.0 billion in outstanding shares.

Earnings before interest, taxes, depreciation and amortization (EBITDA) in 2015 amounted to P990.71 million.

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

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

Liquidity

Liquid assets amounting to P712.20 million as of yearend 2015 consisting of cash of P329.99 million and financial assets at fair value (equity securities) of P382.21 million was 19.4% lower than the previous year's balance of P884.07 million. A significant portion of cash generated for the year went toward the funding of the construction of additional infrastructure - an additional storage tank of 2,000 MT at the San Fabian Terminal and the construction of six (6) refilling plants in Luzon, the pre-payment of restructured debts that allowed the company to exit from rehabilitation a year before its original termination date, the investment in oil exploration and the repayment of short-term debts. Except for working capital lines to finance its regular LPG importations, the company has become essentially debt-free after its debt clean-up exercise.

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

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

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

Balance Sheet Changes

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

Account Name	% Increase or (Decrease)	Reason for Change
Cash and cash equivalents	(38.32%)	Due to payment of accounts to suppliers, lenders and other creditors and investment in marketable securities
Financial assets at fair value	9.49%	Additional acquisition of marketable securities
Prepayments and other current assets	(16.65%)	Decrease in deferred charges and input tax
Advances to related parties	(33.25%)	Collection of accounts
Property plant and equipment	15.01%	Acquisition/construction of assets and new plants
Investment properties	197%	Acquisition of land
Assets held for dacion en pago	(100.00%)	Settlement of account
Trade and other payables	(15.59%)	Payments of accounts
Income Tax Payable	235.45%	Increase in net income
Installment contracts payable	5.09%	Acquisition of subdivision lots
Debts for dacion en pago covered by Rehabilitation Plan	(100.00%)	Payment of loans

Restructured debts covered by rehabilitation Plan	(100.00%)	Payment of loans
Short-term debts	(100.00%)	PGI's and OOC's payment of short term loans
Customer's deposits	9.49%	Increase in downpayment for lots/services
Installment contracts payable	(26.82)	Payment of acquired subdivision lots
Restructured debts covered by Rehabilitation Plan	(100.00%)	Full payment of restructured debts
Retirement benefit obligations	9.75%	Additional recognition of benefit obligation for the current year
Advances from related parties	97.96%	Reclassification of debts to this account and unpaid assignment of shares of stocks from MGI to PGI
Deficit	(70.35%)	Net income of 2015
Non-controlling Interest	966.61%	Increase in net income

Status of Rehabilitation Plan

On July 31, 2015, Pryce Corporation received an Order dated July 28, 2015 from the Commercial Court (Regional Trial Court in Makati City, Branch 149). The Order disposed of Pryce Corporation's motion to terminate its corporate rehabilitation proceedings and declared the rehabilitation proceedings of Pryce Corporation as closed and terminated. The status of the Company's rehabilitation plan is discussed in more detail above (in *Item 1 – Business*: under subheading *Corporate Rehabilitation*).

2014 Compared to 2013

Consolidated revenues for the year ended December 31, 2014 aggregated P6.33 billion, which is a growth of 62.16% from the previous year's P3.91 billion. This is broken down by product line, as follows: liquefied petroleum gas (LPG), P5.27 billion (or 83.2% of total); real estate sales, P627.83 million (9.91%); industrial gases, P391.18 million (6.18%); hotel operations, P38.14 million (0.60%); the remainder came from the sales of fuel as well as interest on instalment sales.

LPG, industrial gases and fuels are product lines of the subsidiary, Pryce Gases, Inc. (PGI), while real estate and hotel operations are under the mother company, Pryce Corporation. The figures also include the accounts of PGI's subsidiary, Oro Oxygen Corporation (OOC), which is involved in the same business as PGI's but concentrates its operations in Luzon.

Revenue and Volume Growth

The substantial upturn in total revenue was mainly fueled by LPG sales, under the brand name PryceGas, which rose by 57.0% to P5.27 billion in Peso terms and by 78.2%, from 63,590 metric tons (MT) to 113,924 MT, in volume terms. The lower growth in LPG sales revenue as compared with volume growth stems from the declining trend in LPG price, as explained in another part of this report.

The upsurge in revenue was also driven by real estate sales which reached P627.83 million due to the non-recurring sale of a commercial property in Iligan City to a mall developer. Total sales from real estate operations including hotel sales and interest on installment sales in 2014 amounted to

P666.5 million. The bulk of recurring sales emanated from memorial parks, of which the company has twelve (12), of various sizes, in the major cities and urban centers of Mindanao.

Revenues from industrial gases (oxygen, acetylene, other gases) dipped by 5.2% to P391.2 million, largely attributable to price adjustments in the face of stiff competition. Actually, there was an increase in volume as total industrial gas sold in 2014 reached 934,085 cylinders compared to the preceding year's 897,549 cylinders, or an improvement of 4.1%.

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

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

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

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

Price Movement and Market Demand

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

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

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

Competition and Market Share

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

PryceGas sales of 113,294 MT in 2014 comprised about 10-11% of the total LPG market nationwide and is expected to expand significantly over time. Of this volume, 57.7% came from Luzon operations and the balance of 42.3% from Visayas-Mindanao operations.

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

Profitability

Gross profit of the company (earnings after cost of sales) reached P1.04 billion during the year. Selling and general/administrative expenses aggregated P728.11 million, resulting in net operating income of P314.93 million, which is a growth of 114.75% from the year-before figure. Other income, consisting largely of interment fees, rental income, as well as non-recurring gains on sale of marketable securities and on settlement of debts reached P76.21 million, to yield a pre-tax income of P391.14 million

The company made provision for income tax in the amount of P94.22 million, resulting in a net income after tax of P296.92 million, which is a remarkable improvement of 200.11% from the previous year's P98.94 million. The bottom-line figure could have been higher without the slide in the prices of LPG. With 2.0 billion in outstanding shares, this net income translates to earnings per share of 0.1485.

Earnings before interest, taxes, depreciation and amortization (EBITDA) reached P1.01 billion. Apart from the appreciable increase in net income, the EBITDA figure is pushed up significantly by the non-cash costs of sale (representing long-completed development costs of lot inventories sold during the year) as well as depreciation of new LPG facilities.

Measurements of profitability broken down by company are shown below.

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

PROFITABILITY			
PRYCE GASES, INC. & Subsidiary (OOC)			
	2014	2013	Percent Growth/ (Decline)

Return on Assets (%)	6.68%	3.01%	121.9%
Return on Equity (%)	12.54%	5.94%	111.1%
Net profit margin (%)	4.70%	3.32%	41.6%

Liquidity

Liquid assets of the company as of December 31, 2014 amounted to P884.07 million, broken down into Cash of P535.0 million and Financial Assets at fair value (marketable securities) of P349.07 million. This is an increase of 157.65% from the year-ago figure of P343.12 million for cash and near-cash assets. The substantial hike in this asset category stems from the upturn in total revenue which climbed to P6.33 billion from the previous year's P3.91 billion.

The capacity of the company to service its maturing debts is measured, among others, by the current ratio which stood at 1.23:1 as of yearend 2014. Its total debt-to-equity ratio, a measure of financial leverage, was at 0.99 to1.

The liquidity and solvency measurements for the mother company and subsidiary are shown below:

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

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

Balance Sheet Changes

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

Account Name	% Increase or (Decrease)	Reason for Change
Cash and cash equivalents	160.04%	Due to the increase in revenue.
Investment held for trading	154.08%	Additional acquisition of marketable securities.
Trade and other receivables	(5.26%)	Improved collection of receivables.

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

Status of Rehabilitation Plan

The Supreme Court en banc issued a favorable ruling that upheld the Company's rehabilitation plan, which the commercial court (RTC-Makati) approved in January 2005. The status of the Company's rehabilitation plan is discussed in more detail of *Item 1 – Business*: under subheading *Corporate Rehabilitation* and in *Item 3 - Legal Proceedings of SEC 17-A filed in April 2015*.

2013 Compared to 2012

Consolidated revenues for the year ended December 31, 2013 rose to P3.906 billion from P3.669 billion of the previous year, or a growth of 6.43%. This is broken down by product category as follows: liquefied petroleum gas (LPG), P3.355 billion (or 85.90% of total); industrial gases, P412.57 million (10.56%); other fuels, P43.27 million (1.11%); real estate sales, P54.32 million (1.39%); hotel operations, P40.06 million (1.03%) and interest income, P0.66 million (.02%)

As structured, LPG, industrial gases, and other fuels are product lines handled by the subsidiary, Pryce Gases, Inc. (PGI) under the PryceGas brand name, while real estate and hotel operations are the responsibility of the mother company, Pryce Corporation. PGI's financial statements have been consolidated with those of its subsidiary, Oro Oxygen Corporation (OOC) commencing January 1, 2012.

Revenue and Volume Growth

Revenues from the company's principal product, LPG, improved in Peso terms by 8.82% to P3.355 billion year-on-year. Sales volume of LPG for household cooking surged by 23.61% to 57,883 MT equivalent to P2.949 billion while sales volume of autogas (LPG as automotive fuel) declined by 10.35% to 5,707 MT, valued at P330.3 million. Total LPG volume sold for the year reached 63,590 MT, an increase of 19.5% from the previous year's 53,194 MT. Cylinders, accessories and stoves comprised the balance of LPG sales amounting to P75.85 million.

Sales of industrial gases, on the aggregate, dipped by 1.35% to P412.57 million from the year-ago figure. While sales of oxygen dropped by 4.95% to 278.65 million, sales of acetylene rose by 13.05% to P103.85 million. Other gases contributed P30.08 million to total industrial gas sales. By volume, oxygen contributed 781,988 cylinders; acetylene, 89,909 cylinders; and other gases, 25,652 cylinders, for an aggregate of 897,549 cylinders sold for the year, a tad lower than the previous year's 898,299 cylinders.

Real estate sales expanded by 15.60% to P54.32 million while revenues from hotel operations moved up slightly by 0.83% to P40.06 million compared to the previous year's performance.

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

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

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

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

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

Price Movement and Market Demand

Consistent with the movement of contract price of LPG in the international market, domestic retail price of LPG began the year at an average of P69.27 per kg. and dipped consistently to P60.77 per kg. by June; thereafter it climbed gradually to P63.57 per kg. starting July, to a high of P83.67 per kg. in December. The average retail price of LPG in 2013 at P67.20 per kg. was slightly lower than that of 2012.

The company's selling price for LPG essentially tracks the price movement in the industry, albeit lower because of the wholesale component. The company's average price to dealers for cooking LPG declined from P56.15 per kg. in 2012 to P50.94 per kg. in 2013 while the price of

autogas went down to an average of P57.87 per kg. Despite this decline in prices, the results were mixed -- there was an appreciable rise in sales volume for cooking LPG but a drop in volume for autogas. The company's LPG prices also differ depending on market location. In Luzon, which is a contiguous land mass with more industry players and greater competition (as opposed to VisMin) the average selling price of its cooking gas is markedly lower, resulting in reduced margins.

The selling price of oxygen softened by 4.87% to P356.33 per cylinder on the average while the price of acetylene moved up by 4.84% to P1,155 per cylinder. The price of other gases also declined by 9.38% to P1,172.64 per cylinder. Despite the dip in price of oxygen, volume sales declined while volume sales for acetylene move up despite the price hike.

Competition and Market Share

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

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

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

Profitability

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

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

Total cost and expenses for the year amounted to P3.76 billion or higher by 5.82% from the previous year's P3.55 billion, attributable principally to the higher sales volume in 2013. This has resulted in a net operating income of P146.65 million, corresponding to an appreciable increase of 31.54% from the year-before amount of P111.48 million. However, Other Income is negative at

P27.12 million due to fair value adjustment (on marketable securities) of P44.70 million and finance cost of P14.16 million against other earnings of P31.75 million consisting mainly of dividend income, rental, and burial fees. This is a reversal from the other Income of P57.53 million registered the previous year. Consequently, Income Before Tax dropped to P119.53 million from P169.02 the year before. Income tax expense amounted to P20.59 million, to yield an after-tax Net Income of P98.94 million which is a 27.24% reduction from the preceding year's P135.97 million.

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

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

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

Liquidity

Cash and near-cash assets of the Company as of December 31, 2013 amounted to P343.12 million, broken down into Cash of P205.74 million and Financial Assets at Fair Value (marketable securities) of P137.39 million. This is slightly lower than year-before figure of P351.96 million, comprised of Cash of P257.66 million and marketable securities of P94.30 million. Other liquid assets of the Company as of yearend 2013 consisted of current Trade and Other Receivables in the amount of P376.04 million, up by 44% from the previous year's P261.07 million.

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

The liquidity and solvency measurements for the mother company and subsidiary are shown below:

LIQUIDITY			
PRYCE CORPORATION (PC)			
	2013	2012	Percent

			Growth/ (Decline)
Current ratio	1.27	1.25	1.6%
Debt to equity ratio	0.59	0.58	1.7%

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

Balance Sheet Changes

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

Account Name	% Increase or (Decrease)	Reason for Change
Cash and cash equivalents	(20.15%)	Due to payment of accounts to suppliers, lenders, and other creditors, purchase of marketable securities.
Investment held for trading	45.69%	Additional acquisition of marketable securities.
Trade and Other Receivables	44.04%	Attributed to the increase in revenue.
Inventories	8.76%	Increase in the LPG inventory purchases, due to increase in sales.
Prepayments and other current assets	13.38%	Due to increase of creditable withholding tax and prepaid expenses.
Trade and Other Receivables	(55.41%)	Due to collection and proper reclassification.
Due from related parties	(50.91%)	Due to collection and proper reclassification .
Property plant and equipment	7.80%	Due to construction of new LPG plant.
Accounts payable and accrued expenses	14.18%	Due to increase in purchases.
Income tax payable	88.28%	Due to increase in income tax.
Restructured debts covered by rehabilitation plan	(42.06%)	Due to PGI's payment of restructured loans.
Customers' deposits	15.36%	Due to increase in downpayment for lots/services.
Restructured debts covered by rehabilitation Plan	(29.03%)	Due to reclassification of account to current liabilities.
Retirement benefit obligations	10.28%	Due to additional recognition of benefit obligation for the current year.

Deferred income tax liabilities	(13.08%)	Due to application of creditable withholding taxes for the year.
Deficit	(8.95%)	Net income for the year.
Revaluation reserve	(5.09%)	Due to provision of depreciation of revalued Property Plant and Equipment.
Remeasurement gains on retirement benefit obligation	21.64%	Due to increase in provision.
Non-controlling interest	(5.89%)	Due to net income in 2013.

Status of Rehabilitation Plan

There was no significant change in the status of the Company's ongoing corporate rehabilitation since the last report of SEC 17-A for 2013. The Company awaits the final decision of the Supreme Court in the case against China Banking Corporation as of yearend 2013.

Plans and Prospects

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

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

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

PGI's fourth LPG storage tank (2,000 MT) at its import-marine terminal in San Fabian, Pangasinan was completed in early February 2016, thereby increasing its capacity therein to 8,400 MT, the biggest in Northern Luzon and the second largest in the country. PGI plans to aggressively distribute its Pryce Gas — branded cylinders as part of its strategy to enlarge its footprint in the Luzon LPG market. These actions signify PGI's strong and serious intent to become a meaningful player in the Luzon and NCR markets.

The Company believes that it will be able to declare dividends in the near future as it projects a consolidated net income in 2016 that is more than enough to offset the Company's consolidated deficit of P228.40 million (as of December 31, 2015) and still have enough to pay such dividends. Should this materialize, the Board may be disposed to declare and pay dividends at 50% of prior year's (2016) unrestricted retained earnings (as audited) by the 2nd half of 2017.

Item 7. Financial Statements - Refer to attached Audited Financial Statements of the Accountants

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Current Accountants

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

Following are the fees (which exclude VAT) paid to DMD for 2015 and the preceding years:

<u>Year</u>	<u>External Audit Fee</u> ¹	<u>Tax Fees</u> ²	<u>Other Fees</u> ³	<u>Aggregate Fees</u>
2011	P 520,000.00	---	---	P 520,000.00
2012	P 540,000.00	---	---	P 540,000.00
2013	P 550,000.00	---	---	P 550,000.00
2014	P 560,714.00	---	--	P 560,714.00
2015	P 571,929.00	---	--	P 571,929.00

Resignation of Principal Accountant

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

Disagreements with Accountants

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

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executives Officers of the Registrant

The following sets forth certain information concerning the executive officers and directors of the Company as of December 31, 2015:

<u>Name</u>	<u>Age</u>	<u>Position with the Company</u>
BOARD OF DIRECTORS		
Salvador P. Escano*	64	Chairman & Chief Executive Officer
Efren A. Palma	50	President

¹ In general, services include the examination of evidence supporting the amounts and disclosures in the financial statements for the respective years ending December 31 and assessing the accounting principles and significant estimates of management and evaluating the overall financial statement presentation, with a view to the expression of the auditor’s opinion on the fairness of the presentation of the financial statements in conformity with Philippine Financial Reporting Standards in all material respects. Audit fees above do not yet include the 12% VAT.

² No engagement.

³ No engagement.

Ramon R. Torralba	71	Director & Chief Legal Counsel
Xerxes Emmanuel F. Escaño	25	Director
Simeon S. Umandal	74	FVP-Corporate Secretary
Enerlito G. De Mesa	70	Independent Director
Roland Joey R. de Lara	62	Independent Director

EXECUTIVE OFFICERS

Pryce Corporation(Parent Company)

Efren A. Palma	50	President
Ramon R. Torralba	71	Chief Legal Counsel
Benjamin P. Escaño*	63	SVP – Head Northern Mindanao
Simeon S. Umandal	74	FVP-Corporate Secretary
Sonito N. Mole	58	Regional Head – Southern Mindanao Opns.
Jose Ma. C. Ordenes	57	Treasurer; VP – Operations Monitoring & Alternate Information & Compliance Officer
Erica P. Encabo	36	Corporate Information & Compliance Officer

Pryce Gases, Inc. (Subsidiary)

Salvador P. Escano*	64	Chairman
Rafael P. Escano*	56	President
Efren A. Palma	50	Senior EVP- Chief Finance Officer
Jose Ma. L. Escano*	52	SVP/REO Southern Mindanao Opns
Alexis M. Solatre	53	SVP/REO Central Visayas Opns
Gabriel I. Macion	52	SVP-Technical Services Dept.
Simeon S. Umandal	74	Corporate Secretary

*Messrs. Salvador P. Escaño, Benjamin P. Escaño, and Rafael P. Escaño are brothers; Jose Ma. L. Escaño is a cousin to the brothers. Xerxes Emmanuel F. Escaño is a son to Salvador P. Escaño.

Salvador P. Escaño is concurrently Chairman of Pryce Development Corporation and Pryce Gases, Inc. Mr. Escano also served as Director of Basic Petroleum & Minerals, Inc. until 1989. He was previously General Manager of Anselmo Trinidad and Co., (HK) Ltd., a Hongkong-based stockbrokerage firm from 1978 to 1981 and a member of the Board of Governors of the Makati Stock Exchange from 1989 to 1991. Mr. Escano is also currently a director of Crown Equities, Inc., another listed company. He holds a Masters degree in Business Administration from the University of the Philippines.

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

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

Rafael P. Escaño has thirty (30) years of experience in industrial gas manufacturing and marketing, having previously occupied various positions including that of General Manager in Central Luzon Oxygen & Acetylene Company. He obtained his degree in Economics from the Xavier University in Cagayan de Oro City.

Simeon S. Umandal has been connected with the Pryce Group since 1981. He is currently the First Vice President for Administration and Assistant Corporate Secretary of Pryce Development Corporation. He is also the First Vice President for Corporate Services and Corporate Secretary of Pryce Gases, Inc. He holds a Bachelor's degree in Business Administration from the University of the East.

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

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

Jose Ma. L. Escaño began work in the Pryce Group thru PGI in 1987 as a Plant Supervisor and later moved to challenging positions in sales and marketing. He is a graduate of the University of Cebu with a Bachelor's Degree in Marine Transportation.

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

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

Roland Joey R. de Lara is the Chairman of Philharbor Ferries & Port Services Inc. He also works as the Chief Operating Officer of Penta Marine Corporation and is a Managing Director in Honor Merit Philippines, Inc. In previous capacities, he became the Operations Manager of Threshold Pacific Shipping Co. and Maritime Shipping Co. He finished his Bachelor's degree in Business Administration in Xavier University in Cagayan de Oro City.

Gabriel I. Macion joined PGI in 1989 as a Plant Operator and later in 2001 was promoted as AVP-Head of the Technical Services Department. He was again promoted as VP-Corporate Assistant Admin Head in 2004 and in 2005 he became the VP-Corporate Administration Head. Mr. Macion is a licensed chemical engineer and graduated magna cum laude from the Divine Word University with a degree of Bachelor of Science in Chemical Engineering.

Alexis M. Sulatre began work as an accounting clerk in the company of CLOACO, Inc., the precursor company of Pryce Gases Inc. (PGI). At PGI, he became the head of a PGI sales center from 1989 to 1993. He continually moved up through the ranks, successively assuming positions as Area Sales Supervisor, Area Manager in the Central Visayas Operations (CVO), Regional Manager for CVO, until he became the current Senior Vice President/Regional Executive Officer for CVO. Mr. Sulatre holds a bachelor's degree in commerce major in accounting from the University of the Visayas in Cebu City.

Jose Ma. C. Ordenes has been with the Company since 1993. He holds a Bachelor's degree in Mechanical Engineering from the University of Santo Tomas. Before joining the Pryce Group, he worked as an engineering foreman at Batangas Bay Carries, Inc. (a subsidiary of Pilipinas Shell Petroleum Corp.), which provides the domestic marine transport services of Pilipinas Shell. Previous to this his work experience included teaching math and engineering subjects.

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

Currently all directors hold office until the next annual meeting of stockholders and until their successors have been duly elected and qualified.

Item 10. Executive Compensation

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

Name and principal position	Year	Salary (Pesos) ('000)	Bonus and / or other annual compensation (Pesos) ('000)	Total
Salvador P. Escaño CEO & Chairman				
Efren A. Palma President				
Benjamin P. Escano SVP – NMO				
Jose Ma. C. Ordenes VP - Treasurer				
All officers and directors as a group				
Aggregate compensation of above named officers	2014	4,550	120	4,670
	2015	4,550	120	4,670
	2016 (est.)	4,550	120	4,670
All other officers and directors as a group, unnamed	2014	5,940	338	6,278
	2015	5,940	338	6,278
	2016 (est.)	5,940	338	6,278

The Directors receive a per diem allowance of ten thousand pesos (P10,000) for their attendance in Board Meetings. Aside from this, there is no regular compensation for directors of the Company. In addition, there is no Employment Contract, Termination of Employment and Change-in-Control Arrangement between the Company and any of its executive officers.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners (as of December 31, 2015)

Based on the records of the Company's Stock Transfer Agent, BDO Unibank, Inc. (Trust Banking Group), the Company knows of no other person who is directly or indirectly the record and/or beneficial owner of more than 5% of the Company's voting securities as of December 31, 2015, except as set forth hereafter:

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship	Citizenship	No. of Shares Held	Percent to Total of Class
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		with Record Owner⁴			
Common	Guild Securities, Inc.	Various ⁵	Filipino	1,017,140,468	50.86%
	PCD Nominee Corporation	Various	Filipino	476,859,170	23.84%
		Josefina Multi-Ventures Corp. is the beneficial owner ⁶	Filipino	101,300,000	5.065%
	Hinundayan Holdings Corporation (affiliate of the Issuer)	Hinundayan Holdings Corporation is also the beneficial owner ⁷	Filipino	160,708,000	8.04%

Note:

- *Guild Securities, Inc., a stock brokerage firm with business address at Unit 1215, 12th flr. Tower & Exchange Plaza, Ayala Avenue, Makati City, holds shares for the account of various clients, including Pryce's. Mr. Antonio B. Alvarez, the firm's president, holds the majority ownership of the firm.*

Security Ownership of Management (as of December 31, 2015)

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (see footnote 2)		Citizenship	Percent to Total of Class
		Direct	Indirect		
Common	Salvador P. Escaño	33,492,660	26,513,250 ⁸	Filipino	3.0%
	Ramon R. Torralba, Jr.	218,806	0	Filipino	0.0109%
	Efren A. Palma	100	0	Filipino	0.0000%
	Xerxes Emanuel F. Escaño	0	26,513,250 ⁸	Filipino	1.3257%
	Simeon S. Umandal	950	200,000	Filipino	0.0000%
	Roland Joey R. de	100	0	Filipino	0.0000%

⁴ The Company knows of no right of any owner, director, or officer herein named to acquire beneficial ownership of any number of shares within thirty (30) days from the date of this statement or thereafter.

⁵ Guild Securities, Inc. is a stock brokerage firm and a trading participant in the Philippine Central Depository (PCD), holding shares for the account of its various clients.

⁶ The Board of Directors of Josefina Multi-Ventures Corp. (JMVC) has the power to decide how its shares will be voted and has authorized Mr. Salvador P. Escaño to vote the shares of JMVC Corporation. JMVC is located at 17/F, Pryce Center, 1179 Chino Roces Ave., Makati City, of which Mr. Salvador P. Escaño owns 99% of the total outstanding capital stock of the Corporation

⁷ The Board of Directors of Hinundayan Holdings Corporation (HHC) has the power to decide how its shares will be voted and has authorized Mr. Salvador P. Escaño to vote the shares of HHC. HHC is located at 17/F, Pryce Center, 1179 Chino Roces Ave., Makati City, of which Pryce Gases, Inc. holds 77% of the total outstanding capital stock of the Corporation.

⁸ Thru PCD Nominee; counted only once as the shares are in a joint account

Lara				
Enerlito G. de Mesa	50	0	Filipino	0.0000%
Benjamin P. Escaño	75,421	0	Filipino	0.0038%
Jose Ma. C. Ordenes	1,449	0	Filipino	0.0001%
Erica P. Encabo	0	36,000	Filipino	0.0018%

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

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

Item 12: Certain Relationships and Related Transactions

The Company is not aware of any transaction, not in the ordinary course of business during the period under review, with the Company or its subsidiary in which a director, executive officer, or stockholder, owning 10% or more of total outstanding shares of the Company and members of their immediate family had or is to have a direct or indirect material interest. Likewise, the Company knows of no parties that fall outside the definition of "related parties" but with whom the registrant or its related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties at an arm's length basis. Transactions with other parties, which fall outside the definition of 'related parties' under IAS 24, are entered into on an arm's length basis. Additional disclosures concerning related party/ies are incorporated by way of reference to Note no. 23 under the heading *Related Parties* in the Notes to the audited Financial Statements of the Accountants.

PART IV EXHIBITS AND SCHEDULES

Item 13. Compliance with Corporate Governance

The Company has a Manual of Corporate Governance (the "Manual") to institutionalize sound corporate governance practices, enhance investor protection, and increase accountability. The Company has a Compliance Officer (as the Manual requires) who has direct reporting responsibilities to the Chairman of the Board of Directors and monitors compliance with corporate governance matters. The Manual was revised / updated in March 2011 and July 2014 pursuant to SEC circulars. The Company nevertheless continuously reviews and evaluates its corporate governance policies to ensure the observance of sound governance practices.

Please refer to the attached 2015 Annual Corporate Governance Report (ACGR).

Item 14. Exhibits and Report(s) on SEC Form 17-C

Except for the Audited Financial Statements, the Company finds no other exhibit(s) that needs to be filed following a review of the required exhibits for SEC 17-A under the Exhibit Table in Part VII of Annex C, as amended.

Reports under SEC Form 17-C were filed with the SEC during 2014.

The Company filed reports with the following dates under SEC Form 17-C within the calendar year ending December 31, 2015:

September 8, 2015 – Termination of the corporate rehabilitation Proceedings of Pryce Gases, Inc., subsidiary of Pryce Corporation (PC)

July 31, 2015 – Termination of the rehabilitation proceedings of PC

July 30, 2015 – Pryce Gases, Inc., enters into Farm-In Agreement with Otto Energy Philippines, Inc.

July 24, 2015 – Motion for Termination of Corporate Rehabilitation Proceedings of Pryce Gases, Inc., which was filed with the Commercial Court of Regional Trial Court -Br. 138 (now Branch 149) of Makati. PGI is a 92%-owned subsidiary of its parent Pryce Corporation.

July 2, 2015 – The Company's subscription of 7.5 million shares in Pryce Pharmaceuticals, Inc.

June 24, 2015 – Results of the Annual Stockholders' Meeting and the Organizational Meeting of the Board of Directors held on June 24, 2015

May 19, 2015 – Pryce Corporation filed a Motion for the Termination of Corporate Rehabilitation Proceedings of the Company with the Commercial Court (RTC-Makati, Branch 149)

May 8, 2015 – Notice of PC's 2015 Annual Stockholders' Meeting

April 15, 2015 – Settlement of loan obligation with an LTCP Creditor

April 13, 2015 – Approval of the Audited Financial Statements of the Company for the Year 2014

March 10, 2015 – Promulgation of the Decision in Criminal Case No. 66,166-09 before the Regional Trial Court, Davao City, Branch 15, in the case entitled People of the Philippines vs. Nilo S. Ezequiel for violation of PD 957

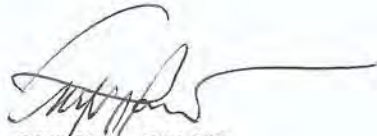
SIGNATURES


Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on April 28, 2016.


PRYCE CORPORATION

By:


SALVADOR P. ESCANO
Chairman & CEO


EFREN A. PALMA
President


SIMEON S. UMANDAL
Corporate Secretary


JOSE MA. C. ORDENES
Treasurer

APR 28 2016

AT MAKATI CITY

SUBSCRIBED AND SWORN to before me this ____ day of April 2016 affiants exhibiting to me their driver's licenses, as follows:

Name	Driver's License No.	To expire on :
Salvador P. Escaño	C10-75-021861	11.14.18
Efren A. Palma	M02-92-019608	06.20.16
Jose Ma. C. Ordenes	N26-08--001284	09.16.16
Simeon S. Umandal	NO3-88-07-0094	02.18.18

Doc. No. 207
 Page No. 42
 Book No. 1
 Series of 2016

de
 ATTY. NENITA C. CHUA
 NOTARY PUBLIC - MAKATI CITY
 COMM. NO. M-218 / UNTIL 31 DEC 2017
 1179 DON CHINO ROCES AVE., MAKATI
 PTR NO. 5326499 / 01/06/16 / MAKATI CITY
 TUP NO. 1018710 / 01/06/16 / MANILA II
 MULET NO. IV-0915859 / 8 April 2013
 ROLL NO. 49444

for
AUDITED FINANCIAL STATEMENTS

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[illegible][illegible]

A	A	F	S
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C	R	M	D
---	---	---	---

	N	A	
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COMPANY INFORMATION

ssu@pryce.com.ph

899-4401

N/A

THREE HUNDRED SIXTY NINE
(369)

June/24

December/31

CONTACT PERSON INFORMATION					
Name:					
Address:					
City:					
State:					
Zip:					
Phone:					
Fax:					
E-mail:					
Other:					

SIMEON S. UMANDAL

ssu@pryce.com.ph

899-4401

N/A

CONTACT PERSON'S ADDRESS	
NAME	ADDRESS
TELEPHONE	CITY
TELETYPE	STATE
TELEX	ZIP
TELEFAX	

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

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

***Pryce Corporation and
Subsidiaries***

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

and

Independent Auditor's Report



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

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

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

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

SALVADOR P. ESCAÑO
Chairman

EFREN A. PALMA
President

JOSE MA. CORDENES
Treasurer

April 18, 2016

SUBSCRIBED AND SWORN to me this APR 21 2016 day of April, 2016 in the City of _____, Philippines, Affiant exhibited and personally appeared to me:

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

Doc. No. 822
Page No. 58
Book No. X71
Series of 2016

ATTY. HENRY D. ADA
NOTARY PUBLIC
UNTIL DEC. 31, 2016
S.C. ROLL NO. 29679
1852 SAN MARCELINO ST. MALATE PH
IBP NO. 939545 / 01/04/2016
PTR NO. 4915147 01/04/2016
MCLE COMPLIANCE NO. III-000000

**Diaz Murillo Dalupan
and Company**
Certified Public Accountants

Independent Auditor's Report

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

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Local in Touch, Global in Reach

7th & 8th Floor, Don Jacinto Building, Dela Rosa corner Salcedo Sts., Legaspi Village, Makati City 1200 Philippines / Telephone: +63(2) 894 5892 to 95 / Fax: +63(2) 818 1872 / Website: www.dmdcpa.com.ph
Cebu Branch Office: Unit 504 Cebu Holdings Building, Cebu Business Park, Mabolo, Cebu City 6000 Phone: +63(32) 415 8108 to 10 Fax: +63(32) 232 8029
Davao Branch Office: 3rd Floor Building B Plaza De Luisa, Ramon Magsaysay Ave., Davao City 8000 Phone/Fax: +63(82) 222 9636

Opinion

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

Diaz Murillo Dalupan and Company

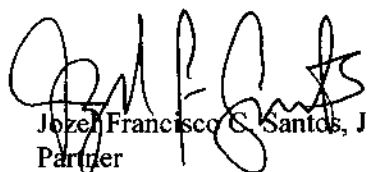
Tax Identification No. 003-294-822

BOA/PRC No. 0234, effective until December 31, 2017

SEC Accreditation No. 0192-FR-1, Group A, effective until April 30, 2016

BIR Accreditation No. 08-001911-000-2016, effective until March 17, 2019

by:



Jozel Francisco C. Santos, Jr.

Partner

CPA Certificate No. 89044

SEC Accreditation No. 1070-AR-1, Group A, effective until December 16, 2016

Tax Identification No. 170-035-673

PTR No. 5330422, January 8, 2016, Makati City

BIR Accreditation No. 08-001911-009-2016, effective until March 17, 2019

April 18, 2016

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Financial Position

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

(Forward)

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

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

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

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

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

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Equity

	For the Years Ended December 31		
	2015	2014	2013
CAPITAL STOCK - note 22	₱ 2,000,000,000	₱ 2,000,000,000	₱ 2,000,000,000
ADDITIONAL PAID-IN CAPITAL	271,834,820	271,834,820	271,834,820
FAIR VALUE GAIN ON			
REAL ESTATE PROPERTIES - note 34	1,030,726,843	1,030,726,843	1,030,726,843
OTHER COMPREHENSIVE INCOME - note 29	107,964,820	111,955,178	117,172,921
DEFICIT			
At beginning of year	(770,290,188)	(1,071,789,521)	(1,177,119,489)
Net income for the year	589,060,642	296,915,008	98,935,403
Transfer of revaluation reserve deducted from operations through additional depreciation charges	5,700,511	7,453,918	7,554,750
Reversal of non-controlling interest share on net income in prior years due to PGI's increase in equity interest in OOC	(6,885,073)	-	-
Non-controlling interest share in net income for the year	(45,986,795)	(2,869,593)	(1,160,185)
At end of year	(228,400,903)	(770,290,188)	(1,071,789,521)
TREASURY STOCK - note 22	(10,352,879)	-	-
	3,171,772,701	2,644,226,653	2,347,945,063
NON-CONTROLLING INTEREST			
At beginning of year	23,710,873	20,841,280	19,681,095
Addition (reversal) during the year:			
Non-controlling interest share due to dilution of Parent Company's equity ownership in PGI from 98.23% in 2014 to 91.04% in 2015	206,914,587	-	-
Non-controlling interest share due to PGI's increase in equity interest in OOC from 74.13% in 2014 to 89.73% in 2015	(23,710,873)	-	-
Non-controlling interest share in net income for the year	45,986,795	2,869,593	1,160,185
At end of year	252,901,382	23,710,873	20,841,280
TOTAL EQUITY	₱ 3,424,674,083	₱ 2,667,937,526	₱ 2,368,786,343

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

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows

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

(Forward)

(Continued)

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

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

PRYCE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As at and for the years ended December 31, 2015, 2014 and 2013

(Expressed in Philippine Peso)

1. CORPORATE INFORMATION

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

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

The Parent Company is primarily engaged in acquiring, purchasing, leasing, holding, selling or otherwise dealing in land and or real estate or any interest or right therein as well as real or personal property of every kind and description including but not limited to shares of stock in industrial, commercial, manufacturing and any other similar corporations. The Parent Company’s shares are listed in the Philippine Stock Exchange (PSE). In 2014 and prior years, the trading of the Parent Company’s shares was on hold due to the pendency of the petition filed with the Supreme Court by one of its creditor banks in relation to the Parent Company’s Corporate Rehabilitation. On March 16, 2015, the trading suspension was lifted in connection with the finality of the pending case. The Parent Company’s stock price as at the date of the lifting of trading suspension amounted to ₱4 per share.

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

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

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

* Includes indirect equity ownership of 13.61% in 2015

Pryce Gases, Inc. (PGI)

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

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

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

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

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

Oro Oxygen Corporation (OOC)

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

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

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

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

Pryce Pharmaceuticals, Inc. (PPhI)

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

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

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

Authorization for issue of the consolidated financial statements

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

2. STATUS OF OPERATIONS

Rehabilitation plan of the Parent Company

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

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

Finality of the Rehabilitation Plan

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

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

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

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

Termination of Corporate Rehabilitation Proceedings

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

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

Rehabilitation Plan of PGI

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

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

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

Termination of Corporate Rehabilitation Proceedings

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

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

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

Statement of compliance

The consolidated financial statements of the Group have been prepared in conformity with Philippine Financial Reporting Standards (PFRS), except for the recognition of fair value gain on real estate properties transferred by the Parent Company to PGI as equity contribution, which have been taken up in the books and records of the Parent Company at cost instead of fair value as required under PFRS 3, *Business Combination*. This was a case of an extremely rare circumstance in which management concluded that compliance with a requirement in PFRS would so be misleading that it would conflict with the objectives of the consolidated financial statements set out in the Framework. Because of this circumstance, the management of the Parent Company reduced the perceived misleading aspects of compliance by complying with the disclosures stated in Note 34. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by the former Standing Interpretations Committee (SIC), the Philippine Interpretations Committee (PIC) and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

Basis of presentation and measurement

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

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

Foreign currency-denominated transactions and translations

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Changes in accounting policies and disclosures

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

Annual Improvements to PFRSs 2010 – 2012 Cycle

The annual improvements address the following issues:

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

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

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

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

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

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

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

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

Annual Improvements to PFRSs 2011 – 2013 Cycle

The annual improvements address the following issues:

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

PFRS 13 (Amendment), Fair Value Measurement – Portfolio exception, clarifies that the scope of the portfolio exception defined in paragraph 52 of PFRS 13 applies to all contracts within the scope of, and accounted for in accordance with, PAS 39 Financial Instruments: Recognition and Measurement or PFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in PAS 32 Financial Instruments: Presentation.

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

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

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

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

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

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

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

Annual Improvements to PFRSs 2012-2014 Cycle

The annual improvements addressed the following issues:

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

PFRS 7 (Amendment), Financial Instruments: Disclosures – Continuing Involvement in a Transferred Asset and Offsetting Disclosures in Condensed Interim Financial Statements. The amendment provides additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

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

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

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

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

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

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

PFRS 14, Regulatory Deferral Accounts. This new standard permits an entity which is a first-time adopter of Philippine Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of PFRS and in subsequent financial statements. Entities which are eligible to apply this standard are not required to do so, and so can chose to apply only the requirements of PFRS 1 when first applying PFRSs. However, an entity that elects to apply this standard in its first PFRS financial statements must continue to apply it in subsequent financial statements. This standard cannot be applied by entities that have already adopted PFRSs. The standard is effective and applicable on first annual financial statements for annual periods beginning on or after January 1, 2016.

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

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

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

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

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

PAS 16, Property, Plant and Equipment, and PAS 41, Agriculture – Bearer Plants (Amendment). The amendment clarifies that bearer plants are within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with PAS 16. The amendments also introduce the definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Moreover, it also clarifies that produce growing on bearer plants remains within the scope of PAS 41. The amendments are effective for annual periods beginning on or after January 1, 2016.

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

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

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

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

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

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

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

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

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

PFRS 9, *Financial Instruments*. The standard requires all recognized financial assets that are within the scope of PAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or at fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely for payments of principal and interest on the outstanding balance are generally measured at amortized cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. For financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or increase an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. The standard is to be effective no earlier than the annual periods beginning January 1, 2018, with earlier application permitted.

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

4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Basis of consolidation

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

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

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

- the size of the Parent Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Parent Company, other vote holders or other parties;

- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Parent Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

Business Combinations and Goodwill

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

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

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

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

Where goodwill forms part of the CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and portion of the CGU retained.

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

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

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

Non-controlling interests

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

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

Non-controlling interest represents the 8.96% (1.77% in 2014) interest in PGI not owned by the Parent Company, 10.27% (25.87% in 2014) interest in OOC not owned by the Parent Company and 11.39% interest in PPhI not owned by the Parent Company. The non-controlling stockholders' share in losses of PGI, OOC and PPhI are limited to the investment made. Any additional losses are for the account of the Group.

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

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

Disposal of subsidiaries

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

Segment reporting

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

Financial instruments

Initial recognition, measurement and classification of financial instruments

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

Initial measurement

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

Classification

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

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

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

The Group does not hold financial assets at AFS or HTM financial assets and FVPL financial liabilities as at December 31, 2015 and 2014.

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

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

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

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

Financial assets at fair value through profit or loss (FVPL) are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial assets and is included in the “Fair value gain (loss) line item in the consolidated statements of comprehensive income. Fair value is determined in the manner described in Note 38.

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

Other financial liabilities

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

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

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

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

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

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

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

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

Fair value measurement disclosures of financial and non-financial assets are presented in Note 38 to the consolidated financial statements.

“Day 1” Difference

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

Amortized cost of financial instruments

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

Loans and receivables

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

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

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

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

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

Derecognition of financial assets and financial liabilities

(a) Financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

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

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

(b) Financial liabilities

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

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

Offsetting of financial assets and financial liabilities

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

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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

(a) Financial assets carried at cost

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

(b) Loans and receivables

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

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

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

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

Cash

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

Real estate projects

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

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

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

Inventories

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

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

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

Fuel is composed of diesel, gasoline and lubricants.

Pharmaceutical products are composed of medicinal drugs.

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

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

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

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

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

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

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

Prepayments and other current assets

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

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

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

Assets held for dacion en pago

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

Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The residual values and estimated useful lives of property, plant and equipment are reviewed and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the consolidated statement of comprehensive income in the year the item is derecognized.

Investment properties

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

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

Investment properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statement of comprehensive income.

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

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

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

As at December 31, 2015 and 2014, included in investment properties are the Group's land and memorial lawn lots, which are held for lease and capital appreciation, respectively.

Impairment of non-financial assets other than goodwill

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

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

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

Trade and other payables

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

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

Customers' deposits

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

Borrowings and borrowing cost

(a) Borrowings

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

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

(b) Borrowing cost

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

Leases

Group as a Lessee

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

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

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

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

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

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

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

Retirement benefit obligation

a.) Retirement obligations

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

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

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

Retirement benefit expense comprises the following:

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

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

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

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

(b) Termination benefits

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

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

(c) Other long-term benefits

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

(d) Profit-sharing and bonus plans

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

Equity

(a) Capital stock

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

(b) Additional paid-in capital

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

(c) Deficit

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

(d) Treasury stock

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

Revenue recognition

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

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

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

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

- *Revenues arising from hotel operations*

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

- *Sale of goods*

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

- *Rental income from operating lease*

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

- *Interest income*

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

- *Dividend income*

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

- *Other comprehensive income*

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

- *Other income*

Other income is recognized when earned.

Cost and expense recognition

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

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

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

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

Provisions and contingencies

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

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

When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and the amount can be estimated reliably. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement.

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

Related party relationships and transactions

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

Earnings per share

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

Events after the reporting period

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant accounting judgments in applying the Group's accounting policies

(a) Functional currency

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

(b) Revenue recognition on real estate transactions

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

(c) Operating lease

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

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

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

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

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

(e) Allowance for impairment of trade and other receivables

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

The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status based on known market forces, average age of accounts, collection experience and historical loss experience. These factors are used by the Group as a basis in making judgments whether or not to record allowance for impairment.

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

(f) Allowance for impairment on real estate projects

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

(g) Impairment of prepayments and other current assets

Prepayments and other current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized whenever there is existing evidence that the carrying amount is not recoverable. The Group's management evaluated that based on their review; there were no indicators of impairment as at December 31, 2015 and 2014.

(h) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized whenever there is existing evidence that the carrying amount is not recoverable. Management believes that there are no indications that the property and equipment are impaired as at December 31, 2015 and 2014.

(i) Income taxes

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

(j) Provisions and contingencies

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

The Group is involved in litigations, claims and disputes arising in the ordinary course of business. Management believes that the ultimate liability, if any, with respect to such litigations, claims and disputes will not materially affect the financial position and results of operations of the Group.

Significant accounting estimates and assumptions

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

(a) Determining net realizable value of inventories

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

As at December 31, 2015 and 2014, the carrying amount of inventories amounted to ₱536.6 million and ₱543.1 million, respectively (see Note 9).

(b) Determining net realizable value of real estate projects

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

As at December 31, 2015 and 2014, the net carrying amounts of real estate projects amounted to ₱852.7 million and ₱841.5 million, respectively (see Note 10).

(c) Useful lives of property, plant and equipment

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

As at December 31, 2015 and 2014, the carrying amounts of property, plant and equipment, net of accumulated depreciation of ₱3.54 billion and ₱3.3 billion, amounted to ₱2.701 billion and ₱2.350 billion, respectively (see Notes 12 and 13).

(d) Impairment of goodwill

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

The carrying amount of goodwill as at December 31, 2015 and 2014 amounted to ₱70.7 million and ₱68.9 million, respectively. No impairment was recognized for the years ended December 31, 2015 and 2014.

(e) Retirement benefit obligation

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

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

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

The carrying amount of the Group's retirement benefit obligation as at December 31, 2015 and 2014 are ₱208.9 million and ₱190.4 million, respectively (see Note 30).

(f) Recognition and realizability of deferred tax assets

Deferred tax assets are recognized for all unused tax losses and future tax credits. At end of the reporting period, the Group reviews its deferred tax assets and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on industry trends and projected performance in assessing the sufficiency of taxable income.

As at December 31, 2015 and 2014, the estimates of future taxable income indicate that certain temporary differences will be realized in the future, to which the Group recognized deferred tax assets amounting to ₱16.54 million, net of valuation allowance amounting to ₱55.3 million and ₱81.4 million (see Note 32).

(g) Impairment of nonfinancial assets other than goodwill

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

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

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

6. CASH

This account consists of:

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

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

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

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

The movement of the account is as follows:

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

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

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

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

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

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

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

8. TRADE AND OTHER RECEIVABLES (NET)

This account consists of:

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

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

Advances to officers and employees are non-interest bearing and collectible through salary deductions. This also includes, among others, car plan offered to officers and employees with repayment terms.

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

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

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

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

9. INVENTORIES

This account consists of:

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

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

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

10. REAL ESTATE PROJECTS

Real estate projects consist of the following:

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

Forwarded

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

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

11. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

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

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

Deferred charges represent project development cost in progress.

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

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

Reconciliations of net carrying amounts at the beginning and end of 2015 and 2014, and the gross carrying amounts and the accumulated depreciation of property, plant and equipment are shown below:

As at December 31, 2015

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

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

As at December 31, 2014

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

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

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

As at December 31, 2015

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

As at December 31, 2014

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

Depreciation charged to operations was allocated as follows:

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

The above depreciation includes depreciation on appraisal increase amounting to P5.7 million in 2015 and P7.5 million in 2014, which also represents transfer of realized portion of revaluation reserve to retained earnings/ deficit.

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

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

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

While fair market value of the property, plant and equipment was not determined as at December 31, 2015 and 2014, the Group's management believes that the fair value does not differ materially from its carrying amount.

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

Reconciliations of the net carrying amounts at the beginning and end of 2015 and 2014, and the gross carrying amounts and the accumulated depreciation of property, plant and equipment at cost are as follows:

As at December 31, 2015

	Net carrying amount, January 1, 2015	Additions	Depreciation	Net carrying amounts, December 31, 2015
LPG plant machinery and equipment	P 1,157,449,310	P 24,780,012	(P152,613,938)	P 1,029,615,384
Machinery and equipment	319,828,271	52,936,014	(18,960,090)	353,804,125
Transportation equipment	70,760,940	34,394,206	(27,437,866)	77,717,280
Leasehold improvement	5,036,096	-	(1,202,689)	3,833,407
Furniture, fixtures and equipment	21,010,432	5,220,094	(7,170,669)	19,059,857
Construction in progress	106,186,270	346,947,062	-	453,133,402
Building and structures	7,609,948	-	(461,974)	7,147,974
	P 1,687,881,267	P 464,277,388	(P207,847,226)	P 1,944,311,429

	Cost	Accumulated depreciation	Net carrying amounts, December 31, 2015
LPG plant machinery and equipment	P 2,774,813,238	(P 1,745,197,854)	P 1,029,615,384
Machinery and equipment	476,826,658	(123,022,463)	353,804,125
Transportation equipment	328,036,096	(250,318,816)	77,717,280
Leasehold improvement	16,947,296	(13,113,889)	3,833,407
Furniture, fixtures and equipment	108,630,097	(89,570,240)	19,059,857
Construction in progress	453,133,332	-	453,133,332
Building and structures	9,239,474	(2,091,500)	7,147,974
	P 4,167,626,191	(P 2,223,314,762)	P 1,944,311,429

As at December 31, 2014

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

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

Depreciation charged to operations was allocated as follows:

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

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

14. INVESTMENT PROPERTIES

This account consists of:

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

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

The memorial lawn lots are located in various memorial parks owned and operated by the Parent Company in Mindanao. With the termination of the rehabilitation plan (see Note 2) and PGI's intention to hold these assets for capital appreciation, the memorial lawn lots have been reclassified to investment properties from previously classified as "assets held for dacion en pago" (see Note 15).

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

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

15. **ASSETS HELD FOR DACION EN PAGO**

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

16. **GOODWILL**

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

	2015	2014
Attributable to:		
Investment in subsidiaries by Parent Company		
Pryce Gases, Inc. (PGI)	₱ 68,897,066	₱ 68,897,066
Pryce Pharmaceuticals, Inc. (PPhI)	1,771,239	-
	₱ 70,668,305	₱ 68,897,066

Acquisition of PGI

The recoverable amount of PGI's cash generating units (CGUs) was based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to cash flow projections of 8.0%. Cash flows beyond the five-year period are extrapolated using the steady growth rate of 1.0%. The carrying value of goodwill amounted to ₱68,897,066 as at December 31, 2015 and 2014. No impairment loss was recognized for goodwill arising from the acquisition of PGI.

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

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

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

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

Acquisition of PPhI

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

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

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

17. TRADE AND OTHER PAYABLES

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

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

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

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

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

18. **CUSTOMERS' DEPOSITS**

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

The customers' deposits amounted to ₱154,981,477 and ₱141,544,998 as at December 31, 2015 and 2014, respectively.

19. **INSTALLMENT CONTRACTS PAYABLE**

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

The outstanding balance as at December 31 follows:

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

20. **SHORT-TERM DEBTS**

Short-term debts consist of:

PGI

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

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

OOC

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

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

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

21. DEBTS COVERED BY THE REHABILITATION PLAN

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

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

a) Debts for dacion en pago of the Parent Company

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

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

Termination of Corporate Rehabilitation Proceedings

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

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

b) Debts for dacion en pago of PGI

This account consists of:

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

Termination of Corporate Rehabilitation Proceedings

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

Debts for dacion en pago

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

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

Restructured debts

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

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

22. EQUITY

Capital stock

Details of this account are as follows:

	2015	2014
Common stock – ₱1 par value		
Authorized – 2,000,000,000 common shares	₱ 2,000,000,000	₱ 2,000,000,000
Issued – 1,998,750,000 common shares	₱ 1,998,750,000	₱ 1,998,750,000
Subscribed – 1,250,000 common shares	1,250,000	1,250,000
Total	₱ 2,000,000,000	₱ 2,000,000,000

Track record of the Parent Company

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

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

The Parent Company's shares are listed in the Philippine Stock Exchange (PSE). In 2014 and prior years, trading of the Parent Company's shares was on hold due to the pendency on the petition filed with the Supreme Court by one of its creditor bank in relation to the Parent Company's Corporate Rehabilitation. On March 16, 2015, the trading suspension was lifted in connection with the finality of the pending case. The Parent Company's stock price as at the date of the lifting of trading suspension amounted to ₱4 per share. As at December 31, 2015, the Parent Company's stock price amounted to ₱2.38 per share.

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

Treasury stock

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

23. **RELATED PARTIES**

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

Relationships

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

Transactions

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

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

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

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

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

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

Josefina Multi-Ventures Corporation (JMVC)

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

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

Hinundayan Holdings Corporation (HHC)

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

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

Oro Oxygen Corporation (OOC)

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

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

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

24. REVENUES

The details of this account are as follows:

- a) Liquefied petroleum gases, industrial gases and fuels

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

- b) Real estate

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

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

25. COST OF SALES

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

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

b) Cost of sales on hotel operations consists of:

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

c) Cost of sales on pharmaceutical products

	2015	2014	2013
Beginning inventory – note 9	₱ 3,909,781	₱ -	₱ -
Add: Purchases	23,205,152	-	-
Total good available for sale	27,114,933	-	-
Less: Ending inventory – note 9	4,868,563	-	-
	₱ 22,246,370	₱ -	₱ -

- d) Cost of real estate amounted to ₱16,193,785, ₱428,274,867, and ₱5,520,491 for the years ended December 31, 2015, 2014, and 2013, respectively. The cost of real estate recognized in the consolidated statements of comprehensive income on disposal is determined with reference to the specific costs incurred on the property sold.

26. OPERATING EXPENSES

This account consists of:

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

Forwarded

<i>Continued</i>	2015	2014	2013
General and administrative expenses:			
Salaries, wages and benefits	₱ 101,485,264	₱ 113,596,042	₱ 103,172,543
Depreciation – notes 12 and 13	57,979,336	43,701,280	37,705,052
Repairs and maintenance	44,602,357	46,777,724	46,200,165
Travel and transportation	22,824,590	27,675,578	22,041,759
Taxes and licenses	19,964,008	19,407,431	12,042,898
Fuel and oil	18,141,364	18,689,904	14,488,349
Outside services	17,607,494	18,220,894	11,498,478
Rent and utilities	17,049,976	27,565,631	19,549,192
Materials and supplies	13,868,830	24,642,821	15,728,216
Freight and handling	10,191,965	8,337,899	7,959,843
Advertisements	8,467,966	2,806,321	2,441,553
Representation and entertainment	8,366,441	7,699,108	7,794,735
Insurance	7,208,174	6,224,950	7,715,641
Dues and subscriptions	6,182,038	8,064,426	5,196,158
Professional fees	5,776,632	4,425,501	6,162,046
Donation	4,431,586	1,971,017	2,330,299
Meetings and conferences	3,854,155	3,181,077	4,827,054
Training and seminars	850,104	324,690	3,843,213
Provision for impairment losses – note 8	-	8,049,814	-
Others	18,161,170	16,282,740	16,461,754
	387,013,450	407,644,848	347,158,948
	₱ 718,658,736	₱ 727,356,157	₱ 651,545,644

27. FINANCE COSTS

This account consists of:

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

28. OTHER INCOME (NET)

This account consists of:

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

29. OTHER COMPREHENSIVE INCOME

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

30. **RETIREMENT BENEFIT OBLIGATION**

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

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

The amounts of retirement benefit obligation recognized in the statements of financial position are the present value of the retirement benefit obligation as the retirement program is unfunded. As at December 31, 2015 and 2014, the present value of the retirement benefit obligation amounted to ₱208,940,564 and ₱190,381,718 respectively.

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

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

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

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

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

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

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

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

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

Parent Company

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

PGI

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

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

Maturity profile of undiscounted benefit payments

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

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

Discount rate sensitivity

Parent Company

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

PGI

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

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

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

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

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

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

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

31. LOSS ON PETROLEUM EXPLORATION

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

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

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

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

32. INCOME TAX

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

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

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

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

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

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

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

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

33. EARNINGS PER SHARE

Earnings per share are computed based on the weighted average number of common shares outstanding during the year. The number of shares used to compute basic earnings per share were 1,952,941,457 in 2015 and 2,000,000,000 in 2014.

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

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

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

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

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

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

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

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

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

The ₱1.03 billion as at December 31, 2015 and 2014 represents the net difference between the fair value and the related cost the parent company's real estate properties transferred to PGI creditors in settlement of its debts covered by the rehabilitation plan. This amount was arrived at in the elimination process of intercompany account balances and such difference was accounted for as "Fair value gain on real estate properties" account and presented under equity section in the consolidated statement of financial position.

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

Had the Parent Company applied the fair value method of accounting on the recognition of its transferred real estate properties to PGI, the fair value gain on real estate properties should have been recognized as income and reduces the consolidated deficit as at December 31, 2015 and 2014 by ₱1.03 billion.

35. OPERATING BUSINESS SEGMENTS

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

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

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

The Group's segment information is as follows:

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

36. OPERATING LEASE AGREEMENTS

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

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

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

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

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

- *Foreign currency risk*

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

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

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

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

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

Foreign currency risk sensitivity analysis

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

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

- Credit risk*

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

The Group's trade and other receivables are actively monitored to avoid significant concentration of credit risk. The maximum amount of exposure to credit risk as at December 31, 2015 and 2014 are as follows:

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

Credit quality information

As at December 31, 2015 and 2014, the credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and areas.

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

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

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

As at December 31, 2015

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

As at December 31, 2014

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

- Liquidity risk***

The Group has significant exposure to liquidity risk because of debts under dacion en pago and restructured debts covered by the Rehabilitation Plan and payment of finance costs by PGI. The Group manages liquidity by identifying events that would trigger liquidity problems, providing contingency plans, identifying potential sources of funds and monitoring compliance of liquidity risk and policy.

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

As at December 31, 2015

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

As at December 31, 2014

	Total carrying value	Contractual undiscounted payments			
		On demand	Less than 1 year	1 – 5 years	More than 5 years
Trade and other payables*	P 1,269,400,646	P1,143,767,820	P 125,632,826	P -	P -
Restructured debts -					
Current	59,345,094	-	59,345,094	-	-
Noncurrent	59,345,092	-	-	59,345,092	-
Debts covered by the Rehabilitation Plan	329,118,108	-	329,118,108	-	-
Short-term debts	250,000,000	-	250,000,000	-	-
Advances from related parties	174,381,674	-	15,574,663	158,807,011	-
Total	P 2,141,590,614	P1,143,767,820	P 779,670,691	P 218,152,103	P -

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

- *Price risk*

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

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

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

	Increase (Decrease) in Basis Points	Effect in Income After Tax
2015	100	(P26,754,406)
	50	(13,377,203)
	(100)	26,754,406
	(50)	13,377,203
2014	100	(P24,435,026)
	50	(12,217,513)
	(100)	24,435,026
	(50)	12,217,513

- *Interest rate risk*

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Parent Company's installment contracts payable in 2015 and the Parent Company and PGI's restructured debts, short-term debts and OOC's short-term debts in 2014 (see Note 19). The impact on the Group's equity is immaterial.

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

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

As at December 31, 2014

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

Capital risk objective and management

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

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

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

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

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

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

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

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

38. **FAIR VALUE INFORMATION**

Assets measured at fair value

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

	Fair value as at December 31		Fair value	Valuation
	2015	2014	hierarchy	techniques
Financial assets at FVPL	₱ 382,205,805	₱ 349,071,800	Level 1	Quoted prices in an active market

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

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

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

	2015		2014			
	Carrying Value	Fair Value	Carrying Value	Fair Value	Fair value hierarchy	Input used
Assets						
Advances to related parties	₱ 1,639,463	₱ 1,635,976	₱ 2,456,080	₱ 2,451,473	Level 3	(b)
Investment properties	109,957,888	109,957,888	37,027,141	37,027,141	Level 2	(a)
Liabilities						
Restructured debts covered by rehabilitation plan	₱ -	₱ -	₱ 59,345,092	₱ 50,503,180	Level 2	(c)
Installment contracts payable	36,109,111	30,681,163	49,342,686	41,991,047	Level 3	(b)
Advances from related parties	345,199,821	293,309,135	174,381,674	148,400,294	Level 3	(b)

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

- 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.
- Advances to and from related parties and installment contracts payable

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

Significant unobservable input	Relationship of unfavorable inputs
Discounted cash flows are determined by reference to prevailing interest savings rate at 0.071% in 2015 and 0.063% in 2014.	The higher the discount rate, the lower the fair value.
Discounted cash flows are determined by reference to prevailing interest savings rate at 5.580% in 2015 and 5.525% in 2014.	The higher the discount rate, the lower the fair value.

The table below shows the sensitivity analysis of the above unobservable inputs to the valuation model to the carrying amount of the due to and from related parties as at December 31, 2015 and 2014:

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

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

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

39. NON-CASH TRANSACTIONS

Non-cash activities consist of:

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

* * *

**Diaz Murillo Dalupan
and Company**
Certified Public Accountants


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

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

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

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

by:


Jozef Francisco C. Santos, Jr.
Partner

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

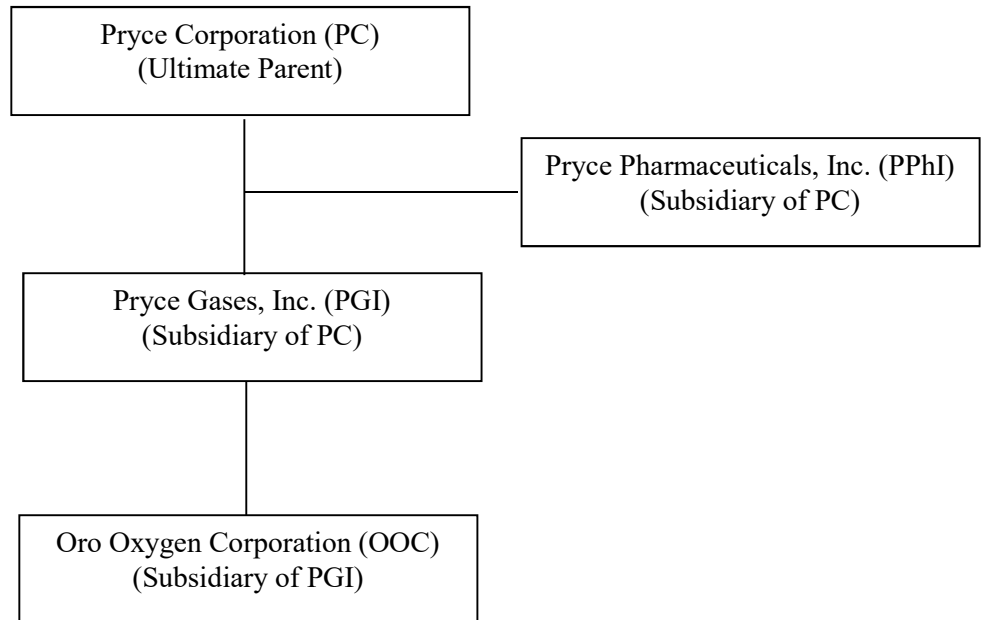
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Cebu Branch Office: Unit 504 Cebu Holdings Building, Cebu Business Park, Mabolo, Cebu City 6000 : Phone: +63(32) 415 8108 to 10 : Fax: +63(32) 232 8029
Davao Branch Office: 3rd Floor Building B Plaza De Leiza, Ramon Magsaysay Ave., Davao City 8000 : Phone/Fax: +63(82) 222 6636

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

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

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



PRYCE CORPORATION AND SUBSIDIARIES
DECEMBER 31, 2014

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

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

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

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

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

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

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

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

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

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Valued based on market quotation at end of reporting period	Income received and accrued
Top Frontier	2,115,479	₱ 143,006,367	₱ 143,006,367	₱ -
San Miguel Corporation	2,794,059	139,423,525	139,423,525	-
Rizal Commercial Banking Corporation	1,098,000	36,234,000	36,234,000	-
Purefoods	210,586	27,165,612	27,165,612	-
Cebu Air	204,825	16,867,339	16,867,339	-
Phinma Corporation	1,149,660	13,565,988	13,565,988	-
Ginebra San Miguel	514,600	5,938,484	5,938,484	-
Swift Foods	20,000	2,880	2,880	-
Alliance Global Group	100	1,610	1,610	-
	8,107,309	₱ 382,205,805	₱ 382,205,805	₱ -

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

Name of debtor	Designation of debtor	beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
1. Aguadera, Jonax	Officer	P592,136	P865,686	P175,277	P -	P690,409	P592,136	P1,282,545
2. Abuyog, Rudy	Officer	109,889	1,389,278	260,649	-	324,400	914,118	1,238,518
3. Baisa, Emerson	Officer	196,320	864,556	10,000	-	50,000	1,000,876	1,050,876
4. Escaño, Jose Maria	Officer	1,096,658	235,431	349,591	-	224,390	758,108	982,498
5. Palma, Efren	Officer	1,079,817	473,926	624,807	-	224,390	704,546	928,936
6. Escano, Rapael	Officer	-	1,001,942	104,188	-	108,387	789,367	897,754
7. Sulatre, Alexis	Officer	1,182,698	148,819	497,315	-	224,390	609,812	834,202
8.Competente, Roque	Officer	13,483	918,402	118,645	-	237,636	575,604	813,240
9.Dy, Carlitos	Officer	71,921	1,042,460	315,828	-	144,900	653,653	798,553
10. Gaid, Carmeli	Officer	445,501	370,636	86,469	-	92,172	637,496	729,668
11. Villanueva, Raul	Officer	802,560	-	179,999	-	180,000	442,561	622,561
12. Villalobos, Randy	Officer	590,039	153,945	123,389	-	110,159	510,436	620,595
13. Encabo Erica	Officer	751,510	10,696	162,478	-	155,346	444,382	599,728
14. Angcos, Agnes	Officer	693,925	13,914	163,524	-	169,261	375,054	544,315
15. Sarraja, Darwin	Officer	560,715	960,963	1,020,989	-	119,521	381,168	500,689
16. Paasa, Christy Ann	Officer	-	517,823	25,891	-	103,565	388,367	491,932
17. Ramis, Frecil	Officer	598,013	7,368	124,780	-	120,825	359,776	480,601
18. Gubalani , Concepcion	Officer	597,225	7,036	134,061	-	104,316	365,884	470,200
19. Mosquera, Leo	Officer	546,041	1,000	76,841	-	91,756	378,444	470,200
20. Gomez, Roger	Officer	596,013	6,209	132,848	-	128,137	341,237	469,374
21. Hatud, Feliciano	Officer	737,898	69,809	369,238	-	155,347	283,122	438,469
22. Martin, Emiliano	Officer	503,439	96,575	185,792	-	90,619	323,603	414,222
23. Aguirre, Elmer	Officer	491,932	118,225	211,941	-	108,233	289,983	398,216
24. Tanzo, Evelyn	Staff	-	353,188	28,920	-	324,268	-	324,268
25. Delima, Robin	Officer	389,388	11,103	93,079	-	76,482	230,930	307,412
26. Galvez, Jorge	Officer	354,200	-	96,597	-	85,867	171,736	257,603
27. Fajardo, Ruben	Staff	408,457	2,730	195,143	-	216,044	-	216,044
28. Trazo, Benjie	Staff	210,072	2,500	9,475	-	203,097	-	203,097
29. Narido, Lean	Staff	459,913	79,400	359,782	-	179,531	-	179,531
30. Logronio, Lucito	Staff	200,417	2,958	34,916	-	168,459	-	168,459
31. Legaspi, Michael	Staff	169,406	193	7,368	-	162,231	-	162,231
32. Bonilla, Gidion	Staff	-	279,635	129,261	-	150,374	-	150,374
33. Montalban	Staff	-	366,898	226,106	-	140,792	-	140,792
34.Magallano, Joedim	Officer	130,408	106,025	134,149	-	102,284	-	102,284
35. Yamut, Jetaime	Officer	212,805	97,720	208,956	-	101,569	-	101,569
36. Oghayon,Renato	Staff	153,613	849	54,321	-	100,141	-	100,141
37. Others		25,082,657	9,823,914	17,818,283	-	11,118,990	5,969,298	17,088,288
TOTAL		P40,029,069	P20,401,812	P24,850,896	P -	P17,088,288	P18,491,696	P35,579,985

* Others represent amounts receivable from directors, officers, employees and principal stockholders with outstanding balance of P100,000 and below as at the end of the reporting period.

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

Name and designation of creditor	Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
Pryce Gases, Inc.	Oro Oxygen Corporation	₱ 408,483,345	₱ 2,920,688,908	₱ 2,686,353,115	₱ -	₱ -	₱ 642,819,138	₱ 642,819,138
Oro Oxygen Corporation	Pryce Corporation	95,000,000	-	4,800,000	-	-	90,200,000	90,200,000
Pryce Gases, Inc.	Pryce Pharmaceuticals, Inc.	-	4,700,000	-	-	-	4,700,000	4,700,000
Pryce Corporation	Pryce Gases, Inc.	27,755,050	1,114,118	27,755,050	-	-	1,114,118	1,114,118
Pryce Pharmaceuticals, Inc.	Pryce Gases, Inc.	261,650	-	-	-	-	261,650	261,650
		₱ 531,500,045	₱ 2,926,503,026	₱ 2,718,908,165	₱ -	₱ -	₱ 739,094,906	₱ 739,094,906

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

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

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

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption “Current portion of long term debt” in related statement of financial position	Amount shown under caption “Long-term debt” in related statement of financial position
Installment contracts payable		₱ 13,233,575	₱ 36,109,111

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

Name of related party	Balance at beginning of period	Balance at end of period
Mindanao Gardens, Inc.	₱ 105,826,967	₱ 136,127,550
Josefina Multi-Ventures Corporation	15,574,663	121,306,101
Hinundayan Holdings Corporation	11,491	34,397,617
PioVelo	32,766,300	32,766,300
Salvador Escano	16,527,000	16,527,000
Central Luzon Oxygen and Acetylene Corporation	3,675,253	3,675,253
Pryce Finance and Leasing Corporation	-	400,000
	₱ 174,381,674	₱ 345,199,821

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

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
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Not Applicable

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE H – CAPITAL STOCK
DECEMBER 31, 2015

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares reversed for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	2,000,000,000	1,998,750,000	–	512,681,212	60,538,786	1,426,780,002

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT


1. Report is Filed for the Year **2015**
2. Exact Name of Registrant as Specified in its Charter **PRYCE CORPORATION**
3. Address of Principal Office
17th Floor PRYCE CENTER
1179 Chino Roces Avenue
corner Bagtikan Street
Makati City
Postal Code **1203**
4. SEC Identification Number **168063**
5.  (SEC Use Only)
Industry Classification Code
6. BIR Tax Identification Number **000-065-142-000**
7. Issuer's Telephone number, including area code **(+632) 899-4401**
8. Former name or former address, if changed from the last report **N/A**

TABLE OF CONTENTS

A. BOARD MATTERS.....	4
1) BOARD OF DIRECTORS.....	
(a) Composition of the Board.....	4
(b) Corporate Governance Policy/ies.....	4
(c) Review and Approval of Vision and Vision.....	6
(d) Directorship in Other Companies.....	6
(e) Shareholding in the Company.....	8
2) CHAIRMAN AND CEO.....	8
3) PLAN FOR SUCCESSION OF CEO/MANAGING DIRECTOR/PRESIDENT AND TOP KEY POSITIONS.....	10
4) OTHER EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS.....	11
5) CHANGES IN THE BOARD OF DIRECTORS.....	12
ORIENTATION AND EDUCATION PROGRAM.....	18
B. CODE OF BUSINESS CONDUCT & ETHICS.....	18
1) POLICIES.....	18
2) DISSEMINATION OF CODE.....	20
3) COMPLIANCE WITH CODE.....	20
4) RELATED PARTY TRANSACTIONS.....	20
(a) Policies and Procedures.....	20
(b) Conflict of Interest.....	21
5) FAMILY, COMMERCIAL AND CONTRACTUAL RELATIONS.....	22
6) ALTERNATIVE DISPUTE RESOLUTION.....	23
C. BOARD MEETINGS & ATTENDANCE.....	24
1) SCHEDULE OF MEETINGS.....	24
2) DETAILS OF ATTENDANCE OF DIRECTORS.....	24
3) SEPARATE MEETING OF NON-EXECUTIVE DIRECTORS.....	24
4) QUORUM REQUIREMENT	24
5) ACCESS TO INFORMATION.....	24
6) EXTERNAL ADVICE.....	26
7) CHANGES IN EXISTING POLICIES.....	26
D. REMUNERATION MATTERS.....	26
1) REMUNERATION PROCESS.....	26
2) REMUNERATION POLICY AND STRUCTURE FOR DIRECTORS.....	27
3) AGGREGATE REMUNERATION	28
4) STOCK RIGHTS, OPTIONS AND WARRANTS.....	29
5) REMUNERATION OF MANAGEMENT.....	30
E. BOARD COMMITTEES.....	30
1) NUMBER OF MEMBERS, FUNCTIONS AND RESPONSIBILITIES.....	30
2) COMMITTEE MEMBERS.....	32
3) CHANGES IN COMMITTEE MEMBERS.....	34
4) WORK DONE AND ISSUES ADDRESSED.....	35

5) COMMITTEE PROGRAM.....	35
F. RISK MANAGEMENT SYSTEM.....	35
1) STATEMENT ON EFFECTIVENESS OF RISK MANAGEMENT SYSTEM.....	35
2) RISK POLICY.....	37
3) CONTROL SYSTEM.....	40
G. INTERNAL AUDIT AND CONTROL.....	44
1) STATEMENT ON EFFECTIVENESS OF INTERNAL CONTROL SYSTEM.....	44
2) INTERNAL AUDIT	
(a) Role, Scope and Internal Audit Function.....	45
(b) Appointment/Removal of Internal Auditor.....	45
(c) Reporting Relationship with the Audit Committee.....	45
(d) Resignation, Re-assignment and Reasons.....	45
(e) Progress against Plans, Issues, Findings and Examination Trends.....	46
(f) Audit Control Policies and Procedures.....	46
(g) Mechanisms and Safeguards.....	47
H. ROLE OF STAKEHOLDERS.....	48
I. DISCLOSURE AND TRANSPARENCY.....	49
J. RIGHTS OF STOCKHOLDERS.....	52
1) RIGHT TO PARTICIPATE EFFECTIVELY IN STOCKHOLDERS' MEETINGS.....	52
2) TREATMENT OF MINORITY STOCKHOLDERS.....	57
K. INVESTORS RELATIONS PROGRAM.....	58
L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES.....	58
M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL.....	59
N. INTERNAL BREACHES AND SANCTIONS.....	59

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	7
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Actual number of Directors for the year	7
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(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non- Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) ¹	Elected when (Annual /Special Meeting)	No. of years served as director
Salvador P. Escaño	ED	N/A	Pryce Development Corporation	August 30, 1989 (founding director)	June 24, 2015	Annual	26
Efren A. Palma	ED	N/A	-do-	September 27, 2002	June 24, 2015	Annual	13
Ramon R. Torralba, Jr.	NED	N/A	-do-	August 30, 1989 (founding director)	June 24, 2015	Annual	18
Simeon S. Umandal	NED	N/A	-do-	September 27, 2002	June 24, 2015	Annual	13
Xerxes Emmanuel F. Escaño	NED	N/A	-do-	June 24, 2015	June 24, 2015	Annual	-
Enerlito G. de Mesa	ID	N/A	-do- (no existing relationship)	June 30, 2010	June 24, 2015 (3years)	Annual	3*
Roland Joey R. de Lara	ID	N/A	-do- (no existing relationship)	July 30, 2003	June 24, 2015 (2years)	Annual	2*

* for purposes of applying term limits, terms served by the independent director prior to January 2, 2012 are not included in this computation, in accordance with SEC Memorandum Circular No. 9, Series of 2011.

- (b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

CORPORATE GOVERNANCE POLICY AND BOARD RESPONSIBILITIES

Ref. Revised Manual on Corporate Governance [hereafter "RMCG"] Sec. II.B.

Compliance with the principles of good corporate governance shall start with the Board of Directors which shall be primarily responsible for the governance of the Corporation.

It is the Board's responsibility to foster the long-term success of the Corporation and secure its sustained

¹ Reckoned from the election immediately following January 2, 2012.

competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

In sum, the Board's primary responsibilities are to:

- i. install a process of selection to ensure a mix of competent directors and officers;
- ii. Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives;
- iii. Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices;
- iv. Identify the Corporation's major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective investor relations program;
- v. Adopt a system of internal checks and balances which shall be subject to continuing review;
- vi. Identify key risk areas and key performance indicators, monitor these factors with due diligence, and ensure the effectiveness of management information and risk management reporting systems supporting organizational and procedural controls;
- vii. Establish policies to ensure the integrity and transparency of related party transactions;
- viii. Establish an alternative dispute resolution policy or policies to amicably settle conflicts or differences between the corporation, stakeholders, and third parties, including regulatory authorities;
- ix. Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly minuted; and
- x. Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulation.

Treatment of All Shareholders

Ref. RMCG Sec. V.

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

The Board shall ensure that the following rights are respected:

- i. Stockholders' voting rights, especially the right to elect, remove, and replace directors and vote on certain corporate acts requiring their vote, in accordance with the by-laws of the Company and the Corporation Code.
- ii. All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.
- iii. The Shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealings with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers.
- iv. Shareholders shall have the right to receive dividends subject to the discretion of the Board and subject to existing laws and regulations.
- v. The shareholders' shall have appraisal right or the right to dissent and demand payment of the fair value of

their shares in the manner provided for under the Corporation Code

Rights of Minority Shareholders

Ref. RMCG Sec. V.A.4.b. and c.

Minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purpose. They shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes." Furthermore, a director shall not be removed without cause if it will deny minority shareholders representation in the Board.

Disclosure

Ref. RMCG Sec. IV.

The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders, both through appropriate procedures prescribed by the Philippine Stock Exchange, in the Company's Annual Report, and in and through other reports and disclosures required under pertinent laws and regulations.

The following shall be disclosed:

- i. All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.
- ii. Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management, corporate strategy, and off balance sheet transactions.

(c) How often does the Board review and approve the vision and mission?

The Board reviews the vision and mission as and if needed.

(d) Directorship in Other Companies

- (i) Directorship in the Company's Group²

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

²

The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Salvador P. Escaño	Pryce Gases, Inc.	Executive - Chairman
	Pryce Development Corporation	Executive - Chairman
	Oro Oxygen Corporation	Non-Executive
	Mindanao Gardens, Inc.	Executive - Chairman
	Josefina Multi-Ventures Corporation	Executive - Chairman
	Hinundayan Holdings Corp.	Executive - Chairman
	Pryce Pharmaceuticals, Inc.	Executive - Chairman
Ramon R. Torralba, Jr.	Pryce Plans, Inc.	Executive - Chairman
	Pryce Gases, Inc.	Non-Executive
	Hinundayan Holdings Corp.	Non-Executive
Efren A. Palma	Pryce Pharmaceuticals, Inc.	Non-Executive
	Pryce Plans, Inc.	Non-Executive
	Pryce Gases, Inc.	Executive
Xerxes Emmanuel F. Escaño	Pryce Pharmaceuticals, Inc.	Non-Executive
	Pryce Plans, Inc.	Non-Executive
	Pryce Gases, Inc.	Non-Executive
	Oro Oxygen Corporation	Non-Executive
Simeon S. Umandal	Pryce Pharmaceuticals, Inc.	Executive
	Hinundayan Holdings Corp.	Non-Executive
	Josefina Multi-Ventures Corp.	Non-Executive

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Salvador P. Escaño	Crown Equities, Inc.	Non-Executive

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Apart from the information provided under item (i) preceding, the Company knows of no other relation among the Board of Directors that may link them to significant shareholders in the Company or the Group.

Director's Name	Name of the Significant Shareholder	Description of the relationship
N/A	N/A	N/A

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? **The Directors are enjoined to submit to a low indicative limit.** In particular, is the limit of five board seats in other publicly listed companies imposed and observed? **No definite limit is set.** If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	Low Indicative Limit	No definite number set
Non-Executive Director		
CEO		

LIMITATION FOR DIRECTORSHIPS

Ref. RMCG Sec. II.C.1.c and d.

Directors are enjoined to submit themselves to a low indicative limit on membership in other corporate boards. While no formal, definite limit for board seats has been set, no director currently holds more than one seat in another publicly listed company. By way of policy the task is given to the Nomination Committee to ensure that the ability of the Director to serve as such is not compromised. The Nomination Committee shall consider the following guidelines in the determination of the number of directorships for the Board: (i) the nature of the business of the Corporations which he is a director; (ii) age of the director; (iii) number of directorships/active memberships and officerships in other corporations or organizations; and (iv) possible conflict of interest. The optimum number shall be related to the capacity of a director to perform his duties diligently in general.

By way of policy, the Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

[AS OF DECEMBER 31, 2015]

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Salvador P. Escaño	33,492,660	26,513,250*	3.00%
Ramon R. Torralba, Jr.	218,806	0	0.01%
Efren A. Palma	100	0	0.00%
Simeon S. Umandal	950	200,000	0.01%
Xerxes Emmanuel F. Escaño	0	26,513,250**	0.00%
Enerlito G. de Mesa	50	0	0.00%
Roland Joey R. de Lara	100	0	0.00%
TOTAL	33,712,666	26,713,250	3.02%

* in a joint account with Xerxes Emmanuel F. Escaño

** in a joint account with Salvador P. Escaño

iii. Chairman and CEO

- (a) Do different persons assume the role of Chairman of the Board of Directors and CEO? **No.** If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes ☐

No ☐

Identify the Chair and CEO:

Chairman of the Board	Salvador P. Escaño
CEO	Salvador P. Escaño
President	Efren A. Palma

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	Presiding Officer of the Board	General and Administrative Manager
Accountabilities	<p><u>Ref. RMCG Sec. II.B.2.</u></p> <p>It is the duty of the Chairman to:</p> <ul style="list-style-type: none"> - ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary; - supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management, and the directors; and, - maintain qualitative and timely lines of communication and information between the Board and Management. 	<p><u>Ref. By-Laws Article IV Sec. 4</u></p> <p>It is the duty of the Chief Executive Officer to:</p> <ul style="list-style-type: none"> - initiate and develop corporate objectives and policies and formulate long range projects, plans, and programs for the approval of the Board, including those for executive training, development and compensation; - have general supervision and management of the business affairs and property of the corporation; - ensure that the administrative and operational policies of the corporation are carried out under his supervision and control; - appoint, remove, suspend, or discipline employees of the corporation, prescribe their duties, and determine their salaries; - oversee the preparation of the budgets and the statements of accounts of the corporation; - prepare such statements and reports of the corporation as may be required of him by law; - represent the corporation at all functions and proceedings" - execute on behalf of the corporation all contracts, agreements and other instruments affecting the interests of the corporation

		<p>which require the approval of the Board of Directors, except as otherwise directed by the Board of Directors;</p> <p>- make reports to the Board of Directors and stockholders;</p> <p>- sign certificates of stock; and,</p> <p>- perform such other duties as are incident to his office or are entrusted to him by the Board of Directors.</p>
Deliverables	Progressive and well-performing board.	Profitable and well-managed company.

- iv. Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

VACANCIES

Ref. By-Laws, Article III Sec. 3

Vacancies occurring in the Board other than by removal of stockholders or expiration of the term may be filled by the vote of at least a majority of the remaining directors if still constituting a quorum, or otherwise by the stockholders at a meeting called for the purpose, which director so elected will serve only for the expired term of his predecessor. Nominees for Director shall be submitted to the Nomination Committee for evaluation to see if they possess all the qualifications and none of the disqualifications set under the company's by-laws, its RMCG, and with relevant rules and regulations.

Ref. By-Laws, Article IV Sec. 3

Ref. RMCG II.B.4.

The Board is likewise responsible for appointing the officers of the Corporation (whether resulting from a vacancy or from expiration of term). It is the Board's duty to ensure that the officers selected are competent.

- v. Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board?
Yes. Please explain.

Ref. RMCG Secs. II.B. 1. and 4.

It is the duty of the Board to install a process of selection to ensure a mix of competent directors and officers. The membership of the Board may be a combination of executive and non-executive directors (which include independent directors). The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

At present, the Company's board is composed of directors who have business, finance, accounting and legal backgrounds.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Ref. RMCG II..B. 1. and 5.

While there is no formal policy that non-executive directors are required to have experience in the industry, a majority of the Company's incumbent NED's have at least 15 years of experience in the industry of the Company or its subsidiaries.

Nevertheless, all directors are mandated to have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies. The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	To ensure that the operation of the Company is profitable, that all decision-making at the operational level is consistent with existing policies, and that any and all operational, administrative, and financial issues encountered are brought to the attention of and addressed by the Board sitting as a body.	To ensure a broader view on the impact of proposed policies other than from the management side.	To ensure that independent and impartial views on issues to be addressed are provided based on the director's competence.
Accountabilities	<u>Ref. RMCG Sec. II.B.1.</u> In general, the directors sitting as a Board is tasked to formulate policies to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders.		
Deliverables	Management perspective in policy formulation.	More extensive perspective in policy formulation.	Independent perspective in policy formulation.

Provide the company's definition of "independence" and describe the company's compliance to the definition.

Ref. Rule 38 Secs. 2 and 6 of the Implementing Rules and Regulations (IRR) of the Securities Regulation Code (SRC)

The Company's definition of independence in relation to the selection and nomination of independent directors adheres to IRR of the SRC. Thus, the independent directors are persons who, apart from their fees and shareholdings, are independent of management and free from any business or other relationship which could,

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

All nominees as independent director should have the foregoing qualifications before they are included in the Final List of Nominees.

Does the company have a term limit of five consecutive years for independent directors? **No.** If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? **No.** Please explain.

Ref. Securities and Exchange Commission Memorandum Circular [MC] 9, s. 2011

The Company adheres to the Commission's set term limits under MC 9, where independent directors may serve for 5 consecutive years, with a "cooling-off" period of 2 years, and may again be elected for 5 consecutive years before being perpetually disqualified for election as independent director.

vi. Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
Nilo S. Ezequiel	Director	June 24, 2015	Expiration of Term

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	<p><i>Ref. RMCG Sec. II.C.1.i.</i></p> <p>The Nomination Committee pre-screens and shortlists all candidates nominated to become a member of the board of directors in accordance with the qualifications and disqualifications under the Corporation Code, the Securities Regulation Code, and all pertinent laws, rules, and regulations, and the RMCG and by-laws of the Company.</p> <p><i>Ref. SRC IRR Rule 38 Sec. 8</i></p> <p>For independent directors, it shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent director/s. He shall ensure that an independent director/s are elected during the stockholders' meeting.</p> <p>Specific slot/s for independent directors shall not be filled-up by unqualified nominees.</p> <p>In case of failure of election for independent director/s, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.</p>	<p><i>Ref. RMCG Sec. II.C.1.i.</i></p> <p>To be qualified, a nominee as director should be a holder of at least one share of stock, at least a college graduate or have sufficient practical experience in managing the business to substitute for such formal education, at least twenty one (21) years old, have been proven to possess integrity and probity, is assiduous. Furthermore, he should have all the qualifications and none of the disqualifications under the Corporation Code, the Securities Regulation Code, and all pertinent laws, rules, and regulations.</p>
(ii) Non-Executive Directors		<p><i>Ref. SRC IRR Rule 38 Sec. 8</i></p> <p>As additional requirements for independent directors, they shall, apart from their fees and shareholdings, be independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with their exercise of independent judgment in carrying out their responsibilities as directors in the Company. The independent directors are not directors, officers or substantial stockholders of the Company, its substantial stockholders, or its related companies or any of its substantial shareholders (other than as independent director of any of the foregoing), nor a relative or nominee of any of the foregoing. They do not own more than two percent (2%) of the Company, its substantial stockholders, or its related companies or its substantial shareholders. They have not been employed in any executive capacity or as professional adviser by the Company, or any of its related companies or by any of its substantial shareholders within the last five (5) years nor are they retained as professional adviser by the Company, any of its related companies or any of its substantial shareholders within the last five (5) years, either personally or through their firms. They had not engaged and do not engage in any transaction whether by themselves or with other persons or through a firm of which they are partners or companies of which they is director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial or insignificant.</p>
(iii) Independent Directors		
b. Re-appointment		
(i) Executive Directors		
(ii) Non-Executive Directors		
(iii) Independent Directors		
c. Permanent Disqualification		

<p>(i) Executive Directors</p>	<p><u>Ref. RMCG Sec. II.C.1.</u></p> <p>The Nomination Committee pre-screens and shortlists all candidates nominated to become a member of the board of directors in accordance with the qualifications and disqualifications under the Corporation Code, the Securities Regulation Code, and all pertinent laws, rules, and regulations, and the RMCG and by-laws of the Company.</p> <p><u>Ref. RMCG Sec. VII</u></p> <p>If the cause for disqualification arises while the director is in office, notice and hearing shall be observed. The Compliance Officer shall be responsible for determining disqualification through notice and hearing and shall recommend to the Chairman of the Board the removal of the director, for further review and approval of the Board.</p>	<p><u>Ref. RMCG Sec. II.C.1.ii.</u></p> <p>The following are permanently disqualified:</p> <ul style="list-style-type: none"> - Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that: involves the purchase or sale of securities as defined in the Securities Regulation Code; arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or, arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house, or as an affiliated person of any of them; - Any person who, by reason of any misconduct, after hearing or trial, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; acting as a director or officer of a bank, quasi-bank, trust company, investment house, or investment company; or, engaging in or continuing any conduct or practice in any of the above capacities or willfully violating laws that govern securities and banking activities, or if such person is currently the subject of an order of the Commission or any court or other administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization; - Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false oath, perjury or other fraudulent act or transgressions; - Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or BSP, or any rule, regulation or order of the Commission or BSP; - Any person judicially declared to be insolvent. - Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and,
<p>(ii) Non-Executive Directors</p>		

(iii) Independent Directors		<p>- Any person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.</p> <p><u>Ref. SEC MC 9 s. 2011</u></p> <p>In addition for independent directors under SEC MC 9 s. 2011, if the independent director has served for more than 10 years as such.</p>
d. Temporary Disqualification		
(i) Executive Directors	<p><u>Ref. RMCG Sec. II.C.1.</u></p> <p>The Nomination Committee pre-screens and shortlists all candidates nominated to become a member of the board of directors in accordance with the qualifications and disqualifications under the Corporation Code, the Securities Regulation Code, and all pertinent laws, rules, and regulations, and the RMCG and by-laws of the Company.</p> <p><u>Ref. RMCG Sec. VII</u></p> <p>If the cause for disqualification arises while the director is in office, notice and hearing shall be observed. The Compliance Officer shall be responsible for determining disqualification through notice and hearing and shall recommend to the Chairman of the Board the suspension of the director while the cause for temporary disqualification exists, for further review and approval of the Board.</p>	<p><u>Ref. RMCG Sec. II.C.1.ii.</u></p> <p>The following are the causes for temporary disqualification:</p> <ul style="list-style-type: none"> - Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists; - Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of directors during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election; - Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity; - Being under preventive suspension by the Corporation; - If the independent director becomes an officer or employee of the same corporation he shall be automatically disqualified from being an independent director; and, - Conviction that has not yet become final referred to in the grounds for the disqualification of directors.
(ii) Non-Executive Directors		
(iii) Independent Directors		

e. Removal

(i) Executive Directors

Ref. Corporation Code of the Philippines Sec. 28.

“Any director or trustee of a corporation may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock, or if the corporation be a non-stock corporation, by a vote of at least two-thirds (2/3) of the members entitled to vote: Provided, That such removal shall take place either at a regular meeting of the corporation or at a special meeting called for the purpose, and in either case, after previous notice to stockholders or members of the corporation of the intention to propose such removal at the meeting. A special meeting of the stockholders or members of a corporation for the purpose of removal of directors or trustees, or any of them, must be called by the secretary on order of the president or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock, or, if it be a non-stock corporation, on the written demand of a majority of the members entitled to vote. Should the secretary fail or refuse to call the special meeting upon such demand or fail or refuse to give the notice, or if there is no secretary, the call for the meeting may be addressed directly to the stockholders or members by any stockholder or member of the corporation signing the demand. Notice of the time and place of such meeting, as well as of the intention to propose such removal, must be given by publication or by written notice prescribed in this Code. Removal may be with or without cause: Provided, That removal without cause may not be used to deprive minority stockholders or members of the right of representation to which they may be entitled under Section 24 of this Code.”

Ref. RMCG VII.C.

For violations of the RMCG, notice and hearing is observed. Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

Ref. RMCG VII.B.

Commission of a third violation of this Manual by any member of the board of the company or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.

Ref. RMCG Sec. II.C.1.ii.

Possession of any cause for permanent disqualification under the Corporation Code, the Securities Regulation Code, and all pertinent laws, rules, and regulations, and the RMCG and by-laws of the Company shall likewise be cause for removal.

Also, failure to remedy within sixty (60) business days from temporary disqualification, take the appropriate action to remedy or correct the disqualification, unless a longer period is determined by the Board upon consideration of the circumstances, will cause the temporary disqualification to become permanent.

(ii) Non-Executive Directors		
(iii) Independent Directors		
f. Re-instatement		
(i) Executive Directors	Ref. RMCG II.C.1.ii.	
(ii) Non-Executive Directors	If a director temporarily suspended , within sixty (60) business days from temporary disqualification or such longer period approved by the Board, is able to take the appropriate action to remedy or correct the disqualification.	
(iii) Independent Directors		
g. Suspension		
(i) Executive Directors	Ref. RMCG Sec. VII.C. For violations of the RMCG, notice and hearing is observed. The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.	Ref. RMCG Sec. VII.B. The commission of a second violation of the RMCG by any member of the board of the company or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.
(ii) Non-Executive Directors		
(iii) Independent Directors		Ref. RMCG Sec. II.C.1.ii. The existence of any cause for temporary disqualification shall be sufficient ground for suspension unless the same is remedied within the period prescribed under the RMCG.

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Salvador P. Escaño	1,884,196,159
Efren A. Palma	1,884,196,159
Ramon R. Torralba, Jr.	1,884,196,159
Xerxes Emmanuel F. Escaño	1,884,196,159
Simeon S. Umandal	1,884,196,159
Enerlito G. de Mesa	1,884,196,159
Roland Joey R. De Lara	1,884,196,159

vii. Orientation and Education Program

- a) Disclose details of the company's orientation program for new directors, if any. **Relative to corporate governance, all new directors are provided a copy of the RMCG by way of orientation to the corporate governance practices adopted and implemented by the Company.**
- b) State any in-house training and external courses attended by Directors and Senior Management³ for the past three (3) years: **Most Directors and Senior Management have not attended any training or external course on corporate governance in the past three years, considering the length of their directorship in the Board and/or business experience and competence.**
- c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Simeon S. Umandal	October 15, 2015	Corporate Governance Forum	Securities and Exchange Commission and Philippine Stock Exchange
Erica P. Encabo			

B. CODE OF BUSINESS CONDUCT & ETHICS

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	<u>Ref. RMCG Sec. II.B.5.i.</u> A director is mandated to full disclosure of actual or potential conflict of interest. <u>Ref. RMCG Sec. II.C.3.</u> The Nomination Committee considers possible conflict of interest in determining the number of board directorships.	<u>Ref. Code of Conduct Article XI. Sec. 4</u> Employees must not engage in business directly or indirectly in competition with that of the Company or of its subsidiaries/affiliates.	
(b) Conduct of Business and Fair Dealings	<u>Ref. RMCG Sec. II.B.5.i.</u> A director is mandated to conduct fair business transactions with the Corporation, including full disclosure of actual or potential conflict of interest,	<u>Ref. Code of Conduct Article XI. Sec. 4</u> Employees must not engage in conduct prejudicial to the Company's interests.	

³ Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

	and to ensure that personal interest does not bias Board decisions.	
(c) Receipt of gifts from third parties	<u>Ref. Code of Conduct Article XII Sec. 3</u> Bribery or receiving gifts in whatever form from suppliers or customers in business with the Company in exchange for any act, decision, or service connected with the performance of the person's duties or functions is punishable.	
(d) Compliance with Laws & Regulations	<u>Ref. RMCG II.B.4.iii</u> It is the Board's duty to ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices. <u>Ref. RMCG II.B.5.v.</u> It is the duty of a director to have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies Full and faithful compliance with laws, rules, and regulations is enjoined.	Full and faithful compliance with laws, rules, and regulations is enjoined.
(e) Respect for Trade Secrets/Use of Non-public Information	<u>Ref. RMCG Sec. II.B.5.vi.</u> It is the duty of a director to observe confidentiality.	<u>Ref. Code of Conduct Article XI. Section 3.</u> Strict prohibition from reproducing Company records and/or divulging to any person or firm any information relating to the business of the Company without prior permission and clearance.
(f) Use of Company Funds, Assets and Information	<u>Ref. RMCG Sec. II.B.5.vii.</u> It is the duty of a director to ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment for the protection of corporate assets.	<u>Ref. Code of Conduct Article XI. Section 6.</u> Strict prohibition against use of Company property for personal purposes. <u>Ref. Code of Conduct Article XI. Section 7.</u> Strict prohibition against use of Company equipment, trademarks, and logos, or facsimiles thereof without Management permission.

	<u>Ref. RMCG Sec. II.B.5.vi.</u> It is the duty of a director to observe confidentiality.	<u>Ref. Code of Conduct Article XI. Section 3.</u> Strict prohibition from divulging to any person or firm any information relating to the business of the Company without prior permission and clearance. <u>Ref. Code of Conduct Article XI. Section 18.</u> Accountability as to properties within their area of responsibility and turn-over in good condition upon separation from employment.
(g) Employment & Labor Laws & Policies	Full and faithful compliance with laws, rules, and regulations, including employment and labor laws, is enjoined.	
(h) Disciplinary action	<u>Ref. RMCG Sec. VII</u> Penalties for non-compliance with the RMCG, including and up to removal from office, are provided and imposed.	<u>Ref. Code of Conduct Article XII.</u> Penalties for violation of the Code of Conduct, including and up to dismissal from employment, are provided and imposed.
(i) Whistle Blower	The Company is currently developing a policy to incentivize whistleblowers and protect them from retaliatory action, while at the same time deterring bogus reporting.	
(j) Conflict Resolution	<u>Ref. RMCG Sec. II.B.4.viii.</u> It is the Board's duty to establish an alternative dispute resolution policy or policies to amicably settle conflicts or differences between the corporation, stakeholders, and third parties, including regulatory authorities.	

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?
Yes.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

The Administration and Personnel / Human Resources Department is the department tasked to implement the code of conduct. A system of monitoring compliance and reporting and penalizing violations is provided in the code.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	<i>Ref. RMCG Sec. II.B.4.vii.</i>
(2) Joint Ventures	<i>Ref. RMCG Sec. IV.B.</i>
(3) Subsidiaries	<p>The Board is primarily tasked to establish policies to ensure the integrity and transparency of related party transactions. The Company adheres to the policy of full public disclosure of related party transactions. Transactions with related parties not in the ordinary course of business will be subject to review and approval by the Board.</p>
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	<p>All related party transactions are fully disclosed in the Company's Audited Financial Statements (Note 23 in pages 53-55 of the Notes to the Audited Financial Statements for FY 2015).</p>

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

The Company notes no actual or probable conflict of interest to which its directors, officers of 5% + shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	N/A
Name of Officer/s	N/A
Name of Significant Shareholders	N/A

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	<p><i>Ref. RMCG Sec. II.B.5.i.</i></p> <p>A director is mandated to conduct fair business transactions with the Corporation, including full disclosure of actual or potential conflict of interest, and to ensure that personal interest does not bias Board decisions.</p> <p><i>Ref. Code of Conduct Article XI. Sec. 4</i></p> <p>Employees must not engage in conduct prejudicial to the Company's interests.</p> <p><i>Ref. RMCG Sec. II.C.2.b.iv.</i></p> <p>The Compensation and Remuneration Committee is tasked to develop a form on Full Business Interest Disclosure as part of the</p>

Group	<p>pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.</p> <p><u>Ref. RMCG Sec. VII</u> <u>Ref. Code of Conduct Article XII</u></p> <p>Offenses involving conflict of interest or non-disclosure thereof may be penalized by up to removal from office in the case of a director or termination from employment in the case of an officer.</p>
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5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,⁴ commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

The Company is not aware of any relation of a family, commercial, contractual or business nature that exists between the holders of its significant equity.

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
N/A	N/A	N/A

- (b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
Josefina Multi-Ventures Corporation (JMVC)	Commercial/Contractual	Trade and non-trade, including bank creditors of the Company assigned the accounts to JMVC. In previous years, these accounts/obligations were presented in the financial statements of the Company as "Debts covered by the Rehabilitation Plan." The Company's rehabilitation having been terminated, the account was reclassified as "Advances from related parties."

⁴ Family relationship up to the fourth civil degree either by consanguinity or affinity.

Hinundayan Holdings Corporation (HHC)	Commercial/Contractual	The Company's LTCP holders assigned their LTCP's to HHC. In previous years, these LTCP's were presented in the financial statements of the Company as "Debts covered by the Rehabilitation Plan." The Company's rehabilitation having been terminated, the account was reclassified as "Advances from related parties."
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- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

The Company is not aware of any shareholder agreements that may impact on the control, ownership, and strategic direction of the company.

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
N/A	N/A	N/A

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

Alternative Dispute Resolution System	
Corporation & Stockholders	<p><u>Ref. RMCG Sec. II.B.4.iv.</u></p> <p>The Board is tasked to Identify the Corporation's major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective investor relations program</p>
Corporation & Third Parties	<p>Currently, the Corporate Secretary and the Corporate Information Officer are tasked as frontline in investor relations, while any other potential or actual disputes with other parties are referred to the proper officer/s within whose area of responsibility the nature of the dispute or potential dispute concerns.</p> <p><u>Ref. RMCG Sec. II.B.4.viii.</u></p> <p>The Board is tasked to establish an alternative dispute resolution policy or</p>

Corporation & Regulatory Authorities	policies to amicably settle conflicts or differences between the corporation, stakeholders, and third parties, including regulatory authorities
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C. BOARD MEETINGS & ATTENDANCE

- 1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

A tentative schedule for regular meetings is set on a yearly basis; however, to promote efficiency and ensure that company operations and transactions are not delayed, the same is subject to change when any matter requiring the approval of the Board arises or are seen to arise.

- 2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Salvador P. Escaño	June 24, 2015	10	10	100%
Member	Efren A. Palma	June 24, 2015	10	7	70%
Member	Ramon R. Torralba, Jr.	June 24, 2015	10	10	100%
Member	Xerxes Emmanuel F. Escaño	June 24, 2015	4	4	100%
Member	Simeon S. Umandal	June 24, 2015	10	9	90%
Independent	Enerlito G. de Mesa	June 24, 2015	10	7	70%
Independent	Roland Joey R. de Lara	June 24, 2015	10	8	80%

- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

For the year 2015, the non-executive directors did not hold a separate meeting without the presence of any executive.

- 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

The minimum quorum requirement set in the Company's By-Laws is a majority of the number of directors set in the Company's Articles of Incorporation. The number of directors under the Company's Articles (as amended) is seven (7); thus, a majority is four (4).

- 5) Access to Information

- (a) How many days in advance are board papers⁵ for board of directors meetings provided to the board?

⁵ Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

The Company exerts efforts to provide board papers at least seven days before the meeting, unless the matter to be discussed is of such urgency that the board papers cannot be provided in advance, or the special meeting cannot be scheduled earlier.

- (b) Do board members have independent access to Management and the Corporate Secretary? **Yes.**
- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

Ref. RCMG Sec. II.D.

The Corporate Secretary is an officer of the company and perfection in performance and no surprises are expected of him. Likewise, his loyalty to the mission, vision and specific business objectives of the corporate entity come with his duties. Considering his varied functions and duties, he must possess administrative and interpersonal skills and must work fairly and objectively with the Board, Management, and the stockholders. If he is not the general counsel, then he must have knowledge of the laws, rules, and regulations necessary in the performance of his duties and responsibilities. He must also have some financial and accounting skills and a working knowledge of the Corporation's operations.

The duties and responsibilities of the Corporate Secretary are to: (i) gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation; (ii) as to agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting in such a manner as to ensure that the members are provided accurate information to enable them to arrive at intelligent decisions on matters requiring their approval; (iii) assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations; (iv) attend all Board meetings, maintain record of the same, and ensure the safekeeping and integrity of the minutes of all meetings and of the other official records of the Corporation; and (v) submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings;

- (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes, the corporate secretary has been trained and, furthermore, has experience in legal, accountancy, and corporate secretarial practices.

- (e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes ☒ No ☐

Committee	Details of the procedures
Executive	N/A
Audit	Any request for information from any director addressed to the Chairman for the purpose of preparing in advance for committee meetings, and so approved by the Chairman will be honored by the Company in accordance with the approval.

Nomination	<u>Ref. RMCG Secs. II.D.2.ii. and iii.</u> The Corporate Secretary is tasked to put the Board on notice before every meeting in such a manner as to ensure that the members are provided accurate information to enable them to arrive at intelligent decisions on matters requiring their approval and to assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.
Remuneration	
Others (specify)	N/A

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
Any request from any director addressed to the Chairman of the Board for the purpose of obtaining external advice, and so approved by the Chairman, will be honored by the Company in accordance with the approval.	

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

The Company notes no substantial or major change/s introduced by the Board of Directors during its most recent term on existing policies that may have an effect on the business of the Company.

Existing Policies	Changes	Reason
N/A	N/A	N/A

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	<u>Ref. RMCG Sec. II.C.2.</u> Among the duties and responsibilities of the Compensation and Remuneration Committee are to: - establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and provide oversight over remuneration of senior	
(2) Variable remuneration		

(3) Per diem allowance	<p>management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment;</p> <p>- designate amount of remuneration, which shall be in a sufficient level to attract and retain officers who are needed to run the company successfully;</p> <p>- establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of officers;</p> <p>- review (if any) of the existing Human Resources Development or Personnel Handbook, to strengthen provisions on salaries and benefits policies</p> <p><u>Ref. By-Laws Article IV Section 13.</u></p> <p>The by-laws officers shall receive such remuneration as the Board of Directors may determine. All other officers shall receive such remuneration as the Board of Directors may determine upon recommendation of the President. A director shall not be precluded from serving the corporation in any other capacity as an officer, agent, or otherwise, and receiving compensation therefor.</p>
(4) Bonus	
(5) Stock Options and other financial instruments	
(6) Others (specify)	

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

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

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	<p><u>Ref. RMCG Sec. II.C.2.</u></p> <p>Among the duties and responsibilities of the Compensation and Remuneration Committee are to:</p> <p>- establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of directors, ensuring that compensation is consistent with the Corporation's culture, strategy and control environment;</p>		

Non-Executive Directors	<ul style="list-style-type: none"> - designate amount of remuneration, which shall be in a sufficient level to attract and retain directors; - establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers; - disallow any director to decide his or her own remuneration. <p><i>Ref. Item 10., Executive Compensation, of the Annual Report.</i></p> <p>The executive directors are remunerated for the positions held in the Company as above-stated. Each Director, whether executive or non-executive, receives a <i>per diem</i> allowance of ten thousand pesos (P10,000) for his attendance in Board Meetings. Aside from this, there is no regular compensation for directors of the Company. Neither is there any other arrangement pursuant to which any director of the Company was compensated or is to be compensated, directly or indirectly, solely for the provision of service as Director.</p>
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Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Ref. Item 10., Executive Compensation, of the Annual Report

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

In accordance with the Company's by-laws, said *per diem* allowances was approved by the Company's Board. There has been no change in the *per diem* allowance, whether in the amount of the frequency thereof in the past 3 years.

Remuneration Scheme	Date of Stockholders' Approval
N/A	N/A

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	N/A	N/A	N/A
(b) Variable Remuneration	N/A	N/A	N/A
(c) Per diem Allowance	P 10,000 per director per board meeting attended		

(d) Bonuses	N/A	N/A	N/A
(e) Stock Options and/or other financial instruments	N/A	N/A	N/A
(f) Others (Specify)	N/A	N/A	N/A
Total	P 550,000		

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	N/A	N/A	N/A
2) Credit granted	N/A	N/A	N/A
3) Pension Plan/s Contributions	N/A	N/A	N/A
(d) Pension Plans, Obligations incurred	N/A	N/A	N/A
(e) Life Insurance Premium	N/A	N/A	N/A
(f) Hospitalization Plan	N/A	N/A	N/A
(g) Car Plan	N/A	N/A	N/A
(h) Others (Specify)	N/A	N/A	N/A
Total	N/A	N/A	N/A

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

There is no director who owns or is entitled to stock rights, options, or warrants over the company's shares.

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
N/A	N/A	N/A	N/A	N/A

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

There have been no amendments or discontinuation of any incentive programs during the period under review.

Incentive Program	Amendments	Date of Stockholders' Approval
N/A	N/A	N/A

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Benjamin P. Escaño - SVP (NMO)	P 1.375M
Jose Ma. C. Ordenes - VP Operations Monitoring	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Audit	1	0	2	<p><u>Ref. RMCG Sec. II.C.3.</u></p> <p>The Audit Committee is tasked to:</p> <ul style="list-style-type: none"> - check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements; - perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management; - review and pre-approve all internal and external audit plans, their nature, scope, resources, budget, expenses, and frequency before the conduct of actual audit; - perform oversight and direct interface functions with the internal and external auditors, review audit reports and financial statements before submission to the Board; 			

				<p>- elevate to international standards the accounting and auditing processes, practices and methodologies;</p> <p>- develop a transparent financial management system that will ensure the integrity of internal control activities throughout the company;</p> <p>- evaluate and determine any non-audit work of the external auditor, periodically review non-audit fees paid in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses, and ensure that any non-audit work will not conflict with the duties of the external auditor as such; and,</p> <p>- supervise the establishment of an effective financial reporting and internal control system, taking into account: the extent of Management's responsibility in the preparation of the financial statements and the delineation of its functions with that of the external auditor; the effectiveness of internal control systems that will ensure the integrity of financial reports and protection of corporate assets; the effectiveness of internal audit plans in achieving the functions and objectives of internal audit; and, the Corporation's compliance with the Commission's financial reporting requirements.</p>
Nomination	2	0	1	<p><u>Ref. RMCG II.C.1.</u></p> <p>The Nomination Committee shall pre-screen and shortlist all candidates nominated to become a member of the board of directors in accordance with the qualifications and disqualifications under applicable laws, rules, regulations, the Company's by-laws and RMCG.</p> <p>In consultation with the executives or management committee/s, redefine the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.</p> <p>The Nomination Committee shall consider the guidelines set in the RMCG in the determination of the number of directorships for the Board.</p>
Remuneration	1	1	1	<p><u>Ref. RMCG Sec. II.C.2.</u></p> <p>The Compensation and Remuneration Committee is tasked to:</p> <p>- establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment;</p> <p>- designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are</p>

				<p>needed to run the company successfully;</p> <ul style="list-style-type: none"> - establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers. - develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired. - disallow any director to decide his or her own remuneration. - provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year. - review (if any) of the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts. 			
Others (specify)	N/A	N/A	N/A	N/A	N/A	N/A	N/A

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
N/A	N/A	N/A	N/A	N/A	N/A	N/A

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held (2015)	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Enerlito G. de Mesa	July 30, 2010	1	1	100%	5
Member (ED)	Xerxes Emmanuel F. Escaño	June 24, 2015	1	0	0%	0.5
Member (ID)	Roland Joey R. De Lara	June 27, 2013	1	1	100%	2

Disclose the profile or qualifications of the Audit Committee members.

Following is the profile of the Audit Committee members:

- Mr. Enerlito G. de Mesa de Mesa has over thirty years of experience in business and management gained both in the Philippines and in the United States. While in the United States, he was employed in managerial and managerial support positions with companies providing management services and legal solutions. He holds a Bachelor's Degree in Commerce from the Polytechnic University of the Philippines.
- Mr. Xerxes Emmanuel F. Escaño has been Managing Director of Pryce Pharmaceuticals, Inc. since January 1, 2015. Prior to this, he was connected with Teach for the Philippines before becoming Procurement Manager for Procter & Gamble. In the latter capacity, his functions included overseeing the entire end-to-end procurement process for all marketing, sales, research and administrative orders for the company's regional headquarters in Singapore and Malaysia. He holds a Bachelor's Degree in Management from the Ateneo de Manila University.
- Mr. Roland Joey R. de Lara is the Chief Executive Officer of Klinserv, Inc. and is Managing Director in Honor Merit Philippines, Inc. In previous capacities, he became the Operations Manager of Threshold Pacific Shipping Co. and Maritime Shipping Co. He finished his Bachelor's degree in Business Administration in Xavier University in Cagayan de Oro City. He has likewise previously served as independent director of the Company for the years 2003-2006 and again in 2009-2010.

Describe the Audit Committee's responsibility relative to the external auditor.

Ref. RMCg Sec. II.C.3.

With respect to the Company's external auditors, the Audit Committee is to:

- review and pre-approve all internal and external audit plans, their nature, scope, resources, budget, expenses, and frequency before the conduct of actual audit;
- perform oversight and direct interface functions with the external auditors, review audit reports and financial statements before submission to the Board;
- evaluate and determine any non-audit work of the external auditor, periodically review non-audit fees paid in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses, and ensure that any non-audit work will not conflict with the duties of the external auditor as such; and,
- supervise the establishment of an effective financial reporting and internal control system, taking into account the delineation of its functions with that of the external auditor.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Salvador P. Escaño	June 21, 2007	1	1	100%	8
Member (ED)	Xerxes Emmanuel F. Escaño	June 24, 2015	1	0	0%	0.5
Member (ID)	Roland Joey R. de Lara	June 27, 2013	1	1	100%	2

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Ramon R. Torralba	July 30, 2008	0	N/A	N/A	7
Member (ED)	Salvador P. Escaño	June 21, 2007	0	N/A	N/A	8
Member (ID)	Enerlito G. de Mesa	June 30, 2010	0	N/A	N/A	5

(e) Others (Specify) **No other committee/s.**

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
N/A	N/A	N/A	N/A	N/A	N/A	N/A

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	N/A	N/A
Audit	Efren A. Palma	No longer appointed as member of the Committee having been appointed as President
	Xerxes Emmanuel F. Escaño	Appointed as replacement to the Committee
Nomination	Efren A. Palma	No longer appointed as member of the Committee having been appointed as President
	Xerxes Emmanuel F. Escaño	Appointed as replacement to the Committee
Remuneration	N/A	N/A
Others (specify)	N/A	N/A

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	N/A	N/A
Audit	Review and approval of financial statements	No significant issue addressed.
Nomination	Recommendation, evaluation, and assessment of nominees to the board.	No significant issue addressed.
Remuneration	Continuous review of remuneration packages.	No significant issue addressed.
Others (specify)	N/A	N/A

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	N/A	N/A
Audit	Continuous review of financial reports, performance of oversight functions in the areas of risk and crisis management, reviewing internal and external audit plans, development of financial management system to ensure integrity in control processes, and elevation of the Company's accounting and auditing processes to international standards.	None.
Nomination	As may be needed, redefine the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business and future expansionary prospects; Continue pre-screening and shortlisting all candidates nominated to become a member of the board of directors	
Remuneration	Continuous review of executive remuneration policies and packages to attract competent directors and key officers.	
Others (specify)	N/A	N/A

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

Ref. RMCG Sec. II.B.4.vi.

The Board is tasked to continuously identify potential key risk areas and key performance indicators, monitor these factors with due diligence, and ensure the effectiveness of management information and risk management reporting systems supporting organizational and procedural controls.

Ref. RMCG Sec. II.C.3.b.ii.

The Audit Committee is tasked to perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management.

Ref. RMCG Sec. II.F.4.c.

The scope and particulars of a system of effective organizational and procedural controls are based on the degree of risk faced, among other factors.

Ref. "Major risk factors and their management in PGI's LPG and industrial gas business" in Item 1. of the Annual Report for 2015.

As to the Liquefied Petroleum Gas (LPG) and other gases business of the Company's subsidiary, Pryce Gases, Inc. (PGI), mitigation of the risks identified are done through consistent and systematic application of management policies, procedures and practices concerning safety. There are continual tasks on analyzing, evaluating and controlling the different types of risks involved. Decisions are thereafter made on how acceptable the risk might be and the need for further actions to be undertaken, either to eliminate the risks or reduce them to a tolerable level. Risk management includes such elements as identification of possible risk reduction measures (which could be preventive or mitigative) and risk acceptability. PGI's risk management and mitigation system covers at least the following areas:

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

- (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

Ref. RMCG Sec. II.B.4.vi.

The Board has reviewed and continuous to review the adequacy of the Company's risk management system. It continuously identifies potential key risk areas and key performance indicators, monitor these factors with due diligence, with a view to ensuring the effectiveness of management information and risk management reporting systems supporting organizational and procedural controls.

- (c) Period covered by the review; **2015**

- (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

Review is conducted at least once a year but has been reviewed more often in actuality. Criteria for review is whether the system, or the components or procedures therein, has resulted in or is seen to likely result in elimination or reduction of the risk/s identified.

- (e) Where no review was conducted during the year, an explanation why not. **N/A.**

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
NON - FINANCIAL		
Risk of decline in revenues and profitability, if not income loss, usually due to a combination of:		
(a) competitors' pricing tactics and marketing/sales efforts that tend to reduce the Company's market share.	Education of clients on why Company's products are so priced. Providing manageable payment terms for clients.	To educate customers on benefits of buying such products from a Company that is dedicated to consistent high product quality and has long and significant experience in the development and management of memorial parks
(b) local market's unanticipated feeble response to designed marketing/ sales programs	Continuous evaluation and improvement of marketing strategies.	Capturing target markets.
(c) creeping or unabated inflation causing increased operating expenses and low sales since purchase of memorial lots is regarded by many as low priority expenditure	Adjustments in pricing of the products and services and provision of discounts.	
(d) ingrained cultural practices like backyard burial.	Lobbying with the municipal offices for the passage of appropriate ordinance against such practices which are considered health hazards.	Prohibition of said practices.
Risk of a reduced capacity to continually maintain the park to its committed first class standards.	Modifications on the charges on contribution to the park maintenance fund to ensure that the parks remain first class and protect the investment of lot owners.	Sustained capacity to maintain the park.
Over-optimistic estimation of area for	Careful study of area using criteria	To achieve sustainable revenue and profit for each

new memorial park development	to measure stability and growth of market's buying capacity and degree of robustness of local economy.	new memorial park development.
Other developers putting up their memorial park despite limited market		Sustaining competitiveness and continuously addressing and adjusting to needs of target market.
FINANCIAL		
Credit Risk	Continuous monitoring of accounts, including advances to related parties.	Avoid significant exposure to single counterparty or group. Ensure credit quality is good.
Capital Risk	Continuous management and adjustment, if and when necessary, in the light of changes in economic conditions.	To maintain a strong credit rating and healthy capital ratios to support its business and maximize shareholder value.
Liquidity Risk	Identifying events that would trigger liquidity problems, providing contingency plans, identifying potential sources of funds and monitoring compliance with liquidity risk and policy.	Timely settlement of payables.
Price Risk	Continuous monitoring of market prices of securities.	To minimize impact of fluctuation in prices of financial instrument.

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
NON - FINANCIAL		
Safety Risks (LPG Business)	Consistent and systematic application of policies, procedures, and practices concerning safety; continuous analyzation evaluation, and control to manage and mitigate risks especially in the following areas: <ul style="list-style-type: none"> - Continuous identification of hazards and consequence analysis thereof (utilizing the Structure What If Technique or 'SWIFT'); - Fire prevention and fire-protection management program; 	Over-all safety of plants and identification and mitigation of safety risks to tolerable or acceptable levels, if not their complete elimination.

	<ul style="list-style-type: none"> - Regular emergency response training and drill, and continued evaluation thereof; - Maintaining operating standards in relation to safety practices and requirements and fire-preventive measures; and, - Training and continuing education of its personnel on safety and risk management 	
Risk of decline in revenues and profitability, if not income loss, usually due to a combination of:		
(a) competitors' pricing tactics and marketing/sales efforts that tend to reduce the Company's market share.	<p>Education of clients on why Company's products are so priced.</p> <p>Providing manageable payment terms for clients.</p>	To educate customers on benefits of buying such products from a Company that is dedicated to consistent high product quality and has long and significant experience in the development and management of memorial parks
(b) local market's unanticipated feeble response to designed marketing/ sales programs	Continuous evaluation and improvement of marketing strategies.	Capturing target markets.
(c) creeping or unabated inflation causing increased operating expenses and low sales since purchase of memorial lots is regarded by many as low priority expenditure	Adjustments in pricing of the products and services and provision of discounts.	
(d) ingrained cultural practices like backyard burial.	Lobbying with the municipal offices for the passage of appropriate ordinance against such practices which are considered health hazards.	Prohibition of said practices.
Risk of a reduced capacity to continually maintain the park to its committed first class standards.	Modifications on the charges on contribution to the park maintenance fund to ensure that the parks remain first class and protect the investment of lot owners.	Sustained capacity to maintain the park.
Over-optimistic estimation of area for new memorial park development	Careful study of area using criteria to measure stability and growth of market's buying capacity and degree of robustness of local economy.	To achieve sustainable revenue and profit for each new memorial park development.
Other developers putting up their memorial park despite limited market		Sustaining competitiveness and continuously addressing and adjusting to needs of target market.
FINANCIAL		
Credit Risk	Continuous monitoring of accounts, including advances to related parties.	Avoid significant exposure to single counterparty or group.

		Ensure credit quality is good.
Capital Risk	Continuous management and adjustment, if and when necessary, in the light of changes in economic conditions.	To maintain a strong credit rating and healthy capital ratios to support its business and maximize shareholder value.
Foreign Currency Risk	Periodic monitoring of movements of foreign exchange rates.	Ensure that fluctuations do not significantly impact its operations.
Liquidity Risk	Identifying events that would trigger liquidity problems, providing contingency plans, identifying potential sources of funds and monitoring compliance with liquidity risk and policy.	Timely settlement of payables.
Price Risk	Continuous monitoring of market prices of securities.	To minimize impact of fluctuation in prices of financial instrument.
Interest Rate Risk	Proper identification, control, and monitoring of instruments subject to interest rate risks.	To minimize impact of floating interest rates on the equity of the Company and maintain manageable interest rate risk levels.

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

No such risk is identified.

Risk to Minority Shareholders
N/A

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Management Policy	Objective
NON - FINANCIAL		
Risk of decline in revenues and profitability, if not income loss, usually due to a combination of:		
(a) competitors' pricing tactics and marketing/sales efforts that tend to reduce the Company's market share.	Education of clients on why Company's products are so priced. Providing manageable payment terms for clients.	To educate customers on benefits of buying such products from a Company that is dedicated to consistent high product quality and has long and significant experience in the development and management of memorial parks
(b) local market's unanticipated	Continuous evaluation and	Capturing target markets.

feeble response to designed marketing/ sales programs	improvement of marketing strategies.	
(c) creeping or unabated inflation causing increased operating expenses and low sales since purchase of memorial lots is regarded by many as low priority expenditure	Adjustments in pricing of the products and services and provision of discounts.	
(d) ingrained cultural practices like backyard burial.	Lobbying with the municipal offices for the passage of appropriate ordinance against such practices which are considered health hazards.	Prohibition of said practices.
Risk of a reduced capacity to continually maintain the park to its committed first class standards.	Modifications on the charges on contribution to the park maintenance fund to ensure that the parks remain first class and protect the investment of lot owners.	Sustained capacity to maintain the park.
Over-optimistic estimation of area for new memorial park development	Careful study of area using criteria to measure stability and growth of market's buying capacity and degree of robustness of local economy.	To achieve sustainable revenue and profit for each new memorial park development.
Other developers putting up their memorial park despite limited market		Sustaining competitiveness and continuously addressing and adjusting to needs of target market.
FINANCIAL		
Credit Risk	Continuous monitoring of accounts, including advances to related parties.	Avoid significant exposure to single counterparty or group. Ensure credit quality is good.
Capital Risk	Continuous management and adjustment, if and when necessary, in the light of changes in economic conditions.	To maintain a strong credit rating and healthy capital ratios to support its business and maximize shareholder value.
Liquidity Risk	Identifying events that would trigger liquidity problems, providing contingency plans, identifying potential sources of funds and monitoring compliance with liquidity risk and policy.	Timely settlement of payables.
Price Risk	Continuous monitoring of market prices of securities.	To minimize impact of fluctuation in prices of financial instrument.

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Management Policy	Objective
NON - FINANCIAL		
Safety Risks (LPG Business)	<p>Consistent and systematic application of policies, procedures, and practices concerning safety; continuous analyzation evaluation, and control to manage and mitigate risks especially in the following areas:</p> <ul style="list-style-type: none"> - Continuous identification of hazards and consequence analysis thereof (utilizing the Structure What If Technique or 'SWIFT'); - Fire prevention and fire-protection management program; - Regular emergency response training and drill, and continued evaluation thereof; - Maintaining operating standards in relation to safety practices and requirements and fire-preventive measures; and, - Training and continuing education of its personnel on safety and risk management 	Over-all safety of plants and identification and mitigation of safety risks to tolerable or acceptable levels, if not their complete elimination.
Risk of decline in revenues and profitability, if not income loss, usually due to a combination of:		
(a) competitors' pricing tactics and marketing/sales efforts that tend to reduce the Company's market share.	<p>Education of clients on why Company's products are so priced.</p> <p>Providing manageable payment terms for clients.</p>	To educate customers on benefits of buying such products from a Company that is dedicated to consistent high product quality and has long and significant experience in the development and management of memorial parks
(b) local market's unanticipated feeble response to designed marketing/ sales programs	Continuous evaluation and improvement of marketing strategies.	Capturing target markets.
(c) creeping or unabated inflation causing increased operating expenses and low sales since purchase of memorial lots is regarded by many as low priority expenditure	Adjustments in pricing of the products and services and provision of discounts.	
(d) ingrained cultural practices like backyard burial.	Lobbying with the municipal offices for the passage of appropriate ordinance against such practices	Prohibition of said practices.

	which are considered health hazards.	
Risk of a reduced capacity to continually maintain the park to its committed first class standards.	Modifications on the charges on contribution to the park maintenance fund to ensure that the parks remain first class and protect the investment of lot owners.	Sustained capacity to maintain the park.
Over-optimistic estimation of area for new memorial park development	Careful study of area using criteria to measure stability and growth of market's buying capacity and degree of robustness of local economy.	To achieve sustainable revenue and profit for each new memorial park development.
Other developers putting up their memorial park despite limited market		Sustaining competitiveness and continuously addressing and adjusting to needs of target market.
FINANCIAL		
Credit Risk	Continuous monitoring of accounts, including advances to related parties.	Avoid significant exposure to single counterparty or group. Ensure credit quality is good.
Capital Risk	Continuous management and adjustment, if and when necessary, in the light of changes in economic conditions.	To maintain a strong credit rating and healthy capital ratios to support its business and maximize shareholder value.
Foreign Currency Risk	Periodic monitoring of movements of foreign exchange rates.	Ensure that fluctuations do not significantly impact its operations.
Liquidity Risk	Identifying events that would trigger liquidity problems, providing contingency plans, identifying potential sources of funds and monitoring compliance with liquidity risk and policy.	Timely settlement of payables.
Price Risk	Continuous monitoring of market prices of securities.	To minimize impact of fluctuation in prices of financial instrument.
Interest Rate Risk	Proper identification, control, and monitoring of instruments subject to interest rate risks.	To minimize impact of floating interest rates on the equity of the Company and maintain manageable interest rate risk levels.

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Audit Committee	Oversight of Control and Risk Management Systems	Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management.

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

- (a) Explain how the internal control system is defined for the company;

Ref. RMCG Sec. II.F.1.

Internal audit and control is the assurance that key organizational and procedural controls are effective, appropriate, and complied with, that governance, operations, and information systems are effective, that financial and operational information are accurate and reliable with the end in view of effective and efficient operations, that its assets are safeguarded at all times, and that laws, rules, regulations, and contracts are complied with.

- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The directors continuously review and evaluate the effectiveness of the internal control systems of the company. While the control systems are currently effective and adequate, the Board is committed to ensuring continuous review of the system to ensure the implementation of any and all improvement in the system necessitated by modernizations in technology, amendments in current laws and regulations, and changes in the landscape of the industry and its market.

- (c) Period covered by the review; **2015**

- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and,

Review is conducted at least once a year but has been reviewed more often in actuality. Criteria for review is whether the system, or the components or procedures therein, has resulted in or is seen to likely result in enhanced effectivity and efficiency of governance, operations, and information systems, accuracy and reliability of financial and operational information, safeguarding of assets, and compliance with laws, rules, regulations, and contracts.

- (e) Where no review was conducted during the year, an explanation why not. **N/A.**

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
<u>Ref. RMCG Sec. II.F.1.</u> To assure the Board that key organizational and procedural controls are effective, appropriate, and complied with, that governance, operations, and information systems are effective, that financial and operational information are accurate and reliable with the end in view of effective and efficient operations, that its assets are safeguarded at all times, and that laws, rules, regulations, and contracts are complied with.	Internal financial, procedural, and operational controls.	In-house	Paz T. Cabrera	Reporting functionally to the Audit Committee and administratively to the Chief Executive Officer.

- (b) Do the appointment and/or removal of the Internal Auditor or the accounting/auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

The Company does not outsource the internal audit function.

- (c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

There is no restriction on the internal auditor's communication with the Chairman of the Board and with the Chairman and members of the Audit Committee. The Chairman of the Board and the Audit Committee may order access to records, properties, and personnel as may be required for internal audit purposes.

- (d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

No internal audit staff has resigned from the Company during the period in question (CY 2015).

Name of Audit Staff	Reason
N/A	N/A

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	Internal Audit is a continuous process. Progress is continuously being made.
Issues⁶	No significant issues.
Findings⁷	No significant findings.
Examination Trends	No examination trends that will result in adverse results to the Company.

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Effective and appropriate procedural controls	Continuous implementation and improvement of control systems.
Effective governance, operations, and information systems	
Accurate and reliable financial operation	
Safeguarding of assets	
Compliance with laws, rules, regulations, and contracts	

(g) Mechanisms and Safeguards

⁶ "Issues" are compliance matters that arise from adopting different interpretations.

⁷ "Findings" are those with concrete basis under the company's policies and rules.

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p><u>Ref. RMCG Sec. II.F.</u></p> <p>The Internal Auditor reports directly to the Audit Committee.</p> <p><u>Ref. RMCG Sec. II.E.</u></p> <p>An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the company, an external auditor shall be selected and appointed by the stockholders upon recommendation of the Board, after consultations with the Audit Committee.</p> <p>The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the company's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure. A preliminary copy of said report shall be given by the corporation to the external auditor before its submission.</p> <p>The external auditor of the company shall not at the same time provide the services of an internal auditor to the same client. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.</p> <p>The company's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.</p> <p>If an external auditor believes that the statements made in the company's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.</p>	N/A	N/A	N/A

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

It is the Chief Executive Officer or the President that will attest to the Company's compliance with the SEC Code of Corporate Governance.

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	Commitment and concern to give clients value for investments.	Continuous improvement of products and services through research and innovation.
Supplier/contractor selection practice	Best value for Company's money.	Intensive selection and evaluation process.
Environmentally friendly value-chain	Compliance with all environmental regulations and cooperation with local environmental initiatives.	Procurement of Environmental Compliance Certificate (ECC) for all projects, terminals, and refilling plants, and assistance, if not initiative, in the declaration of local waters (plant/terminal location) as marine protected sanctuary.
Community interaction	Policies and activities relative to these stakeholders were put on hold while the Company was in rehabilitation. Having just exited rehabilitation the Company is just now commencing the formulation of policies relative to these stakeholders.	
Anti-corruption programmes and procedures	Strict prohibition.	Implementation of appropriate and responsive policies against bribery and preferences.
Safeguarding creditors' rights	Respect for creditor's rights.	Timely settlement of obligations.

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section? **No.**

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare? **Kindly see 3(b) immediately following.**

(b) Show data relating to health, safety and welfare of its employees.

Safety, health, and welfare, especially in the business of PGI, is a primary concern considering the nature of its product. All new employees of the group, especially of PGI, are required to attend product knowledge seminars to ensure safety in handling the Company's products. To assist in the protection of the welfare of its employees, one of the benefits given by the Company to its employees is the retirement benefit plan, details of which are disclosed in pages 29 and 37 under "Retirement Obligations" and "Retirement benefit obligation," respectively, and under Note 30, pages 60 to 62, under "Retirement Benefit Obligation," all of the Notes to the Audited Financial Statements for 2015. The Company likewise maintains for its employees health care programs with reputable hospitals/providers.

(c) State the company's training and development programmes for its employees. Show the data.

All new employees of the group, especially of PGI, are required to attend product knowledge seminars to ensure safety in handling the Company's products.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.

Employees should be incentivized based on sales/revenue performance.

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

The due process procedures in the Company's Code of Conduct are always observed in dealing with employee malfeasance. The Group is currently in the process of enhancing its Code of Conduct through the finalization of whistleblower policies to ensure that employees are protected from retaliation.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more (as of December 31, 2015)

Shareholder	Number of Shares	Percent	Beneficial Owner
Guild Securities, Inc.	1,017,140,468	58.83%	Various Clients
PCD Nominee Corporation	476,859,170	23.84%	Various Clients
	101,300,000	5.07%	Josefina Multi-Ventures Corporation
Hinundayan Holdings Corp.	160,708,000	8.04%	Hinundayan Holdings Corp.

No member of Senior Management holds 5% or more of the total outstanding shares of the Company.

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
N/A	N/A	N/A	N/A

2) Does the Annual Report disclose the following:

		Remarks
Key risks	YES	
Corporate objectives	YES	
Financial performance indicators	NO	Disclosed in Management Report with the Information Statement.
Non-financial performance indicators	NO	Disclosed in Management Report with the Information Statement.
Dividend policy	YES	Though no dividend was declared
Details of whistle-blowing policy	NO	Whistle-blowing policy still to be finalized.

Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	YES	
Training and/or continuing education programme attended by each director/commissioner	NO	Disclosed in this ACGR.
Number of board of directors/commissioners meetings held during the year	NO	Disclosed in this ACGR.
Attendance details of each director/commissioner in respect of meetings held	NO	Disclosed in this ACGR.
Details of remuneration of the CEO and each member of the board of directors/commissioners	YES	

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure. **Please see “Remarks” column above.**

3) External Auditor’s fee

Name of auditor	Audit Fee	Non-audit Fee
Diaz Murillo Dalupan & Company	Php 571,929.00 (VAT exclusive)	P 0.00

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

- **Website (www.pryce.com.ph)**
- **PSE EDGE Portal**
- **Press Releases**
- **Mails (Registered, Ordinary, Electronic, Courier)**

5) Date of release of audited financial report: **April 18, 2016 (Consolidated)**

6) Company Website

www.pryce.com.ph

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	None

Company's constitution (company's by-laws, memorandum and articles of association)	Yes
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Should any of the foregoing information be not disclosed, please indicate the reason thereto.

No date set for this year's Annual Stockholders' Meeting

7) Disclosure of RPT

RPT*	Relationship	Nature	Value (Php)**
Pryce Development Corporation	Affiliate	Advances to related party	300,000.00
Pryce Plans, Inc.	Affiliate	Advances to related party	1,339,463.00
Mindanao Gardens, Inc.	Affiliate	Advances from related party	136,127,550.00
Josefina Multi-Ventures Corporation (JMVC)	Affiliate	Advances from related party [Trade and non-trade, including bank creditors of the Parent Company assigned the accounts to JMVC. In previous years, these accounts/ obligations were presented in the financial statements of the Parent Company as "Debts covered by the Rehabilitation Plan." The Company's rehabilitation having been terminated, the account was reclassified.]	121,306,101.00
Key Management Personnel		Remuneration	49,293,300.00
Hinundayan Holdings Corporation	Affiliate	Advances from related party [The Parent Company's LTCP holders assigned their LTCP's to HHC. In previous years, these LTCP's were presented in the financial statements of the Parent Company as "Debts covered by the Rehabilitation Plan." The Company's rehabilitation having been terminated, the account was reclassified.]	34,397,617.00
Pryce Finance and Leasing Corporation	Affiliate	Advances from related party	400,000.00

* pertains to Group RPT's

** refers to outstanding balances as of December 31, 2015

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

Ref. RMCG Sec. II.B.4.vii.

Ref. RMCG Sec. IV.B.

The Board is primarily tasked to establish policies to ensure the integrity and transparency of related party transactions. The Company adheres to the policy of full public disclosure of related party transactions. Transactions with related parties not in the ordinary course of business will be subject to review and approval by the Board.

All related party transactions are fully disclosed in the Company's Annual Report and Audited Financial Statements (Note 23 in pages 53 to 55 of the Notes to the Audited Financial Statements for FY 2015).

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	Majority of outstanding capital stock.
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Motion / Objection.
Description	The Chairman requests any motion for approval of the proposed ratification. After a motion, if any, and a second to the motion, if any, the Chairman will hear any objections. Should there be none, the act is deemed ratified.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
Stockholders' voting rights, especially the right to elect, remove, and replace directors and vote on certain corporate acts requiring their vote, in accordance with the by-laws of the Company and the Corporation Code.	N/A
All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.	
The Shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealings with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers.	
Shareholders shall have the right to receive dividends subject to the discretion of the Board and subject to existing laws and regulations and the terms of the Company's rehabilitation plan.	
The shareholders' shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under the Corporation Code	

vi. Dividends

Ref. Item 5. Market for Registrant's Common Equity and Related Stockholder Matters, Dividend History, in the Annual Report

For the period under review and considering that the rehabilitation proceedings involving the Company and PGI had just been terminated, no dividends were declared. Payment of cash dividends on the shares in the future will depend upon the Company's earnings, cashflow, financial condition, capital investment requirements and other factors.

Declaration Date	Record Date	Payment Date
N/A	N/A	N/A

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
It has been the policy of the Board and of the Company to, at each stockholders' meeting, include in the agenda for the meeting an item for "Other Matters." During the actual conduct of the meeting, the Chairman, at that point in the meeting, opens the floor for questions by the stockholders on any matter concerning the Company, which questions will be addressed by the Chairman himself or by the appropriate director or officer concerned, or by the auditor or the Company's rehabilitation receiver for matters concerning their respective areas of responsibility. Even prior to the same, the Chairman, after every item in the agenda, solicits questions on the matters taken up in the previous item.	

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:

- a. Amendments to the company's constitution

The Company will adhere to Section 16 of the Corporation Code which will require the vote of stockholders owning or representing 2/3 of the outstanding capital stock of the Company.

- b. Authorization of additional shares

The Company will adhere to Section 38 of the Corporation Code which will require the vote of stockholders owning or representing 2/3 of the outstanding capital stock of the Company.

- c. Transfer of all or substantially all assets, which in effect results in the sale of the company.

The Company will adhere to Section 40 of the Corporation Code which will require the vote of stockholders owning or representing 2/3 of the outstanding capital stock of the Company.

In such an event, the Company will, in accordance with the provisions of the Corporation Code, call a stockholder's meetings for the approval of the corporate act. The Company will furthermore comply with the requirements under Section 20 of the Amended Implementing Rules and Regulations of the Securities Regulation Code and provide each stockholder an information statement containing all disclosures required to enable the stockholder to raise all questions, issues, and concerns regarding the proposed action. In any case, dissenting stockholders are entitled to exercise their appraisal right when applicable and in accordance with the provisions of the Corporation Code.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

The Company is not able to observe the said minimum notice requirement since, under its By-Laws, the record date for determining which stockholders are entitled to notice and to vote may not be set more than 20 days prior to the stockholders' meeting. Thus, the stockholders entitled to notice are not yet known or ascertained 21 business days prior to the stockholders' meeting.

- a. Date of sending out notices: **June 10, 2015.**
 - b. Date of the Annual/Special Stockholders' Meeting: **June 24, 2015.**
4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

One stockholder asked why the Company decided on concentrating on memorial parks as its business. The answer was that while generation of revenues from the sale of memorial plots is slow, it is sure and that the business is "safe" as opposed to the risks encountered in the LPG business of the subsidiaries.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Approval of the Minutes of the Previous Meeting held on July 3, 2014	1,884,196,159	0	0
Approval of the Annual Report and the Audited Financial Statements for 2014	1,884,196,159	0	0
Ratification of all acts and transactions of the Board of Directors and the Management from June 1, 2014 to May 31, 2015	1,884,196,159	0	0
Reappointment of the accounting firm of Diaz Murillo Dalupan & Co. as the Company's external auditor	1,884,196,159	0	0
Approval of the amendment of the Third Article of the Articles of Incorporation of the Corporation to change the principal office of the Corporation from "Metro Manila, Philippines," to "17th Floor PRYCE CENTER 1179 Chino Roces Avenue corner Bagtikan Street, Makati City."	1,884,196,159	0	0
Approval of a stockholders' resolution expressing deep and sincere appreciation for the ten (10) years of highly dedicated, sincere, and competent, leadership and service rendered by Mr. Nilo S. Ezequiel, as director and President.	1,884,196,159	0	0

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:
June 24, 2015 (via uploading of 17-C report to the PSE EDGE Disclosure System).

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

No significant modifications were made or noted in the conduct of and procedures governing the stockholders' meeting.

Modifications	Reason for Modification
N/A	N/A

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Salvador P. Escaño Ramon R. Torralba, Jr. Nilo S. Ezequiel Xerxes Emmanuel F. Escaño Efren A. Palma Simeon S. Umandal Enerlito G. De Mesa Roland Joey R. De Lara Jose Ma. C. Ordenes Erica P. Encabo	June 24, 2015	By motion / objection	4.64%	89.57%	94.21%
Special	N/A	N/A	N/A	N/A	N/A	N/A

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

No, it does not. The votes during the stockholders' meetings are counted and validated by the Corporate Secretary.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes, a shareholder is entitled to one vote for each common share held. The Company has no other class of shares apart from common shares.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

Ref. RMCG Sec. V.B.

Ref. By-Laws Article II Section 7

Ref. SRC IRR Rule 20 Sec. 11.b.xvii

	Company's Policies
Execution and acceptance of proxies	Stockholders encouraged to attend meetings in person but notified in advance of right to appoint a proxy. Proxies must be in writing
Notary	No requirement for notarization.
Submission of Proxy	Proxy must be in the hands of the Corporate Secretary at least ten days before the date of the meeting.
Several Proxies	There is no restriction on number of proxies held.
Validity of Proxy	Valid only for the meeting for which it was presented unless otherwise stated in the proxy.
Proxies executed abroad	Must be duly authenticated by the Philippine Embassy or Consular Office.
Invalidated Proxy	Doubts as to the validity of the proxy resolved in the stockholder's favor. Proxy may be revoked: (i) through an instrument in writing presented to and recorded with the Corporate Secretary at least three days before the meeting; or, (ii) by the stockholder's personal presence at the meeting. Decisions of the Corporate Secretary as to the validity of the proxy are final and binding unless set aside by a court of competent jurisdiction.
Validation of Proxy	Doubts as to the validity of the proxy resolved in the stockholder's favor.
Violation of Proxy	There is no provision to address a violation of the proxy.

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
Timely dispatch of notice	<i>Ref. By-Laws Article II Section 4.</i> Notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery or by mailing the notice at least two weeks prior to the date of the meeting to each stockholder of record at his last known post office address or by publishing the notice in a newspaper of national circulation.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	378
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Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	June 10, 2015
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	June 10, 2015
State whether CD format or hard copies were distributed	CD format.
If yes, indicate whether requesting stockholders were provided hard copies	Stockholders may request and will be provided hard copies; however, no such request was received. Hard copies were nonetheless provided to all stockholders who attended the Annual Stockholders' Meeting.

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	YES
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	YES
The auditors to be appointed or re-appointed.	YES
An explanation of the dividend policy, if any dividend is to be declared.	N/A
The amount payable for final dividends.	N/A
Documents required for proxy vote.	YES

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

There was no such disclosure of the dividend policy nor the amount of dividends since no dividend was declared.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
<u>Ref. RMCG Sec. V.</u> Minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purpose. They shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes." Furthermore, a director shall not be removed without cause if it will deny minority shareholders representation in the Board.	

- (b) Do minority stockholders have a right to nominate candidates for board of directors?

There is no restriction as to minority stockholders' right to nominate candidates for director, but all nominations are still subject to pre-screening and shortlisting procedures conducted by the Nomination Committee.

K. INVESTORS RELATIONS PROGRAM

- 1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

The Company's internal and external communications policies are reviewed as needed to keep pace with new developments in technology. The Chief Executive Officer approves major company announcements.

- 2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	Full, Fair, and Timely Disclosure.
(2) Principles	
(3) Modes of Communications	Internet, Telephone, Company Website, Courier Service, Mail (Registered, Ordinary, Electronic), PSE EDGE System, Press Releases
(4) Investors Relations Officer	Simeon S. Umandal (Corporate Secretary) and/or Erica P. Encabo (Corporate Information and Compliance Officer) and/or Jose Ma. C. Ordenes (Alternate Corporate Information and Compliance Officer); (+632) 899-4401

- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

The Company will adhere to the requirements and procedures under the Corporation Code and the Securities Regulation Code and its Implementing Rules and Regulations as to notice and stockholder vote requirements for the approval of said acts, and any notice to existing stockholders of the acquired company in the event a tender offer is mandatory.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price. **N/A. There is no such event for the period under review.**

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Proposals relative to corporate social responsibility (CSR) initiatives were put on hold while the Company was in rehabilitation. Having just exited rehabilitation the Company is just now commencing the acceptance and evaluation of proposed CSR activities.

Initiative	Beneficiary
N/A	N/A

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	<u>Ref. RMCG Sec. VI.B.</u> The Board may establish an internal self-rating system that can measure the performance of the Board and Management in accordance with the criteria provided for in this Code. The creation and implementation of such self-rating system may be disclosed in the corporation's annual report.	The performance of the Board and Directors are assessed based on the effective and efficient performance of their duties under the Company's by-Laws and the RMCG. The performance of the Company is likewise taken into account in assessing the policies implemented by the Board.
Board Committees		
Individual Directors		The performance of the Chief Executive Officer and President are assessed against the backdrop of the performance of the Company.
CEO/President		

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
Any violation of the RMCG	First Violation – Reprimand
	Second Violation – Suspension, with the duration dependent on gravity of violation
	Third Violation – Removal from Office or Removal from Directorship

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on April 28, 2016.

SIGNATURES



SALVADOR P. ESCANO

Chairman of the Board and Chief Executive Officer

[In the United States for medical reasons]

ENERLITO G. DE MESA

Independent Director



ERICA P. ENCABO

Corporate Information and Compliance Officer



ROLAND JOEY R. DE LARA

Independent Director

SUBSCRIBED AND SWORN to before me on April 28, 2016, affiants exhibiting to me competent evidence of their identity as follows:

Salvador P. Escano
Roland Joey R. De Lara
Erica P. Encabo

CEI

DL# C10-75-021861 to expire in 2018

TIN# 179-558-285-000

DL# N25-97-031995 to expire in 2017

Doc No. 001;
Page No. 01;
Book No. 5;
Series of 2016.



ATTY. ERIC VINCENT H. BUGAOAN
Notary Public/Makati City/Until December 31, 2017

Appointment No. M-328

PTR No. 5326500/Makati/01-06-16

IBP No. 1018713/La Union/01-06-16

Roll of Attorney's No. 57164

MCLE Compliance No. IV-0012957

03-11-2013

17th Floor, Pryce Center

1179 Chino Roces Avenue, Makati City

Tel # 899-4401 / 899-9407

V-0016588, Apr. 2, 2016