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, 2013

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, 2013

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. PRYCE PROPERTIES CORPORATION

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	No. of shares/Amount of Outstanding Debt
Subscribed & Issued Common Shares	1,998,750,000
Subscribed Common Shares (partially paid)	1,250,000
Debt Outstanding (Creditors/Banks-principal only)	P 419,450,357 (parent company)
	P 439,689,839 (subsidiary)*

* Total balance on re-structured debt and credit for dacion en pago (see related discussion under *Plans and Prospects* below - Item no. 6 of Part II)

11. Are any or all of these securities listed on the Philippine Stock Exchange.
    Yes [x]   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 [x]   No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.
    Yes [x]   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 P350,067,123 million based on 1,400,268,493 shares at P0.25 per share, which was the market price as of the stock's last trading/transaction on February 24, 2006. Trading of the company's stocks were suspended on June 5, 2006. As of the date of this report, the suspension has not been lifted. (The cause for said suspension is discussed in Item no. 5 of Part II of this report).

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 involved in the development of memorial parks; 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 memorial parks in Mindanao's major cities: Cagayan de Oro, Iligan, Ozamiz, Dipolog, Zamboanga and Davao. It also has smaller-sized memorial parks suited for Mindanao's secondary cities or major municipalities namely Manolo Fortich and Malaybalay in Bukidnon, Malita in Davao del Sur, Bislig in Surigao del Sur and Alabel in Saranggani.

Pryce Gases, Inc. ("PGI") is the Company's subsidiary, which produces and sells industrial gases and is also engaged in the importation and distribution of liquefied petroleum gas (LPG) under the *PryceGas* brand name. PC holds 98% of PGI's subscribed capital stock. The Company's ownership in PGI increased as a result of a series of properties-for-share exchanges between PC and PGI. These transactions occurred in 2004, pursuant to PGI's rehabilitation plan approved by a commercial court on October 10, 2003. The corporate rehabilitation of PGI was initiated by one of its creditors. The said transactions involved PC investing real estate assets in PGI to enable the latter to settle its outstanding debts by way of dacion en pago. PGI sought SEC's approval, prior to the said exchanges, to have its authorized capital increased from 400 million to 2.5 billion shares, which the SEC approved on June 30, 2004.

Corporate Rehabilitation

The Company filed a petition for rehabilitation with the Regional Trial Court (RTC) of Makati on July 9, 2004 following which the same court, in an order dated July 13, 2004, appointed a Receiver and ordered a stay in the settlement of all debts with the banks and trade creditors. In the years preceding the filing of said petition, the Company experienced a series of downturns in its real estate revenues due to the lingering effects of the Asian financial crisis of 1997. This resulted in declines in cash flows that led to its inability to service its maturing bank debts. The Company had been negotiating with its bank creditors, as early as three years prior to the filing of same petition, for restructuring and/or payment of its debts via dacion en pago. However, no agreement was finalized because of several sticking points on the choice 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 aforesaid situation, 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 due to the impasse in debt negotiations; and b) the foreclosures on PC's real estate assets and deficiency claims that the banks would file, which would result in the Company's loss of viability as a going concern. The rehabilitation plan submitted by PC sought to pay off all outstanding loan obligations and achieve a debt-free scenario for the company to enable it to start on a clean slate. This would be achieved through dacion en pago of its real estate properties and would not involve any restructuring of its debts, given its tight liquidity position and low debt service capacity.

On December 1, 2004, the Receiver submitted to the RTC-Makati its recommended rehabilitation plan, which was approved by the Court on January 17, 2005. Thereafter, the Receiver worked to implement the terms of the court-approved rehabilitation plan that resulted in the settlement of obligations via dacion with United Coconut Planters Bank and First Metro Investments Corp.

Two creditor-banks, however, CBC and BPI, filed their respective petitions for review before the Court of Appeals (CA) in February, 2005.

On the BPI case, the 1st Division of the Court of Appeals (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 Pryce Corp. 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 it ruled on April 28, 2008 that BPI did not present a substantial argument to warrant a modification of the SC's earlier resolution.

With respect to CBC's case, the CA's 7th Division issued a ruling, on July 28, 2005, reversing the orders of RTC-Makati. Pryce Corp. filed a Motion for Reconsideration with the CA on August 22, 2005. On April 12, 2006, the CA denied Pryce Corp.'s Motion for Reconsideration, which set aside the rehabilitation plan. Pryce Corp. then filed on June 09, 2006 a Petition for Review on Certiorari with the SC. The SC promulgated a decision on February 4, 2008 denying PC's appeal and remanding the case to the RTC-Makati for further proceedings to determine the merits of the Company's petition for corporate rehabilitation. PC, however, filed on February 29, 2008 its Omnibus Motion for Reconsideration and Referral to the Court en banc, while CBC filed its own Motion for Reconsideration appealing that the SC should have categorically set aside PC's rehabilitation plan without remanding the case to the lower court. On June 16, 2008, the SC denied both PC's and CBC's Motions for Reconsideration. PC then filed on September 9, 2008 a Motion for Leave to File a Second Motion for Reconsideration because the SC's decision conflicted with its earlier decision (with finality) upholding the approved rehabilitation plan of PC in the BPI vs. PC case and ignores the interim Rules of the SC governing corporate rehabilitation. PC received a resolution, on February 16, 2009, from the SC dated January 14, 2009 which noted the different pleadings submitted by PC in relation to the second motion for reconsideration. PC and CBC were still awaiting the decision of the SC as of December 31, 2013.

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) 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 stocks should correspond to that industry classification from which a company is generating the majority or bulk of its revenues.

In 2012, sales of LPG and industrial gases accounted for 97.47% of PC's consolidated revenues while the balance of 2.57% came from Real Estate sales, Hotel Operations and other related revenues.

The subsidiary, PGI, manufactures and distributes oxygen and acetylene and trades in other gases such as argon, carbon dioxide and nitrogen. Its industrial gas manufacturing facilities currently consist of eight plants in eight corresponding locations and have a combined daily production capacity of 5,520 standard cylinders of oxygen and 1,680 cylinders of acetylene.

PGI's business in LPG 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. By early 1998 there were five sea-fed terminals and six in-land refilling plants in operation with an aggregate capacity of 4,510 MT. In 1999, the company completed the construction of two more sea-fed terminals and one in-land refilling plant increasing its total capacity to 5,630 MT. At the turn of the millenium, the Company completed its sea-fed terminal in Sogod, Cebu and in-land refilling plant in San Fernando, Pampanga. Two(2) more 500-MT storage tanks were installed in PGI's sea-fed terminal in Astorga, Sta. Cruz, Davao del Sur, in April 2008, in addition to its existing 1,200 MT storage capacity. In 2013, two (2) 1,900-MT marine-fed LPG storage tanks in San Fabian, Pangasinan were completed and commissioned. This is just the initial part of PGI's endeavour to become a significant player in Luzon, it being the biggest market, in fact bigger than the combined markets of Visayas and Mindanao. As of this reporting period, PGI's aggregate LPG storage capacity has reached 14,150 MT.

In late 2005, PGI decided to enter the LPG automotive fuel ("autogas") business as it believes in the long-term viability of this business. As of December 2013, it has 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/selling 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 activies; it decided to focus its efforts in the development and selling of memorial lots. Thus, in just a span of 5 years (1996 to 2001) after such decision, the Company was able to complete five (5) memorial parks in the following major locations: Iligan City, Zamboanga City, Polanco in North Zamboanga (i.e., near Dipolog City), Ozamiz City and Davao City. All of these six 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. In April 2008, it essentially completed its boutique park in Alabel, Sarangani. In recent years, it has begun obtaining clearances and permits to establish memorial parks in Butuan City and Pagadian, City.

As a real estate company, the Company's main activity is the selling of its memorial park inventories and some remaining upscale subdivision lots in Davao City and Cagayan de Oro City. 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.

Personnel and Manpower

The Company's regular workforce in the real estate business is comprised of the following: 248 employees for its real estate business, of which 85 are administrative, 155 are in operations and 8 are officers. Compared to the previous year, there was a decrease of 19 personnel. The subsidiary, PGI, on the other hand, has 559 regular personnel, of which 179 are in the technical group, 220 are in operations, 142 are in administration and 18 are officers. A decrease of 42 personnel occurred in PGI in 2013 compared to the previous figure of 601 in 2012. In both companies, the aforementioned decreases in number of regular employees are due to the retirement, resignation, and termination of certain employees; replacements are hired only when absolutely needed. 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 2014 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 three regions: the Northern, the Southern and Zamboanga peninsula regions. A marketing and selling team operates in each region and is headed by a sales and marketing manager, with sales supervisors under his wing, who are company employees compensated and incentivized according their team’s sales performance. Each team is responsible for periodically improving its marketing plans and strategies in order to meet the agreed sales quotas. The team is also responsible for recruiting its sales force, which are composed of sales associates who are compensated on commission basis.

Competition

PGI operates in a deregulated environment. Prices are determined by market forces, resulting in increasing competition. PGI’s industrial gas business is mainly confined to the VisMin area where it competes with about thirteen other industrial gas companies. It has to contend with different environments for its products in terms of the extent and composition of the competition. PGI considers Linde Philippines, Inc. (formerly Southern Industrial Gases Philippines, Inc.) to be its closest major competitor in the entire VisMin market for industrial gases.

In regard to its LPG product, PGI competes with Petron (Gasul brand) and Isla Gas (Solane). In the VisMin area, the dominant LPG players are still Petron and Solane. However, PGI is able to supply the LPG requirements in VisMin with bigger storage capacities located at strategic locations across the regions. Petron and Solane have 16 depot/bulk plants in VisMin that combined are capable of storing up to 7,150 MT of LPG. Another competitor is Petronas, which commissioned a bulk plant in Iligan City, Mindanao several years ago with a capacity of 2,000 MT.

PGI's LPG storage capacity has now increased to 14,150 MT from last year's 10,350 MT following the recent completion of the initial two (2) marine-fed 1,900-MT storage tanks (total of 3,800 MT) in its terminal in San Fabian, Pangasinan. (see related discussion under Plans and Prospects, under Part II, Item 6: Management's Discussion and Analysis or Plan of Operation) This now makes PGI as having the greatest LPG storage capacity compared to any of its competitors in the Vis-Min area. The larger capacity terminals and refilling plants at various locations across the Vis-Min regions allow PGI to cover a wide range of the market within those regions. Although PGI's LPG business operates in a deregulated industry 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. In the past, it used its part ownership of a major oil company to influence price movement such as taking the lead in reducing the price of certain oil products, including LPG.

PGI sources its LPG from Asian suppliers, which ship to its marine terminals using vessels loaded with up to approximately 1,900-MT parcel shipments. This direct importation of LPG theoretically gives PGI a cost advantage over competitors who, because of their smaller storage capacities in VisMin, must source their imported LPG from customs-bonded LPG depots in Batangas or Bataan which are owned by them or some other multinational companies.

For the fiscal year 2013, the Department of Energy reports that PGI's LPG market share in the major regions are as follows: 24.05% in Mindanao, 18.37% in Visayas, and 6.86% in Northern Luzon; in sum, PGI has an overall 5.81% share of the country's total market. In the industrial gas market, Management estimates that PGI has market shares of roughly 30% in Mindanao and 20% in Visayas.

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 Company's competitors and potential competitors in Mindanao include large developers, some of which may have greater financial resources than the Company, and smaller developers who may have lower costs. The companies based in Metro Manila that have joined the real estate bandwagon in Mindanao include A. Brown Company, Inc., Regatta Properties, Inc., Fil-Estate Properties, Inc., Vista Land and Lifescapes, Inc., Manila Memorial Park, Landco, Inc., Sta. Lucia Realty and Development, Inc. and, recently, Ayala Land or its affiliates.

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. The company owns the registered brand name, "PRYCEGAS" for its cylinders, but it does not have any patent to a product or process.

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

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

	2013	2012	2011
Development Cost	374,159,710	275,441,252	53,921,450
Percentage to Revenues	9.58%	7.50%	1.70%

The increase in development cost in 2013 is due to the construction of the Pryce Gardens - Pagadian memorial park project and the completion works on PGI's two (2) marine-fed LPG storage tanks in San Fabian, Pangasinan.

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 affect significantly PGI's costs of sales or operating expenses.

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

Major Risk Factors and their Management

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

The 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 degree of robustness of the area's economy. The area is assessed in terms of number of existing/competing memorial parks, mortality rate and population growth, levels of net income and wages, capacity for steady employment, which is dependent on the area's capability and potential for business and industrial growth/expansions. The area's economy is likewise assessed as to what extent it is affected by the country's economic climate and growth.

2. Risk of decline in revenues and profitability, if not income loss, usually due to a combination of: a) competitors' pricing tactics and marketing/sales efforts that tend to reduce the Company's market share; b) local market's unanticipated feeble response to designed marketing/sales programs; c) creeping or unabated inflation causing increased operating expenses and low sales since purchase of memorial lots is regarded by many as low priority expenditure; 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. 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. The proceeds are used to ensure that the parks remain first class. The benefits will certainly accrue to lot owners and users of the park by protecting their investment 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 damage / losses and can result in a longer-than-expected business interruption in any of PGI's refilling plants or terminals. Hazards can be due to any, or a combination, of the following: (1) intrinsic property of the product; (2) catastrophic ruptures/leakages; (3) unsafe refilling and receiving activities; (4) failure of safety valves; (5) un-requalified fire-protection equipment or devices; (6) potential sparks from presence of gasoline-fueled vehicles during refilling and receiving activities (7) discharge of LPG to the atmosphere because of leak(s).

Mitigation of the above risks 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. 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

The discussion on Financial Risk Management is incorporated by way of reference to Note no. 31 of the **Notes to the Financial Statements (see Note no. 33)**, under the heading ***Financial Risk Management: Objectives and Polices***.

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. Areas have been reserved for future development.

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 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. With its strategic location, the area would be an ideal site for office buildings, malls, department stores, cinemas, restaurants and food galleries as well as hotels and inns.

The Company’s involvement in the project is confined to the land or horizontal development. As of the end of 2013, negotiations were ongoing for the sale of the whole property to a major mall developer.

Maria Cristina Gardens

This is the second memorial park project of the Company, which is named after the most famous waterfalls in Mindanao, the Maria Cristina Falls. This memorial park somewhat takes on the character of the original landscape because it was built essentially around the natural topography of the site. It is located in Sta. Filomena, Iligan City on 27.6 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 Februrary 1996 while development of Phases II and III began In August 1996. As of date, all these phases are all fully or essentially completed, containing an area of 21.6 hectares. An additional 6.0 hectares are for development under Phase IV of the park but this 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, identified as Phase I-A and Phase I-B, 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 Tangub within the barrio of Dimaluna, Ozamiz City, and against the backdrop of Mt. Malindang. This project commenced development works in December 1999 and became essentially completed in December 2002.

Total saleable area at present is roughly 60,460 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

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.

Pryce Gardens-Malita

Pryce Gardens-Malita is the third boutique memorial park in the Company's portfolio. Construction also began in March 2005. The project is located in Bgry. Bolita, Malita, Davao del Sur and has total land area of 6.17 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

The fourth boutique memorial project of the Company 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

This latest addition to the Company's boutique memorial parks 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.

New Project(s)

Pryce Gardens-Pagadian

In February 2013, construction works began on the *Pryce Gardens-Pagadian* project after the pertinent permits and government clearances were obtained. The project's property is located on an 8.96-hectare property nestled on the hillsides of Bgy. Poloyagan overlooking Iliana Bay, the Pagadian seaport, and parts of the city across the bay. The site is in the southern part of the city and can be reached thru 7 kilometers of road. The project is designed as a first-class memorial park with five (5) hectares as the first phase. When completed, the said first phase will have a total saleable area of 36,612 sq.m., roughly equivalent to 14,650 lawn lots. Roads and path walks will account for 9,800 sq.m. while the chapel, parking areas and open space will consist of 2,052 sq.m. The memorial park will have nine sections and three types of burial plots: lawn lots, garden lots, and family estates. This project is expected to be completed in the middle of 2014.

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

Between 1997 and 2001, PGI invested roughly P1.8 billion for the construction of LPG terminals and refilling plants in Mindanao and the Visayas. The investments consisted of seven import terminals and nine satellite refilling facilities that have a combined storage capacity of 10,350 metric tons. By strategically locating these facilities 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.

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 one 1,200 MT and another 2,200 storage capacity sea-fed terminals located in Balingasag, Misamis Oriental and Astorga, Davao del Sur, respectively. Aside from the two import terminals, PGI also built three satellite refilling plants in Taguibo, Butuan; Polomolok, South Cotabato and Aurora, Zamboanga del Sur in order to service the remote markets. The facilities are within convenient shipping distance to large population centers thus ensuring its customers a ready supply of Prycegas LPG. Furthermore, to serve the market in Western Mindanao, PGI constructed a 1,010 MT storage terminal in Zamboanga City.

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 and two 900 MT storage import terminals, one each in Ayungon, Negros Oriental and Ajuy, Iloilo. The company also constructed several refilling plants in Pavia, Iloilo; Silay, Negros Occidental; and Canduman and Naga, Cebu.

In total, PGI has completed the construction of sixteen (16) terminals and refilling plants. Except for the plant in Sogod, Cebu, where the land is under a 50-year lease, the land parcels on which these facilities are built are all owned by PGI.

In April 2008, two(2) additional 500-MT storage tanks were completed at PGI's sea-fed terminal in Astorga, Davao City,

For many years, PGI had eyed the Luzon market as the desirable yet challenging market to break into. After scouting for a viable property in Northern Luzon, it finally chose one in the coastal area of San Fabian, Pangasinan, and set out to plan and construct a marine-fed, LPG storage terminal therein. So that in mid-2013, it was able to build its 3,800-MT capacity, consisting of two (2) tanks with net content capacity of 1,900 MT each. These tanks were commissioned by having these received its maiden load of imported LPG. With this latest added capacity, PGI's total LPG storage capacity has increased from the previous year's 10,350 MT to an aggregate of 14,150 MT. A third tank with the same capacity of 1,900 MT was under construction as of the end of 2013.

Encumbered Assets

The Company issued long-term commercial papers in December 1995 with aggregate amount of P300M. The terms and conditions of the LTCP issue include, among others, a Mortgage Trust Indenture (MTI) covering certain assets of PC in Cagayan de Oro and Davao evidenced by mortgage participation certificates.

The following assets of the Company comprise the MTI: TCT No. 58872, Lot Nos. 3813, 3814 and 3815 (Brgy, Carmen, Cagayan de Oro City) which is the site of the Pryce Plaza hotel property; TCT Nos. 117469 and 119071 (Bo. Lapasan, Cagayan de Oro City), TCT Nos. T-292390, T-292391, T-292392, T-292397 (Brgy. Poblacion, Davao City). In addition to the MTI, the following assets are mortgaged to China Banking Corporation as part of the collateral of the Company's P200 million loan line with the said bank: CCT Nos. 150-169,184-190, and 199, which are titles to office condominium units at Pryce Tower in Davao City; TCT Nos. T-103472, T-103473, T-103474, T-103475, T-103476, T-103477, T-103478, T-103480, T-103481, T-103482, T-103484, T-103485, T-103486, T-103487, T-103488, T-103489, T-103490, T-103491, T-103492, T-103493, T-103494, T-103495, T-103496, T-103497, T-103502, which are titles to residential lots at Puerto Heights Village in Cagayan de Oro City; T-63919 (Brgy. Lumbia, Cagayan de Oro City); T-93721 (Brgy. Del Carmen, Cagayan de Oro City); TCT Nos. T-280597, T-280598, T-280599, T-271787 (Bo.Riverside, Calinan, Davao City) and TCT Nos. T-333551, T-333552, T-333554, T-333555, T-333556, T-333557, T-333558, T-333559, T-333560, T-333561, T-333562, T-333563, T-333564, T-333565, T-333566, T-333567, T-333568, T-333569, T-333570, T-333571, T-333588, T-333589, T-333590, T-333591, T-333592, T-333593, T-333594, T-333595, T-333601, T-333602, T-333603, which are titles to residential lots at Villa Josefina Resort Village (Phase III) in Davao City. On the other hand, the following assets are mortgaged to Bank of the Philippine Islands (BPI) as collateral for a P60 million revolving promissory note line: TCT No. 52507 which is the mother title to the Iligan Town Center; TCT Nos. T-103393, T-103396, T-103397, T-103412, T-103466, which are titles to residential lots at Puerto Heights Village in Cagayan de Oro City. A set of properties was earlier mortgaged to BPI, which were TCT Nos. T-279604, T-279947, T-279672, T-279840, T-279801,T-279961. These are titles to residential lots at Villa Josefina Resort Village, Davao City, however, BPI filed for extra-judicial foreclosure on these properties and eventually were auctioned off on February 26, 2004. Proceeds of the said auction will be applied to reduction of the Company's obligation with BPI.

Item 3. Legal Proceedings

The Company or Pryce Corporation and PGI are a party to pending cases and believe they have meritorious causes of action and defences 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 PGI or any facts likely to give rise to any proceedings which might materially affect the position of the Company. Enumerated and discussed below are the statuses of various pending cases as of December 31, 2013. Apart from the cases enumerated below, Pryce Corporation and Pryce Gases, Inc. 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 PGI's operations as 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 ONTWIKKELINGSLANDED 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.

   Status: Entry of judgment was made on 27 July 2011 by the Supreme Court. The parties are in the process of implementing the terms of the approved Rehabilitation Plan.

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.

   Status: 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 and it is now still pending before the SC.

On 30 July 2013, CBC and Pryce Corporation filed a Joint Manifestation and Motion before the Supreme Court to request that they be given a certain period of time to work out a mutually acceptable arrangement.

On 6 August 2013, the Supreme Court issued a resolution granting the parties' two months to settle their differences. The two-month period lapsed and the parties failed to work out an acceptable agreement.

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: This case is still pending resolution. On 6 February 2012, the Court issued an order granting the preliminary injunction, subject to filing by the Company of a bond in the amount of Php 1,000,000.00.

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.

Status: The Land Registration Authority has yet to resolve this matter. On 31 July 2013, Pryce Corporation and Chinabank filed a Joint Manifestation and Motion praying that they be given a certain period to work out a mutually acceptable arrangement.

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 Octobre 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 Octobre 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 the lot was one of those mortgaged to China Banking Corporation to finance the development of the subdivision.

Status: A decision has been rendered by the Regional Officer 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 Petition is now submitted for resolution.

c. Cañedo vs. Pryce Corporation, et al.
Pending before the HLURB (RFO XI), Case No. REM-08-04-10-377

Nature: This is an action filed by a purchaser of a lot in the Villa Josefina Resort Village for the delivery of the title to the purchased lot or for a refund of the purchase price. The Company filed its Answer alleging, among others, that the title is currently in the possession of China Banking Corporation. The Company likewise filed a motion to suspend proceedings in view of the Company's pending petition for rehabilitation. .

Status: Sometime June 2012, the Regional Field Office XI of the HLURB issued a Resolution denying PC's Motion to Suspend Proceedings. Thereafter, the said Regional Field Office issued a Decision adverse to Pryce Corporation. Pryce Corporation filed a timely Appeal Memorandum, which was duly elevated by the Regional Field Office to the Board of Commissioners. The appeal is now awaiting resolution by the Board of Commissioners.

6. <u>Ponce vs. Pryce Corporation, et al.</u>
Pending before the Court of Appeals, 23rd Division, CA-G.R. CV No. 02446

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 motion is now pending before the Court.

7. **Pryce Corporation vs. Noel**
Pending before the Court of Appeals, 22rd Division (CDO), CA-G.R. SP No. 02075

Nature and Antecedents: This is relative to the judgment in the case of *Mongao vs. Pryce Properties Corporation* over property located in Polomolok, Southern Cotabato. The judgment ordered the rescission of the deed of sale to the property executed by the parties. Mongao had filed a writ of execution of the judgment which the trial court granted. In the judgment, PC was ordered to merely "execute a Deed of Reconveyance" of the property. The order of execution meanwhile made a pronouncement that the duty to pay accrued real estate taxes also rests on PC. Thus, believing that the order of execution varied the terms of the judgment. PC filed the instant special civil action before the CA. The CA however dismissed the petition.

Status: PC filed a motion for reconsideration of the dismissal and is still awaiting resolution of the motion.

8. **Mongao et al. vs. Pryce Properties Corporation (now Pryce Corporation)**
Pending before Supreme Court, Second Division, G.R. No. 15674

Nature and Antecedents: In February 1995, Mongao filed a case against PC for Rescission and Damages. In April 1995, Pryce filed its Answer with Counterclaim. Thereafter, Mongao filed a Motion for Judgment on the Pleadings. In November 1995, the RTC of General Santos issued its Decision in favour of Mongao, declaring the rescission of the Memorandum of Agreement between PC and Mongao. PC was directed to execute a Deed of Reconveyance over the property covered by TCT No. T-62944, and pay attorney's fees and costs of suit. PC then appealed the Decision to the CA, which reversed the Decision of the RTC of General Santos and ordered the remand of the case to the latter for trial on the merits. Mongao then filed a petition for review with the SC. The SC issued a Decision reversing the Decision of the CA. PC's Motion for Reconsideration and Second Motion for Reconsideration were denied by the SC.

Status: PC filed a "Motion for the Recall of the Entry of Judgment and for the Referral of the Case to the Court En Banc in Deference to the Philippine Constitution. PC is now awaiting SC's action of this Motion.

***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 versus 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: Again, the directors and officers of Pryce Gases, Inc. 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. Nilo S. Ezequiel**
   Branch 14, Regional Trial Court (RTC) of Davao City, Criminal Case No. 66166-09

   Nature: An Information was filed with the above RTC, against Nilo S. Ezequiel for violation of Section 25 in relation to Section 39 of Presidential Decree 957. It alleged that Pryce Corporation willfully, unlawfully and knowingly assigned to its creditor China Banking Corporation, a certain lot located at Villa Josefina Resort Village, without having the deed of assignment approved and registered with the Housing and Land Use Regulatory Board; and allegedly failed to deliver the title of the said lot to buyer Alejandro and Grace Adaptar upon full payment, to the latter's damage and prejudice. Mr. Ezequiel was charged as President & COO of Pryce Corp. Mr. Ezequiel moved for the suspension of criminal action, On 17 January 2010, the Court denied the motion for suspension of criminal action. On 5 February 2010, Mr. Ezequiel filed an Omnibus Motion (1) for Reconsideration and (2) for the judge to inhibit because he has "prejudged" the case. On 12 August 2010, Judge Omelio inhibited himself from the case and it was eventually raffled to a new judge. The Motion for Reconsideration was denied by the Court on 31 January 2011. The case was then set for reception of complainant's evidence. [See above-related case titled: ***Alejandro B. Adaptar and Grace A. Adaptar vs. Pryce Corporation*** *HLURB Case No. REM-01-18-06-317,* under the heading: *Other cases arising from China Bank's refusal to comply with* the Company'*s court-approved corporate rehabilitation plan*]

   Status: Complainant Adaptar terminated the presentation of his evidence and rested his case sometime August 2012. Presentation and reception of accused's evidence is now ongoing.

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) and are not currently traded due to a suspension order by the PSE. The last recorded trading of Pryce Corp. shares, prior to said suspension, was on February 24, 2006 at a price of P0.25 per share.

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, the details of which are discussed under the heading *Corporate Rehabilitation* in Part 1, Item 1, of this annual report. No shares have been traded since the aforesaid second suspension, hence no trading transactions were reported in the year (2013) under review, as well as in the intervening years starting February 2006.

Public Ownership of PC shares as of December 31, 2013

	% to Total Outstanding Shares	Number of Shares
Total Outstanding Shares	100%	2,000,000,000
Less:		
Directors	1.7131%	34,261,462
Senior Officers	0.0046%	92,833
Affiliates	28.269%	565,377,212
Sub-total	29.987%	599,731,507
Shares owned by the public	70.01%	1,400,268,493

Holders

As of December 31, 2013, the company has 395 stockholders; 99.83% 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, 2013

Rank	**Account Name**	**Number of Shares**	**Percentage to total**
1st	Guild Securities, Inc.	1,176,638,339	58.832%
2nd	Pryce Development Corp.	194,914,512	9.746%
3rd	Hinundayan Holdings Corp.	160,708,000	8.035%
4th	Pryce Securities Corp.	106,154,000	5.308%
5th	GSIS	76,116,200	3.806%
6th	Pryce Plans, Inc.	57,259,250	2.863%
7th	Mindanao Gardens, Inc.	44,000,000	2.200%
8th	Rennie Tan	35,000,000	1.750%
9th	Salvador P. Escaño	33,492,660	1.675%
10th	Sol F. Escaño	27,909,000	1.395%
11th	PCD Nominee Corporation	21,267,505	1.063%
12th	David C. Go	10,500,000	0.525%
13th	Evelyn R. Singson	7,940,750	0.397%
14th	Pryce Insurance Consultants, Inc. (PICI)	5,175,000	0.259%
15th	Four Treasures Development Corp.	4,808,616	0.240%
16th	CBC TA #501-0091	4,528,720	0.226%
17th	PCD Nominee Corp. (Non-Filipino)	3,271,934	0.164%
18th	JGF Holdings, Inc.	3,221,427	0.161%
19th	Nancy Saw	3,126,620	0.156%
20th	Networth Land Management Corp.	3,068,514	0.153%

* 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 upon PC's earnings, cashflow, financial condition, capital investment requirements and other factors (including certain restrictions on dividends imposed by the terms of PC's trust agreement in connection with its LTCP flotation.)

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

Results of Operations

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, Liquigaz with 30%, and Isla Gas (Solane) -- the successor of Shellane -- with 15.57%. PryceGas accounts for 5.25% of the market nationwide but it has a bigger share of the Mindanao market at 23.30% and of the Visayas market at 18.03%.

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

In late 2013, PGI completed the development of its San Fabian, Pangasinan LPG terminal with a 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. The Company awaits the final decision of the Supreme Court in the case against China Banking Corporation as of yearend 2013.

2012 Compared to 2011

Consolidated revenues for the year ended December 31, 2012 aggregated P3.670 billion, broken down by product line as follows: liquefied petroleum gas (LPG), P3.08 billion (or a share of 84%); industrial gases, P418.21 million (11.4%); other fuels, P75.50 million (2.06%); real estate, P46.99 million (1.28%); hotel operations, P39.73 million (1.08%); and interest & rental income, P6.40 million (0.17%). Total revenues for 2012 represent a growth of 15.53% from the previous year's P3.177 billion.

As indicated in previous reports, LPG, industrial gases, and other fuels are product lines handled by the subsidiary, Pryce Gases, Inc. (PGI) while real estate and hotel operations are the responsibility of the mother company, Pryce Corp. PGI's financial accounts were consolidated with those of its subsidiary, Oro Oxygen Corporation (OOC) starting January 1, 2012.

Revenue and Volume Growth

Revenues from LPG sales in Peso terms improved by 13.45% to P3.083 billion. Sales volume of LPG for household cooking inched up by 7.75% to 46,827 MT, valued at P2.63 billion, while sales volume of autogas (LPG for automotive use) rose by 8.87% to 6,366 MT, valued at P384.16 million. The balance of LPG-related sales consisted of cylinders, accessories and stoves, valued at P69.39 million.

Industrial gas sales jumped by 88.5% to P418.21 million while volume sales soared by 122.39% to 898,299 cylinders. These dramatic increases are primarily the result of accounting procedure. The figures for 2012 include the consolidation of accounts with OOC (which has a very significant industrial gas operations) while the 2011 figures do not. The principal product, oxygen, turned in sales of P293.16 million which was higher by 81.63% from the year-before figure. In terms of volume, a total of 782,677 cylinders of oxygen were sold, which is an improvement of 118.02% from the preceding year's 358,925 cylinders.

Sales of other fuels (gasoline and diesel) dropped by close to 50% but this is not very significant because these other fuels are just "filler" products to enable the company's autogas stations to have a more-or-less full complement of fuel products for the convenience of motorists. These other fuels also have low margins as they are merely supplied by other local industry players, unlike LPG which is directly imported by the company.

Real estate sales at P46.99 million for the year represent a significant increase of 21.71% from the previous period's P38.61 million. Sales from hotel operations barely moved from P39.48 million in 2011 to P39.73 million in 2012.

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

REVENUES			
PRYCE CORPORATION (PC)			
	2012	**2011**	Percent Growth/ (Decline)
Real Estate	46,991,947	38,611,305	21.7%
Hotel	39,732,318	39,475,639	0.65%
Rental	5,969,946	8,159,158	-26.83%
Interest	434,554	1,765,922	-75.39%

REVENUES			
PRYCE GASES, INC. & Subsidiary (OOC)			
	2012	**2011**	

VOLUME			
PRYCE GASES, INC. & Subsidiary (OOC)			
	2012	**2011**	

	Post-consolidation figures	Pre-consolidation figures	Percent Growth/ (Decline)
LPG	3,013,679,164	2,669,136,494	12.9%
Industrial Gas	418,208,851	221,866,410	88.5%
Fuel	75,313,325	148,902,458	-49.42%

	Post-consolidation figures	Pre-consolidation figures	Percent Growth/ (Decline)
LPG (in kgs)	53,193,843	49,306,729	7.88%
Industrial Gas (cyl.)	898,299	403,931	122.39%
Fuel (liters)	1,629,889	3,228,805	-49.52%

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.

Market Demand and Price Movement

International contract prices of LPG (the price at which the industry imports the product from offshore suppliers) started at US$892 per metric ton in January, 2012 rising in the next two months and then declining steadily in the 2nd quarter to a low of US$606.50/MT in July. In August, it went up to US$775/MT, rose to a peak of US$1001/MT in November and dropped to US$982/MT in December. As a result, domestic retail prices of LPG seesawed during the year, beginning at P68.63/kg. in January, moved up to a high of P81.10/kg in March and from there went on a decline to a low of P56.27/kg. in July. It rose anew starting August at P62.77/kg and settled at P69.77/kg in December.

This price fluctuation seems to have no direct impact on sales volume. On average, the company's selling price to its dealers and distributors grew from P53.75/kg in 2011 to P56.15/kg in 2012 or a modest increase of 4.46%. The market hardly felt this price movement as total volume of LPG sales swelled by 7.88% from 49,307 MT in 2011 to 53,194 MT in 2012.

In the industrial gas segment, the average prices of oxygen, acetylene, and other gases all declined significantly owing to the consolidation of the OOC accounts. OOC operates in Luzon which is a highly competitive area with more industry players and where the company has less flexibility to dictate prices. Sales volume surged by 122.39% from 403,931 cylinders in 2011 to 898,299 cylinders in 2012 for reasons indicated previously. The growth was most pronounced for acetylene where volume soared to 83,379 cylinders from 38,382 cylinders of the previous year.

Competition

As stated elsewhere in this presentation, for the year 2012, the Dept. of Energy reported that the company's share of the LPG market by geographical division is as follows: 22.10% in Mindanao, 18.27% in the Visayas and 4.33% in Luzon. Overall, the company has a 4.81% share in the country's total LPG market. This seemingly unimpressive share stems from the fact that the company has hardly made a dent in the Luzon market, the largest among the three geographical regions. In the industrial gas market, Management estimates that the company has market shares of 30% in Mindanao and 20% in the Visayas.

The measly share of the company in the Luzon LPG market is expected to improve dramatically in the next few years as PryceGas opens its first marine LPG terminal in Luzon located in San Fabian, Pangasinan. The terminal will open with a storage capacity of some 3,800 MT by the middle of 2013, increasing to about 5,700 MT by the end of that year, thus allowing the company to import bigger volumes in single shipments, resulting in better scale economies. This will make the company much more competitive, enabling it to make inroads into the fertile Luzon retail market.

Like in the Visayas and Mindanao, Pryce Gas' major competitors in Luzon will be the big players Gasul (owned by Petron) and what used to be Shellane, now renamed "Solane" when Shell Philippines sold its interest to Isla Gas. However, the Luzon market is much more complicated, with the presence of so many independent players that reportedly account for some 40% of the LPG market in Luzon. In any event, these same independent players constitute a large prospective wholesale market for PryceGas when its San Fabian terminal opens for business.

Profitability

Gross margin for LPG sales for the year settled at 17.69% of sales, or almost equal to the previous year's 17.86%. Gross margin for industrial gas reached 35.55%, slightly higher than the previous year's 34.73%. For other fuels, gross margin was up at 11.9%, compared to the year-ago figure of 8.04%.

Real estate sales realized a gross margin of 87.07% or a tad higher than the preceding year's 85.93%. The substantial margin from real estate sales stems from the fact that the bulk of revenues emanate from very high-margin memorial lot sales. Hotel operations attained a gross margin of 11.07%, lower than the previous year's 20.35%.

Total costs and expenses for the year under review amounted to P3.543 billion, resulting in a net operating income of P127.22 million, which is significantly higher than the prior year's P108.70 million. Other income (consisting mainly of gain on sale of investment held for trading and foreign exchange gain but net of finance cost) reached P51.56 million, or roughly 10% higher than the previous period's P46.90 million. This yields a pre-tax net income of P178.79 million for the year. Income tax expense amounted to P39.30 million, resulting in a net income after tax of P139.49 million, which is an improvement of 7.46% from the year-before figure of P129.81 million.

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

PROFITABILITY			
PRYCE CORPORATION (PC)			
	2012	**2011**	Percent Growth/ (Decline)
Gross Margin (%)			
Real estate	87.07%	85.93%	1.3%
Hotel operations	11.07%	20.36%	-45.6%
Return on Assets (%)	0.09%	0.07%	28.6%
Return on Equity (%)	0.15%	0.13%	15.38%
Net profit margin (%)	3.08%	2.88%	6.9%

PROFITABILITY			
PRYCE GASES, INC. & Subsidiary (OOC)			
	2012	**2011**	Percent Growth/ (Decline)
	Post-consolidation	Pre-consolidation	
Gross Margin (%)			
LPG	17.69%	17.86%	-.95%
Industrial Gas	35.55%	34.73%	2.36%
Fuel	11.89%	8.03%	48.06%
Return on Assets (%)	3.91%	3.69%	5.96%
Return on Equity (%)	6.70%	6.38%	5.02%
Net profit margin (%)	3.82%	3.91%	-2.30%

Liquidity

The company had liquid assets amounting to P351.96 million as of December 31, 2012 broken down into Cash of P257.66 million and Investments held for Trading (marketable securities) of

P94.30 million. This is significantly lower than the liquid assets reported a year ago amounting to P504.52 million, consisting of Cash of P207.75 million and Investments held for Trading of P296.77 million. The reason for the decline is that the company had to monetize the bulk of its marketable securities to fund the ongoing construction of an LPG terminal facility in Luzon, as indicated elsewhere in this report. Other liquid assets consisted of Current Trade & Other Receivables amounting to P260.33 million.

The ability of the company to service its maturing debts and payables is evidenced by the current ratio which stood at 1.22 to 1 as of year-end 2012 while total debt-to equity ratio settled at 1.087 to 1.

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

LIQUIDITY			
PRYCE CORPORATION (PC)			
	2012	**2011**	Percent Growth/ (Decline)
Current ratio	1.25	1.127	10.9%
Debt to equity ratio	0.59	0.64	-7.8%

PRYCE GASES, INC. & Subsidiary (OOC)			
	2012	**2011**	Percent Growth/ (Decline)
	Post-consolidation	Pre-consolidation	
Current ratio	1.2	1.30	-7.69%
Debt to equity ratio	0.71	0.73	-2.74%

<u>Balance Sheet Changes</u>

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

Account Name	% Increase or (Decrease)	Reason for Change
Cash and cash equivalents	24.02%	Due to an increase in collection of trade receivables and increase in revenues.
Financial assets at fair value through profit or loss	(68.22%)	Disposal of marketable securities.
Trade and other receivables	32.31%	Attributed to the increase in revenue.
Inventories	15.88%	Due to increase in LPG inventory purchases and procurement cost of PGI.
Prepayments and other current assets (net)	(8.29%)	Stems amortization of prepaid from expenses.
Trade and other receivables	(59.40%)	Due to reclassification to its proper account.
Due from related parties (net)	(58.15%)	Due to reclassification to its proper account.
Property plant and equipment	5.87%)	Additional acquisition of PPE and increase in construction- in-

		progress account (LPG plant).
Income tax payable	124.31%	Attributed to the increase in net income.
Restructured debts covered by rehabilitation Plan	(41.11%)	Due to reclassification to current liabilities.
Retirement benefit obligations	15.95%	Resulted from additional recognition of benefit obligation for the current year.
Revaluation reserve	(5.53%)	Due to Increase in depreciation of revalued Property Plant and Equipment.
Deficit	(11.68%)	Due to increase of net income in 2012.
Minority interest	(5.71%)	Due to increase of net income in 2012.

Status of Rehabilitation Plan

There has been no significant change in the status of the Company's corporate rehabilitation since the previous report.

2011 Compared to 2010

Consolidated revenues for the year ended December 31, 2011 soared by 41.91% to P3.168 billion from the prior-year's P2.233 billion. This is broken down by product line into P2.718 billion sales of liquefied petroleum gas or LPG (accounting for 85.77% of total revenues); P221.87 million of industrial gases (7.0%); P149.04 million of other fuels (4.70%); P38.61 million of real estate (1.22%); and P39.48 million from hotel operations (1.25%). The balance of P1.77 million represents interest income from installment sales.

(LPG, industrial gases, and other fuels are product lines carried by the subsidiary Pryce Gases, Inc. or PGI while real estate and hotel operations are product lines carried by the mother company, Pryce Corporation.)

Revenue and Volume Growth

The growth in revenues from the year-ago level was mainly driven by sales of LPG which ballooned by 42.97% in Peso terms. This upturn was fueld by both volume and price increases, although the increase was more pronounced for autogas (LPG as automotive fuel) than for cooking gas. Cooking gas sales rose by 39.34% to P2.34 billion but only by 7.92% volume-wise while the auto gas sales surged by 66.34% Peso-wise and by 31.97% volume wise. This stems from the closure of certain competing autogas outlets. Another probable reason for this is that as the price gap between autogas and gasoline widened, sales of autogas could surged. For cooking gas, sales of new LPG cylinders jumped by 88.84%, indicating that the company was expanding its market by tapping new customers.

In industrial gases, oxygen sales rose by 40.38% while acetylene sales improved by a significant 10.95%. Sales of other gases more than doubled, although the substantial rise may be attributed to the low prior-year base figure.

Gasoline sales swelled by an impressive 109.04% to P93.94 million while volume jumped by 65.53% to 1.89 million liters as demand for transport services expands and more vehicular traffic is seen on the road. However, sales volume for diesel dropped by 20.25% (attributable primarily to increased competition) although revenues managed to grow by 1.77% due to the 27.62% increase in price.

In the non-gas category, real estate sales went up by 23.47% while sales from hotel operations improved by 11.23%.

Market Demand and Price Movement

The hefty increase in LPG sales manifests the unrelenting effort of the company to expand its market for both cooking gas and autogas. In cooking gas, this is borne out by the substantial rise of 75% in number of new LPG cylinders sold (although it should be pointed out that a portion of this revenue came from replacement sale of cylinders to be scrapped). The substantial sales growth was registered despite the increase in price of 29.11% (to P53.75 per kg.) for cooking gas and by 26.03% (to P56.98 per kg.) for autogas. Unlike in the past, price increases in the LPG market apparently no longer adversely affect demand, implying a reversal in the behavior of the market.

Oxygen and acetylene sales also went up despite the price increases of 10.12% and 6.45% for these products, respectively. Sales of gasoline also remained impervious to the appreciable price increase of 26.28% as sales volume shot up by 65.53%, as cited above. The same cannot be said, however, in the case of diesel, whose price rose by 27.62% accompanied by a 20.25% drop in sales volume.

Competition

The ability of the company to increase sales revenues despite price increases and tight competition, especially in the LPG market, reflects its highly aggressive marketing stance via its wide network of dealers and the opening of more sales centers. The company also introduced another brand called “Happygaz” which is meant for dealers who want exclusive domain over certain market areas. The fact that LPG sales improved substantially despite the significant price increases also indicates that traditional competing products like wood and charcoal are becoming more and more scarce or also increasing in price, like kerosene.

There is also very stiff competition in the industrial gas market where there are varying competitors, big and small, in the different geographic regions where the company operates. Despite this, Pryce is able to maintain its market share and even register significant growth in sales in recent times.

Profitability

The gross margin for LPG sales (as a whole) improved slightly to 17.86% of revenue from 16.25% of the previous year as the increase in price somewhat outstripped the movement in cost. Gross margin for industrial gases, on its part, dipped to 34.73% from the year-before figure of 39.12% as the company continued to source its supply from other producers. Gross margin of other fuels (gasoline, diesel, etc.) remained at a steady 8-9% of revenue.

Gross margin from real estate sales remained at a high 86% as most revenues come from high-margin memorial lot sales. Gross margin from hotel operations improved to 20.38% because of serious cost-cutting efforts undertaken, including the reduction of manpower through attrition.

Total Costs and Operating expenses amounted to P3.067 billion or 40.1% greater than the prior year’s P2.19 billion (due to higher revenues), resulting in Income from Operations of P100.55 million, which is 2.3 times the preceding year’s figure. Other Income (charges) is a positive P55.06 million, consisting mainly of interment fees, rental income, sale of scrap and unusable materials, gain on sale of marketable securities, and cylinder repair charges; net of finance cost amounting to P18.1 million. This yields a pre-tax net income of P155.6 million, which is an increase of 19.2% over the year-before figure. Income tax expense amounted to P25.8 million, resulting in Net Income after tax of P129.81 million which is a modest 4.38% improvement from the previous year’s P124.35 million.

Liquidity

Cash and near-cash assets of the Company as of December 31, 2011 amounted to P504.52 million, broken down into P207.75 million in cash and P296.77 million in investments held for trading (marketable securities). This is an increase of 21.85% from the P414.06 million of cash and near-cash assets reported a year ago. Current trade and other receivables as of year-end 2011 reached P193.04 million, which is higher by 25.56% from the preceding year's figure.

Current ratio as of year-end 2011 settled at 1.21:1 which is an improvement from the previous year's 1.17:1. Debt-to-equity ratio was recorded at 1.22:1, compared to the year-before figure of 1.24:1.

Balance Sheet Changes

Compared to the December 31, 2010 audited accounts, the significant movements in balance sheet accounts are as shown below.

Account Name	% Increase or (Decrease)	Reason for Change
Cash & cash equivalents	79.44%	Accounted for by increase in sales and cash flow.
Trade and other receivables	25.56%	Due to increase in sales.
Inventories	16.98%	Due to increase in the cost of LPG importations.
Prepayments and other current assets (net)	32.90%	Stems from increase in LPG's prepaid expenses and creditable taxes.
Trade and other receivables	-20.33%	Increase in collection of non-trade receivables.
Investment in associates (net)	-100.00%	Provision of allowance for impairment.
Property, plant and equipment at revalued amounts (net)	-6.15%	Provision for depreciation during the period.
At costs (net)	10.48%	Due to consolidation of affiliate's account.
Accounts payable and accrued expenses	10.72%	Stems from increase in purchases.
Customers' deposits	19.30%	New sales on installment basis.
Restructured debts covered by Rehabilitation Plan	-27.41%	Due to reclassification of account to current liabilities.
Retirement benefit obligations	19.58%	Incremental liability due to vesting rights under retirement plan.
Due to related parties	195.31%	Purchases of supplies from affiliates.
Revaluation reserve	-6.34%	Reduction due to additional depreciation charge of relevant revalued asset.
Deficit	-10.03%	To record net income during the period.

Plans and Prospects

Pryce Corp. will continue to construct memorial parks, including boutique parks in the secondary cites that are constructed as green and landscaped parks with the same amenities as those built earlier.

PC has obtained certain approvals and permits for the development of memorial parks with the respective local governments of the municipality/cities wherein said parks are to be constructed, which are as follows:

(1) Don Carlos, Bukidnon (3.12 hectares) - Although groundbreaking ceremonies were held, the actual commencement of construction activities were however held in abeyance pending issuance of clearances by the government departments of the Agrarian Reform (DAR) and Agriculture (DA).

(2) Brgy. Bit-os, Butuan City (6.19 hectares) - The development permit and environmental clearance for this project have been obtained from the concerned local government offices. Construction activity on this project was put on hold pending issuance of clearances on land use conversion by the Departments of the Agrarian Reform (DAR) and Agriculture (DA).

Funding of the development of the memorial parks come from internally-generated cash and through offsetting arrangements with contractors and suppliers. These parks require substantially lower development costs because they are smaller and may have lesser amenities than the big-city memorial parks that the Company built previously. The Company continues to fund such developments, having been relieved of the burden of debt service resulting from the Court's stay order and implementation of the rehabilitation plan (albeit temporarily set aside by the Court; more on this below) and with reduced overhead costs from previous retrenchments and cost-cutting measures. Given funding constraint, construction of these parks will be phased so that each of them is completed within shorter time frames than if it where wholly constructed.

As mentioned earlier above (Part I, Item 2 - Properties, New Project(s)), the first phase of the Company's new memorial park project in Pagadian City consisting of 5 hectares is estimated to be completed in mid-2014. This project will bring in fresh revenues, although modest in the early years of its operation; the future for this project is bright considering the city's relatively faster economic growth, government infrastructure projects in recent years (it being dubbed a regional center of Western Mindanao), and stable peace and order conditions.

As has been reported above, PGI has established a beachhead in the Luzon market, following the completion in mid 2013 of its initial 3,800-MT capacity in San Fabian, Pangasinan, which consists of two (2) 1,900-MT marine-fed LPG storage Tanks 1 and 2. PGI officially signalled its foray into the highly competitive Luzon market when Tanks 1 and 2 received its maiden load of imported LPG in 2013. As of the end of 2013, another 1,900-MT LPG storage tank (Tank No. 3) was under construction; this is expected to be finished in March 2014.

In compliance with the court-approved rehabilitation plan, PGI continuously pays its amortizations on its P1.25 billion restructured debt, which has been reduced by almost 86% or to an amount of Php 177.39 million as of December 31, 2013. The balance of its debts (non-restuctured credits) is to be paid off via dacion en pago with a remaining balance of almost Php 262.3 million out of the original amount of about Php 2.0 billion.

Pryce Corp., on the other hand, will continue to settle its outstanding debts with its creditor banks through dacion en pago pursuant to the terms of its court-approved rehabilitation plan until it becomes a debt-free company. The Supreme Court has not yet ruled on the Company's pending Second Motion for Reconsideration in the case against China Banking Corporation as of yearend 2013.

PC aims to focus its real estate business solely on memorial park selling and development. The Company will thus continue to dispose of its remaining non-memorial park inventories such as subdivisions and commercial lots, either through regular selling or through dacion which was mandated by the court in PC's rehabilitation plan. The remaining product lines of both PC and PGI, after disposal of said inventories, will then consist of memorial parks, LPG, and industrial gases.

Compliance with Corporate Governance

The Company has adopted a Manual of Corporate Governance (the "Manual;" revised in March 2011) to institutionalize sound corporate governance practices, enhance investor protection, and increase accountability. According to the Manual, the Company shall appoint a Compliance Officer who has direct reporting responsibilities to the Chairman of the Board of Directors and monitors compliance with corporate governance matters. Likewise, pursuant to the requirements of the Manual, different board committees had been constituted at the Board's Organizational Meeting in 2011 as follows:

Board Audit Committee

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

(i) Enerlito G. de Mesa – *Chair* (Independent Director)
(ii) Efren A. Palma – Member
(iii) Roland Joey R. de Lara – Member (Independent Director)

Board Nomination Committee

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

(i) Salvador P. Escaño – *Chair*
(ii) Efren A. Palma – Member
(iii) Roland Joey R. de Lara – Member (Independent Director)

Board Compensation and Remuneration Committee

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

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

The Company adopted the evaluation system proposed by the Securities and Exchange Commission in order to measure or determine the level of compliance of the Board of Directors and the Management with corporate governance practices. For the year 2011, the Company has substantially observed and complied with the provisions in the Manual and no culpable deviation from the Manual has been noted or observed.

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

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

<u>Current Accountants</u>

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; and Mr. Jozel Francisco C. Santos for 2013.

Following are the fees paid to DMD for 2013 and the preceding years 2012, 2011, and 2010:

Year	External Audit Fee [1]	Tax Fees [2]	Other Fees [3]	Aggregate Fees
2010	P 480,000.00	---	---	P 480,000.00
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

The above fees are exclusive of VAT.

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, 2013:

Name	Age	Position with the Company
BOARD OF DIRECTORS		
Salvador P. Escano*	62	Chairman & Chief Executive Officer
Nilo S. Ezequiel	63	President & Chief Operating Officer
Ramon R. Torralba	69	Director
Efren A. Palma	48	SEVP- Chief Finance Officer
Simeon S. Umandal	72	FVP-Corporate Secretary
Enerlito G. De Mesa	68	Independent Director

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.

Roland Joey R. de Lara	60	Independent Director

EXECUTIVE OFFICERS
Pryce Corporation(Parent Company)

Nilo S. Ezequiel	63	President & Chief Operating Officer
Efren A. Palma	48	SEVP- Chief Finance Officer
Benjamin P. Escaño*	61	SVP – Head Northern Mindanao
Jose Ma. L. Escano*	50	SVP - Head Southern Mindanao
Simeon S. Umandal	72	FVP-Corporate Secretary
Erica P. Encabo	34	Corporate Information & Compliance Officer

Pryce Gases, Inc. (Subsidiary)

Salvador P. Escano*	62	Chairman
Rafael P. Escano*	54	President
Efren A. Palma	48	Senior EVP- Chief Finance Officer
Jose Ma. L. Escano*	50	SVP/REO Southern Mindanao Opns
Alexis M. Solatre	51	SVP/REO Central Visayas Opns
Gabriel I. Macion	50	SVP-Technical Services Dept.
Simeon S. Umandal	72	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.

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 holds a Masters degree in Business Administration from the University of the Philippines.

Nilo S. Ezequiel has over thirty years of experience in the field of construction, real estate development and financial management. He previously served as Treasurer/Corporate Finance Officer of Philippine National Construction Corporation and Director of several other corporations. He served as Chief Financial Officer of Pryce Corporation until 2005. He finished A.B. Economics and Master of Business Administration at 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 Concepcion College in Ozamis City.

Rafael P. Escaño has about thirteen 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.

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.

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 Threshhold 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.

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

(a) Name and principal position	(b) Year	(c) Salary (P) ('000) (estimated)	(d) Bonus (P) ('000) (estimated)	(e) Other Annual Compensation
Salvador P. Escaño Chairman	2011	1,840	30	N.A.
Nilo S. Ezequiel President	2011	892	30	N.A.
Efren A. Palma Sr. EVP – Chief Finance Officer	2011	712	30	N.A.
Benjamin P. Escano SVP – NMO	2011	809	30	N.A.

All officers and directors as a group	2011	5,552	338	N.A.

(a) Name and principal position	(b) Year	(c) Salary (P) (‘000) (estimated)	(d) Bonus (P) (‘000) (estimated)	(e) Other Annual Compensation
Salvador P. Escaño Chairman	2012	1,969	30	N.A.
Nilo S. Ezequiel President	2012	954	30	N.A.
Efren A. Palma Sr. EVP – Chief Finance Officer	2012	762	30	N.A.
Benjamin P. Escano SVP – NMO	2012	865	30	N.A.
All officers and directors as a group	2012	5,940	338	N.A.

(a) Name and principal position	(b) Year	(c) Salary (P) (‘000) (estimated)	(d) Bonus (P) (‘000) (estimated)	(e) Other Annual Compensation
Salvador P. Escaño Chairman	2013	1,969	30	N.A.
Nilo S. Ezequiel President	2013	954	30	N.A.
Efren A. Palma Sr. EVP – Chief Finance Officer	2013	762	30	N.A.
Benjamin P. Escano SVP – NMO	2013	865	30	N.A.
All officers and directors as a group	2013	5,940	338	N.A.

A performance-based salary increase was implemented in 2012 ranging from 6% to 8%, depending on employee’s performance appraisal. No increase or adjustment was made on the employees’ salaries in 2013. 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, 2012)

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, 2013, except as set forth hereafter:

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner[4]	Citizenship	No. of Shares Held	Percent to Total of Class
Common	Guild Securities, Inc.	Various[5]	Filipino	1,176,638,339	58.83%
	Pryce Development Corporation	Pryce Development Corporation is also the beneficial owner[6]	Filipino	194,914,512	9.75%
	Salvador P. Escaño ITF Pryce Development Corp.	Mr. Escaño is a director of Pryce Development Corporation		1,684,450	0.08%
	Fernando L. Trinidad ITF Pryce Development Corp.	Mr. Trinidad was a former director of Pryce Development Corporation		417,000	0.02%
	Ramon R. Torralba ITF Pryce Development Corp.	Atty. Torralba is a director of Pryce Development Corporation		90,000	0.005%
	Hinundayan Holdings Corporation (affiliate of the Issuer)	Hinundayan Holdings Corporation is also the beneficial owner[7]	Filipino	160,708,000	8.04%
	Pryce Securities, Inc. Affiliate of the Issuer	Various[8]	Filipino	106,154,000	5.31%

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.*

- *Pryce Securities, Inc. , (PSI) operated as a stock brokerage firm located at the 16/F, Pryce Center, 1179 Chino Roces Ave.,Makati City, which also holds shares for the account its clients. PSI voluntarily suspended its trading operations on December 4, 2002.*

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 Pryce Development Corporation has the power to decide how its shares will be voted and has authorized Mr. Salvador P. Escaño to vote the shares of Pryce Development Corporation.

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

8 Pryce Securities, Inc. is an inactive stock brokerage firm which voluntarily suspended its trading operations on December 4, 2002. It is holding shares for its own account and that of its clients.

- *Pryce Development Corporation is a holding firm located at 17/F, Pryce Center, 1179 Chino Roces Ave., Makati City. (As of this writing Pryce Gases, Inc. holds 43.33% of the total outstanding capital stock of this corporation, of which Mr. Salvador P. Escaño is Chairman.)*

- *Hinundayan Holdings Corporation is another holding firm located at 17/F, Pryce Center, 1179 Chino Roces Ave., Makati City, of which Mr. Salvador P. Escaño holds 62.50% of the total outstanding capital stock of the Corporation*

Security Ownership of Management (as of December 31, 2013)

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	0	Filipino	1.675%
	Ramon R. Torralba, Jr.	13,806	0	Filipino	0.001%
	Nilo S. Ezequiel	179,796	0	Filipino	0.009%
	Efren A. Palma	100	0	Filipino	0.000%
	Simeon S. Umandal	574,950	0	Filipino	0.029%
	Roland Joey R. de Lara	100	0	Filipino	0.000%
	Enerlito G. de Mesa	50	0	Filipino	0.000%
	Benjamin P. Escaño	75,421	0	Filipino	0.004%
	Jose Ma. L. Escaño	15,963	0	Filipino	0.001%

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. 20 under the heading *Related Party Transactions* in the Notes to the audited Financial Statements of the Accountants.

PART IV EXHIBITS AND SCHEDULES

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 2013.

The Company filed reports with the following dates under SEC Form 17-C within the calendar year ending December 31, 2013:

January 28, 2013 – on the required certifications under the Company's Manual on Corporate Governance, specifically on the extent of its compliance therewith and on the attendance of its directors in board meetings for the calendar year ending December 31, 2012.

April 24, 2013 – on the postponement of its Annual Stockholders Meeting scheduled, under its By-Laws, for the fourth Wednesday of May, to a date later to be announced to enable the Management to prepare the reports and other matters for the approval of its stockholders.

May 8, 2013 – setting the Annual Stockholders' Meeting on June 27, 2013 and the record date therefor on June 7, 2013.

June 27, 2013 – on the results of the Annual Stockholders' Meeting and the Organizational Meeting of the Board of Directors held immediately thereafter.

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 25, 2014.

PRYCE CORPORATION
By:

SALVADOR P. ESCAÑO
Chairman & CEO

NILO S. EZEQUIEL
President & COO

EFREN A. PALMA
Sr. Executive Vice President

SIMEON S. UMANDAL
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 25th day of April 2014 affiants exhibiting to me their driver's licenses, as follows:

Name	Driver's License No.	Issued On
Salvador P. Escaño	C10-75-021861	11.14.15

Name	Driver's License No.	Issued On
Nilo S. Ezequiel	N15-75-016676	09.25.15
Efren A. Palma	M02-92-019608	06.20.16
Simeon S. Umandal	NO3-88-07-0094	02.18.15

Doc. No. 189
Page No. 38
Book No. 1
Series of 2014

ATTY. NENITA C. CHUA
NOTARY PUBLIC - MAKATI CITY
COMM. NO. M-280 / UNTIL DECEMBER 31, 2015
1179 DON CHINO ROCES AVE., MAKATI CITY
PTR NO. 4229252 / 01-03-14 / MAKATI CITY
IBP. NO. 950586 / 01-03-14 / MANILA II
ROLL NO. 44937

PRYCE CORPORATION
17/F, Pryce Center 1179 Chino Roces Avenue Cor. Bagtikan, Makati City
☎ (+63 2) 899-4401
(+63 2) 899-6862
website: www.prycegardens.com

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 statementsfor the yearsended December 31, 2013 and 2012, in accordance with Philippine Financial Reporting Standards. 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 suchexamination.

Salvador P. Escaño
Chairman of the Board and Chief Executive Officer

Nilo S. Ezequiel
President and Chief Operating Officer

Efren A. Palma
Chief Finance Officer

APR 2 8 2014

Signed this 11th day of April 2014

SUBSCRIBED AND SWORN to before me this ___ day of April 2014 affiants exhibiting to me their driver's licenses, as follows:

Name	Driver's License No.	Issued On
Salvador P. Escaño	C10-75-021861	11.14.15
Nilo S. Ezequiel	N15-75-016676	09.25.15
Efren A. Palma	M02-92-019608	06.20.16

Doc. No. 477
Page No. 97
Book No. 7
Series of 2014

ATTY. [illegible]
NOTARY PUBLIC
Until December 31, 2015
Appt. No. M-44, Makati City
IBP #942830, Nov. 12, 2013-RSM
PTR #4225542, Jan. 02, 2014-Makati
S.C. Roll No. 59597
MCLE Compliance No. IV-0011330
Unit 6E Cityland Herrera Tower, #98 Rufino St
cor Valero St., Salcedo Village, Makati City

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
Makati City, Philippines

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **Pryce Corporation and Subsidiaries,** which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Pryce Corporation and Subsidiaries** as at December 31, 2013 and 2012, and their financial performance and their cash flows for the years then ended 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, 2014
SEC Accreditation No. 0192-FR-1, Group A, effective until March 24, 2016
BIR Accreditation No. 08-001911-0-2013, effective until April 01, 2016

by:

Jozel Francisco C. Santos, Jr.
Partner
CPA Certificate No. 89044
SEC Accreditation No. 1070-AR-1, Category A, effective until December 16, 2016
Tax Identification No. 173-035-673
PTR No. 4244794, January 17, 2014, Makati City
BIR Accreditation No. 08-001911-9-2013, effective until April 01, 2016

April 11, 2014

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Financial Position

		As at December 31				As at January 1
		2013		2012 As restated (see Note 26)		2012 As restated (see Note 26)
ASSETS						
Current Assets						
Cash - note 6	**P**	**205,736,478**	P	257,659,547	P	207,750,259
Financial assets at fair value through profit or loss (FVPL) - note 7		**137,388,244**		94,302,320		296,771,694
Trade and other receivables (net) - note 8		**376,038,250**		261,068,361		200,944,332
Inventories - note 9		**632,158,209**		581,267,973		501,592,302
Real estate projects - note 10		**1,231,305,959**		1,196,774,081		1,202,421,114
Prepayments and other current assets - note 11		**47,281,477**		41,700,634		35,004,007
		2,629,908,617		2,432,772,916		2,444,483,708
Noncurrent Assets						
Trade and other receivables - note 8		**2,148,807**		4,818,951		23,919,217
Due from related parties (net) - note 20		**23,246,170**		47,357,635		113,174,592
Property, plant and equipment - notes 12 and 13		**2,217,602,950**		2,057,148,071		1,943,084,078
Assets held for dacion en pago - note 14		**197,662,548**		197,662,548		197,662,548
Deferred tax assets - note 28		**16,539,701**		-		-
Other noncurrent assets (net) - note 15		**68,897,066**		68,897,066		68,897,066
		2,526,097,242		2,375,884,271		2,346,737,501
TOTAL ASSETS	**P**	**5,156,005,859**	P	4,808,657,187	P	4,791,221,209
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and other payables - note 16	**P**	**845,461,108**	P	740,445,148	P	763,960,016
Income tax payable		**24,776,383**		13,159,482		5,866,573
Restructured debts covered by the Rehabilitation Plan - note 18		**59,128,812**		102,060,234		107,135,475
Short-term debt - note 17		**185,000,000**		-		-
Debts for dacion en pago covered by the Rehabilitation Plan - note 18		**1,029,563,852**		1,018,442,117		1,026,726,376
Customers' deposits - note 21		**124,856,908**		108,233,363		103,232,962
		2,268,787,063		1,982,340,344		2,006,921,402
Noncurrent Liabilities						
Restructured debts covered by the Rehabilitation Plan - note 18		**118,257,627**		166,634,173		282,968,523
Retirement benefit obligation - note 27		**168,541,013**		152,826,550		149,697,298
Due to related parties - note 20		**158,807,011**		158,807,011		160,079,996
Deferred tax liabilities - note 28		**72,826,802**		83,781,234		80,453,652
		518,432,453		562,048,968		673,199,469
TOTAL LIABILITIES	**P**	**2,787,219,516**	P	2,544,389,312	P	2,680,120,871

(Forwarded)

		As at December 31			As at January 1
		2013		2012 As restated (see Note 26)		2012 As restated (see Note 26)
Equity						
Equity attributable to equity holders of the Parent Company						
Capital stock - note 19	**P**	**2,000,000,000**	P	2,000,000,000	P	2,000,000,000
Additional paid-in capital		**271,834,820**		271,834,820		271,834,820
Deficit	**(**	**1,071,789,521)**	(	1,177,119,489)	(	1,320,702,969)
Fair value gain on real estate properties - note 30		**1,030,726,843**		1,030,726,843		1,030,726,843
Other comprehensive income - note 25		**117,172,921**		119,144,606		110,623,168
		2,347,945,063		2,244,586,780		2,092,481,862
Non-controlling interest		**20,841,280**		19,681,095		18,618,476
TOTAL EQUITY		**2,368,786,343**		2,264,267,875		2,111,100,338
TOTAL LIABILITIES AND EQUITY	**P**	**5,156,005,859**	P	4,808,657,187	P	4,791,221,209

(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		
	2013	2012 As restated (see Note 26)	2011 As restated (see Note 26)
REVENUES			
Liquefied petroleum and industrial gases and fuel - note 21	**P 3,810,695,703**	P 3,576,781,405	P 3,088,542,760
Real estate sales	**54,323,539**	46,991,947	38,611,305
Hotel operations	**40,063,510**	39,732,318	39,475,639
Interest	**664,229**	434,554	1,765,922
	3,905,746,981	3,663,940,224	3,168,395,626
COST OF SALES			
Liquefied petroleum and industrial gases and fuel - note 22	**3,066,341,395**	2,873,824,581	2,514,035,127
Real estate	**5,520,491**	6,076,488	5,431,393
Hotel operations - note 22	**35,691,142**	35,335,931	31,439,729
	3,107,553,028	2,915,237,000	2,550,906,249
GROSS PROFIT	**798,193,953**	748,703,224	617,489,377
OPERATING EXPENSES			
Selling expenses - note 23	**304,386,696**	298,204,950	233,618,302
General and administrative expenses - note 23	**347,158,948**	339,016,030	293,851,402
	651,545,644	637,220,980	527,469,704
INCOME FROM OPERATIONS	**146,648,309**	111,482,244	90,019,673
OTHER INCOME (CHARGES)			
Finance cost - note 18	**(14,162,922)**	(17,099,745)	(18,097,614)
Fair value adjustments - note 7	**(44,704,170)**	2,439,672	23,221,802
Other income (net) - note 24	**31,748,206**	72,194,713	49,934,524
	(27,118,886)	57,534,640	55,058,712
INCOME BEFORE INCOME TAX	**119,529,423**	169,016,884	145,078,385
INCOME TAX EXPENSE - note 28	**(20,594,020)**	(33,045,770)	(25,797,247)
NET INCOME FOR THE YEAR	**P 98,935,403**	P 135,971,114	P 119,281,138
OTHER COMPREHENSIVE INCOME			
Remeasurement gains on retirement benefit obligation (net of tax)	**3,316,641**	14,593,928	733,017
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**P 102,252,044**	P 150,565,042	P 120,014,155
Total net income attributable to:			
Equity Holders of the Parent Company	**P 97,184,246**	P 133,564,425	P 117,169,862
Non-controlling interest absorbed by the Parent Company	**590,972**	1,344,070	2,111,276
Non-controlling interest	**1,160,185**	1,062,619	-
	P 98,935,403	P 135,971,114	P 119,281,138
EARNINGS PER SHARE - note 29	**P 0.049**	P 0.068	P 0.060

(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		
	2013	2012 As restated (see Note 26)	2011 As restated (see Note 26)
CAPITAL STOCK - note 19	**P 2,000,000,000**	P 2,000,000,000	P 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 30	**1,030,726,843**	1,030,726,843	1,030,726,843
OTHER COMPREHENSIVE INCOME - note 25	**117,172,921**	119,144,606	110,623,168
DEFICIT			
At beginning of year, as previously reported	**(1,112,211,048)**	(1,259,312,009)	(1,399,751,499)
Effect of adoption of the revised PAS 19 - note 26	**(64,908,441)**	(61,390,960)	(50,865,615)
At beginning of year, as restated	**(1,177,119,489)**	(1,320,702,969)	(1,450,617,114)
Net income for the year	**98,935,403**	135,971,114	119,281,138
Transfer of revaluation reserve deducted from operations through additional depreciation charges	**7,554,750**	8,674,985	10,633,007
Share of non-controlling interest on shares of subsidiaries	**(1,160,185)**	(1,062,619)	-
At end of year	**(1,071,789,521)**	(1,177,119,489)	(1,320,702,969)
	2,347,945,063	2,244,586,780	2,092,481,862
NON-CONTROLLING INTEREST			
At beginning of year	**19,681,095**	18,618,476	-
Share of non-controlling interest on shares of subsidiaries	**1,160,185**	1,062,619	18,618,476
At end of year	**20,841,280**	19,681,095	18,618,476
TOTAL EQUITY	**P 2,368,786,343**	P 2,264,267,875	P 2,111,100,338

(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		
	2013	2012 As restated (see Note 26)	2011 As restated (see Note 26)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**P 119,529,423**	P 169,016,884	P 145,078,385
Adjustments for :			
Depreciation and amortization - notes 12 and 13	**206,279,721**	208,130,892	198,856,540
Finance costs - note 18	**14,162,922**	17,099,745	18,097,614
Retirement benefit expense - note 27	**21,993,723**	25,278,636	25,568,292
Unrealized gain on financial assets at FVPL- note 7	**44,704,170**	(2,439,672)	(23,221,802)
Unrealized foreign exchange (loss) gain	**7,300,379**	(27,071,869)	(597,398)
Gain on sale of financial assets at FVPL - note 7	**(3,487,586)**	(34,510,946)	(5,186,939)
Loss (gain) on sale of property, plant and equipment - note 24	**1,336,086**	3,830,253	(2,791,733)
Interest income	**(825,969)**	(792,660)	(2,069,746)
Dividend income - note 24	**(28,283,384)**	(204,290)	(117,670)
Bargain purchase - note 1	**-**	-	(6,441,294)
Provision for impairment losses - note 12	-	-	523,000
Operating income before working capital changes	**382,709,485**	358,336,973	347,697,249
Decrease (increase) in assets:			
Trade and other receivables	**(19,255,813)**	(44,472,278)	(7,597,505)
Inventories	**(62,081,947)**	(79,675,671)	(59,811,035)
Prepayments and other current assets	**(26,596,149)**	(12,308,712)	(6,380,220)
Real estate projects		5,647,033	3,662,994
Increase (decrease) in liabilities:			
Trade and other payables	**40,821,576**	(32,933,845)	39,262,586
Customers' deposits	**16,623,545**	5,000,401	16,704,276
Net cash generated from operations	**332,220,698**	199,593,901	333,538,345
Interest received	**825,969**	792,660	2,069,746
Finance costs paid	**(861,550)**	(3,092,392)	(4,524,632)
Income taxes paid	**(15,080,836)**	(17,077,189)	(20,454,185)
Net cash generated from operating activities	**317,104,281**	180,216,980	310,629,274
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment - notes 12 and 13	**(374,159,711)**	(330,581,730)	(83,107,398)
Proceeds from sale of property, plant and equipment	**6,089,026**	4,556,592	10,072,502
Additions to financial assets at FVPL - note 7	**(127,518,289)**	(167,122,429)	(125,090,865)
Dividend received - note 24	**1,962,166**	204,290	117,670
Proceed from sale of financial assets at FVPL- note 7	**43,215,781**	406,542,421	155,007,554
Granting of advances to related parties	**(243,965)**	(5,788,828)	(282,238)
Collection of due from related parties	**908,621**	71,792,974	-
Payment for the acquisition of a subsidiary net of minority interest and cash acquired - note 1	-	-	(68,382,930)
Net cash used in investing activities	**(449,746,371)**	(20,396,710)	(111,665,705)

(Forwarded)

	For the Years Ended December 31		
	2013	2012 As restated (see Note 26)	2011 As restated (see Note 26)
Payment of restructured debts covered by the rehabilitation plan	**(104,183,269)**	(107,135,475)	(106,107,493)
Retirement benefit payment from book reserves - note 27	**(1,541,203)**	(1,300,914)	(461,989)
Proceeds received from borrowings	**185,000,000**	-	-
Availment of due to related parties	**114,642**	11,491	-
Settlement of due to related parties	**-**	(1,471,665)	(423,590)
Net cash generated from (used in) financing activities	**79,390,170**	(109,896,563)	(106,993,072)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**1,328,851**	(14,419)	338
NET INCREASE (DECREASE) IN CASH	**(51,923,069)**	49,909,288	91,970,835
CASH - note 6			
AT BEGINNING OF YEAR	**257,659,547**	207,750,259	115,779,424
AT END OF YEAR	**P 205,736,478**	P 257,659,547	P 207,750,259

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

1. CORPORATE INFORMATION AND AUTHORIZATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

Name of Company	SEC Registration No.	Date of Incorporation
Pryce Corporation	168063	September 7, 1989
Pryce Gases, Inc.	145091	October 8, 1987
Oro Oxygen Corporation	200627023	April 4, 2006

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) and are not currently traded due to the Corporate Rehabilitation of the Parent Company and its subsidiary.

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:

			Ownership	
Subsidiaries	**Nature of Business**	**Year End**	**2013**	2012
Pryce Gases, Inc. (PGI)	Manufacturer/Distributor of Industrial Gases and Liquified Petroleum Gas (LPG)	December 31	**98.23%**	98.23%
Oro Oxygen Corporation (OOC)	Importation, trading, and marketing in general merchandise, industrial, medical and other gases and LPG	December 31	**74.13%**	74.13%

<u>PGI</u>

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.

As at the end of the reporting period, PGI has 16 LPG terminals and various refilling plants of varying storage capacities.

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 December 16, 2011, a Deed of Assignment was executed between Mindanao Gardens, Inc. (the "Assignor") and Pryce Gases, Inc. (the "Assignee"), whereas the Assignor transfers, conveys, sells, cedes and assigns all his rights, title and interest in the One Hundred Million (100,000,000) shares of OOC, with a par value of P1 per share, unto the Assignee. Consequently, PGI has obtained 75.47% interest of the outstanding capital stock of OOC.

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

Total consideration transferred	P100,000,000
Recognized amounts of identifiable assets acquired and liabilities assumed as at December 31, 2011:	

Current assets	P 72,945,611
Noncurrent assets	216,523,236
Current liabilities	(58,582,110)
Noncurrent liabilities	(105,826,967)
Net assets	125,059,770
Less: Share of non-controlling shareholders	18,618,476
	106,441,294
Total consideration transferred	(100,000,000)
Bargain purchase gain – negative goodwill – note 24	P 6,441,294

Acquisition-related costs related to this have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended December 2011. No revenue was included in the consolidated statement of comprehensive income since PGI gained control only on December 16, 2011 and that the revenue and expenses from that period up to December 31, 2011 was immaterial.

Had there been a consolidation from January 1, 2011, the consolidated statement of comprehensive income would show increase of revenue by P491,496,893 and increase in net income by P2,937,667.

The Group's registered office address is at 17th Floor Pryce Center, 1179 Don Chino Roces Avenue, Makati City.

Authorization for issue of the consolidated financial statements

The consolidated financial statements of the Group as at December 31, 2013, including the comparatives as at December 31, 2012, and for each of the three years in the period ended December 31, 2013 were reviewed, approved and authorized for issue by the Board of Directors on April 11, 2014.

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 P500,000.

Certain guidelines on payments covered by dacion en pago in the Rehabilitation Plan are fully disclosed in Note 18.

Reversal of the Rehabilitation Plan

China Banking Corporation (CBC) a creditor bank, appealed to the Court of Appeals (CA) assailing the RTC Orders on the Company's rehabilitation plan and on July 28, 2005, the CA promulgated its decision stating that the Orders of the RTC are hereby reversed and set aside. The Parent Company filed a motion for reconsideration but denied by the CA.

On June 9, 2006, the Parent Company filed a petition for review of the CA decision with the Supreme Court (SC), upon which the petition was given due course and the assailed decision and resolution of the CA should be reversed and set aside but the SC denied the Parent Company's appeal and remanding the records to the RTC-Makati for further proceedings to determine the merits of the Parent Company's petition for corporate rehabilitation. The Parent Company, however, filed on February 29, 2008 its Omnibus Motion for Reconsideration and Referral to the court en banc, while CBC filed its own Motion for Reconsideration appealing that the SC should have categorically set aside the Parent Company's rehabilitation plan and that its petition for rehabilitation should not have been remanded to the lower court.

On August, 16, 2008, the SC denied the Parent Company and CBC's Motions for Reconsideration through SC's resolution dated June 16, 2008. On September 9, 2008, the Parent Company filed Motion for Leave to File a Second Motion for Reconsideration because the SC's decision conflicts with its earlier decision (with finality) upholding the approved rehabilitation plan of the Parent Company on the Bank of Philippine Islands (BPI) case and ignores the Interim Rules of the SC governing corporate rehabilitation.

On September 27, 2008, CBC filed an extra judicial foreclosure of Parent Company's assets located in Davao City. On November 4, 2008, however, the RTC-Makati issued an order directing CBC's officers to stop and desist from proceeding with the foreclosure of the Parent Company's assets. On December 23, 2008, CBC filed an appeal with the CA challenging the RTC's aforementioned order but the CA has yet to issue a ruling on CBC's appeal. On February 16, 2009, the Parent Company received a resolution from the SC dated January 14, 2009 which noted the different pleadings submitted by the Parent Company in relation to the second motion for reconsideration as at April 27, 2009. As at December 31, 2013 and 2012, both motions are still subject for further resolution of the SC.

Based on CA decision reversing the Rehabilitation Plan, although still pending appeal with the SC, the Parent Company continue to accrue interest on its CBC debts covered by the Rehabilitation Plan starting from July 13, 2004, the date of the effectivity of the Stay Order. The Parent Company also restated its US Dollar-denominated loans using the prevailing exchange rates at the end of each reporting period. Under the Rehabilitation Plan, the US Dollar denominated loans will be converted into Philippine Peso using the average exchange rate of P54.2033 to US$1.00.

On the Parent Company's case with another creditor, BPI, the CA issued its decision in favor of BPI on May 3, 2006. The Parent Company filed a Motion for Reconsideration on May 26, 2006 and the CA on May 23, 2007 reversed itself, ruling in favor of the Parent Company thereby affirming the ruling of the RTC-Makati. BPI filed a Petition for Review on Certiorari with the SC which was denied on January 30, 2008. On April 28, 2008, the SC denied the Motion for Reconsideration of BPI pending review of the RTC's order approving the Rehabilitation Plan of the Parent Company, among others. Entry of judgment was made on June 2, 2008, hence the Resolution of the SC affirming the validity and regularity of the Rehabilitation Plan became final and executory against BPI. As the SC decision became final and executory the interest accrued from July 13, 2004 to December 31, 2007 totaling to P21,869,566 was reversed and credited to Other income.

<u>Rehabilitation Plan of PGI</u>

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. The important provisions and modes of settlement of the Rehabilitation Plan are as follows:

- The Parent Company will infuse up to P2.03 billion in assets as additional equity contributions to the Company. The asset infusion consists of 110,000 memorial park lots in various locations in Mindanao, as well as a number of residential, commercial and undeveloped properties in the cities of Cagayan de Oro, Davao and Iligan, which are mortgaged to certain creditors. The Parent Company will cede, transfer and convey to the Company or direct to the latter's creditors the full ownership of those properties.

- Any indebtedness in excess of P1.25 billion shall be liquidated and paid by way of dacion en pago of real estate properties contributed by the Parent Company subject to guidelines as fully discussed in Note 18.

- Principal indebtedness to creditors of P1.25 billion will be paid in cash, subject to restructuring terms as fully discussed in Note 18.

The indebtedness subject to dacion en pago and restructuring terms are reflected in the consolidated financial statements as "Debts for dacion en pago covered by the Rehabilitation Plan" and "Restructured debts covered by the Rehabilitation Plan" accounts, respectively, in the consolidated statement of financial position.

In accordance with the Rehabilitation Plan, the Parent Company contributed a total of 116,653 memorial park lots and several real estate properties with a total transfer value of P2.16 billion.

As at December 31, 2013, restructured debts covered by the Rehabilitation plan, under Tranche A, has been paid in full in October of 2013. Tranche B loans, on the other hand, will start its payment of amortization on January 2014 until October 2016 (see Note 18).

<u>Product line and strategies</u>

LPG sales center operation

In 2010, the Company has established dealer sales centers. Sales centers are strategically installed and operated in areas of Visayas and Mindanao, in order to cater LPG sale to areas where big players have little or no operation. It has been the marketing strategy of the Company to make available LPG deliveries on areas where LPG business competition is not present yet.

These sales centers sell full cylinders, stoves and accessories and conduct promotional activities to existing customers. As at December 31, 2013 and 2012, the Company has 83 and 81 sales centers, respectively, which are strategically located in Visayas and Mindanao.

In 2011, the Company launched its new product known as "HappyGaz" under its flagship LPG product line. The Company decided to diversify its products as to its packaging, in order to pacify and neutralize the new entrants in the market and the new product launches of its competitors. The new product, however, has no varying features from the existing LPG products, except for its packaging.

In 2012, the Company started the construction of its new LPG marine feed facility in Central Luzon area with three (3) LPG Tank terminals having a capacity of 3,600 metric tons. Two (2) LPG terminals became operational during the third quarter of 2013 and management expected to complete the last LPG terminal and become operational in the second quarter of 2014. The expansion of LPG operation in Central Luzon will significantly improve the Company's market position in the country.

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 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 28. 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.

Functional and presentation currency

These consolidated financial statements are presented in Philippine Peso, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated. Items included in the consolidated financial statements of the Group are measured using the currency of the other primary economic environment in which the entity operates (the functional currency).

Changes in accounting standards, interpretations and amendments to existing standards effective January 1, 2013

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended PFRSs and Philippine Interpretations. Management reviewed these new or revised standards, amendments to standards and interpretations, and assessed that while these have been adopted by the Group starting January 1, 2013, none of these have significant impact on the Group's consolidated financial statements, except for PAS 19 (Revised), *Employee benefits* in which the Group has carefully assessed the impact on its December 31, 2013 consolidated financial statements. PAS 27, *Separate financial statements*, on the other hand, is not applicable on the Group's consolidated financial statements.

Adoption of PAS 19 (Revised), Employee benefits

On January 1, 2013, the Group adopted PAS 19 *(Revised), Employee Benefits*. The revised standard requires all actuarial gains and losses to be recognized in other comprehensive income and unamortized past service cost to be recognized immediately in the consolidated statement of comprehensive income. It introduces the concept of net interest on the net defined benefit liability (asset) which is calculated by multiplying the net defined benefit liability or asset by the discount rate (market yield on government bond) used to measure the retirement benefit obligation at reporting period.

The Group obtained an actuarial valuation as at December 31, 2013 to update the retirement benefits expense and amount of contributions in accordance with the revised PAS 19.

Prior to adoption of the revised PAS 19, the Group recognizes actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan asset and recognizes unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the revised standard, the Group recognized all actuarial gains (losses) in other comprehensive income (OCI) under “Remeasurement gains on retirement benefit obligation” account in the consolidated statement of financial position.

The revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

The revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee’s entitlement to the benefits. In addition, the revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact on the Group’s financial position and financial performance. The impact of the adoption of the revised PAS 19 on the Group’s consolidated financial statements is disclosed in Note 26.

PAS 27 (Revised), Separate Financial Statements
The revised standard includes the provisions on separate financial statements that are left after the control provisions of PAS 27 have been included in the new PFRS 10. This amendment is not applicable on the Group’s consolidated financial statements.

PAS 28 (Revised), Investments in Associates and Joint Ventures
This revised standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of PFRS 11. This amendment is not currently applicable to the Group’s consolidated financial statements.

PFRS 1 (Amendment), Government Loans
These amendments add an exception to the retrospective application of PFRSs. First-time adopters are required to apply for the requirements in PFRS 9, Financial Instruments (If PFRS 9 is not yet adopted, references to PFRS 9 in the amendments shall be read as references to PAS 39, Financial Instruments: Recognition and Measurement) and PAS 20, Accounting for Government Grants and Disclosure of Government Assistance prospectively to government loans existing at the date of transition to PFRSs. This amendment is not currently applicable to the Group's consolidated financial statements.

PFRS 7 (Amendment), Disclosures-Offsetting Financial Assets and Financial Liabilities
These amendments involve the revision of the required disclosures to include information that will enable users to evaluate the effect or potentially effect of netting arrangements on an entity's financial position. This amendment is not currently applicable to the Group's consolidated financial statements.

PFRS 10 Consolidated financial statements, effective January 1, 2013, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the Parent Company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The adoption of the new standards has no significant impact on the Group's consolidated financial statements.

PFRS 11 Joint Arrangements, effective January 1, 2013, focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It: (a) distinguishes joint arrangements between joint operations and joint ventures; and (b) requires the equity method for jointly controlled entities that are now called joint ventures; they are stripped of the free choice of using the equity method or proportionate consolidation. PFRS 11 supersedes PAS 31 and Philippine Interpretation SIC-13, Jointly Controlled Entities - Non-Monetary Contributions by Venturers. The new standard is not currently applicable to the Group's consolidated financial statements.

PFRS 12 Disclosures of interest in other entities, effective January 1, 2013, includes the disclosures requirement for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The new standard is not currently applicable to the Group's consolidated financial statements.

PFRS 13 Fair value measurement, effective January 1, 2013, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRSs. The requirements, which are largely aligned between PFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within PFRSs or US GAAP. The adoption of the new standards has no significant impact on the Group's consolidated financial statements.

<u>New accounting standards, interpretations and amendments to existing standards not yet adopted</u>

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Parent Company 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.

PAS 32 (Amendment), Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities, effective January 1, 2014. These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearinghouse systems) which apply gross settlement mechanisms that are not simultaneous. The Group has yet to assess the full impact of the amendments and intends to adopt the amendment beginning January 1, 2014.

PAS 36 (Amendment), Impairment of Assets - Recoverable Amount Disclosures for Non-financial Assets, effective January 1, 2014. The amendment removed certain disclosures of the recoverable amount of cash-generating units (CGUs), which had been included in PAS 36 by the issue of PFRS 13. The amendment is not expected to have a significant impact on the Group's consolidated financial statements.

PFRS 9 Financial instruments, effective January 1, 2015, address the classification, measurement and recognition of financial assets and financial liabilities. PFRS 9 was issued in November 2009 and October 2010. It replaces the parts of PAS 39 that relate to the classification and measurement of financial instruments. PFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the PAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit or loss, unless this creates an accounting mismatch.

Based on its study and assessment of the standard, the Group believes that the standard does not have significant impact on the Group's consolidated financial statements because the application of PAS 39, which the Group currently adopts does not differ significantly with this new standard. Moreover, the Group does not have any financial liabilities carried at fair value through profit or loss. The Group will also consider the impact of the remaining phases of PFRS 9 when completed by the IASB and adopted by the FRSC.

4. <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>

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 its subsidiaries, which were all incorporated in the Philippines and are registered with the Philippine Securities and Exchange Commission (SEC). The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company.

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of any potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

A subsidiary is consolidated from the date on which control is transferred to the Parent Company and ceases to be consolidated from the date on which control is transferred out of the Parent Company.

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 assets" account in the consolidated statements 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 negative goodwill 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.

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 1.77% interest in PGI not owned by the Parent Company and the 25.87% interest in OOC not owned by PGI. The minority stockholders' share in losses of PGI and OOC are limited to the investment made. Any additional losses are for the account of the Group.

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

Classification

On initial recognition, the Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments 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, 2013 and 2012.

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 adjustment” 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.

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 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, 2013 and 2012, included in other financial liabilities are the Group's trade and other payable, short-term debts, debts covered by rehabilitation plan and due to related parties (see Notes 16, 17, 18 and 20).

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 of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily of PSE equity investments classified as financial asset at FVPL or available-for-sale (AFS).

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

The Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.

- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Fair value measurement disclosures of financial assets at FVPL are presented in Note 33 to the consolidated financial statements.

“Day 1” Difference

When the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the 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.

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.

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.

As at December 31, 2013 and 2012, included under loans and receivables are the Group's cash, trade and other receivables and due from related parties.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement 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 each end of 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 as included in the consolidated statement of cash flows and in the consolidated statement of financial position includes cash on hand and deposits held at call with banks.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as noncurrent assets.

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.

Inventories

Inventories includes three product lines such as, (1) LPG, cylinders, stoves and accessories, (2) industrial gases and (3) fuel.

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

Industrial gases' primary materials for processing is the air that is captured and stored using the oxygen storage balloon and oxygen compressor and undergoes series of production process before industrial gases (oxygen, acetylene, nitrogen and argon) are produced and become ready for distribution in the market. The atmospheric air is compressed and cooled and is fractionally distilled based on different boiling point of each component.

Fuel is composed of diesel, gasoline and lubricants.

Inventories are stated 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:

- *Raw materials and general supplies* – 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 line.

- *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.

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. Inventories are derecognized when sold.

Prepayments and other current assets

These are composed of prepaid expenses and creditable withholding taxes. Prepayments are expenses paid in advance and recorded as asset before they are utilized. 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 asset.

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.

Goodwill

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 in value, and is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment losses recorded are not reversed.

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.

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.

Property, plant and equipment

Property, plant and equipment are initially stated 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 improvements, 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 and equipment to its working condition and location for its intended use. Expenditures incurred after the property 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 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 amount for which the assets could be exchanged between a knowledgeable willing buyer, and a knowledgeable willing seller in an arm’s length transaction as at the valuation date. 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
LPG, 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 and equipment.

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

An item of property 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.

Impairment of non-financial assets

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). Accounts 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, they are presented as noncurrent liabilities.

Borrowings and borrowing cost

(a) Borrowings

Borrowings are recognized initially 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 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 reassess the need to recognize previously unrecognized deferred income tax asset.

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

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

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

Retirement benefit obligation

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

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan asset, if any, 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.

Equity

(a) Capital stock

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

(b) Additional paid-in capital

When shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against "Retained earnings" account.

(c) Retained earnings (deficit)

Retained earnings (deficit) include all current and prior period results as disclosed in the consolidated statements of comprehensive income.

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 "Sales-net" account, is 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.

- *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

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.

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.

Foreign currency-denominated transactions and translations

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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 date

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 Parent Company 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 owner-occupied properties.

(e) Allowance for impairment of trade receivables, advances and advance payments to suppliers and contractors

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 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 goods since the Group retains the title of the property until fully paid.

(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) Provisions and contingencies

The management exercises its judgment to distinguish between provisions and contingencies. Policies on provisions and contingencies are discussed in Note 4 and relevant disclosure is presented under Note 34.

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 in the following section.

(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, 2013 and 2012, the carrying amount of inventories amounted to P632 million and P581 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, 2013 and 2012, the net carrying amounts of real estate projects amounted to P1.23 billion and P1.20 billion, 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, 2013 and 2012, the carrying amounts of property, plant and equipment amounted to P2.22 billion and P2.06 billion, respectively (see Notes 12 and 13).

(d) 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 obligations. 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 obligations are based in part on current market conditions. Additional information is discussed in Note 27.

The carrying amount of the Group's retirement benefit obligation as at December 31, 2013 and 2012 are P169 million and P153 million, respectively (see Note 27).

(e) 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, 2013, 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 P16.5 million, net of valuation allowance amounting to P76.1 million. As at December 31, 2012, the Group provided full valuation allowance on all of its deferred tax assets totaling to P90.2 million (see Note 28).

(f) Impairment of nonfinancial assets

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

As at December 31, 2013 and 2012, the carrying amounts of property, plant and equipment, net of accumulated depreciation of P3.06 billion in 2013, and P2.86 billion in 2012, amounted to P2.22 billion and P2.06 billion, respectively (see Notes 12 and 13).

6. CASH

This account consists of:

		2013		2012
Cash on hand	**P**	**53,959,458**	P	33,698,557
Cash in banks		**151,777,020**		223,960,990
	P	**205,736,478**	P	257,659,547

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 statement of comprehensive income in the amount of P172,053 and P358,106 in 2013 and 2012, respectively (see Note 24).

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

The movement of the account is as follows:

		2013		2012
Cost				
Balance at beginning of year	**P**	**48,622,918**	P	253,531,964
Additions		**127,518,289**		167,122,429
Disposals	**(**	**39,728,195)**	(	372,031,475)
		136,413,012		48,622,918
Fair value gain		**975,232**		45,679,402
Balance at end of year	**P**	**137,388,244**	P	94,302,320

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 year ended December 31, 2013 and 2012 amounted to P43,215,781 and P406,542,421, respectively, which resulted to gain on sale of P3,487,586 and P34,510,946, respectively, and is presented under "Other income (net)" account in the consolidated statement of comprehensive income (see Note 24).

Dividend income earned from financial assets at FVPL is presented under "Other income (net)" account in the consolidated statement of comprehensive income in the amount of P28,283,384 and P204,290 in 2013 and 2012, respectively (see Note 24).

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

		2013		2012
Balance at beginning of year	**P**	**45,679,402**	P	43,239,730
Fair value (loss) gain during the year	**(**	**44,704,170)**		2,439,672
Balance at end of year	**P**	**975,232**	P	45,679,402

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

8. TRADE AND OTHER RECEIVABLES (NET)

This account consists of:

		2013		2012
Current:				
Trade	**P**	**297,881,517**	P	226,003,125
Less: Allowance for impairment loss		**35,299,552**		35,299,552
		262,581,965		190,703,573
Dividends receivable		**26,321,218**		-
Advances to officers and employees		**25,741,283**		21,567,002
Insurance claims receivable		**23,696,842**		-
Advances to contractors and suppliers		**6,239,296**		11,619,158
Refundable deposits		**5,796,176**		7,130,110
Cylinder deposits		**1,903,304**		1,903,304
Others		**31,236,561**		35,623,609
		120,934,680		77,843,183
Less: Allowance for impairment loss		**7,478,395**		7,478,395
		113,456,285		70,364,788
Net	**P**	**376,038,250**	P	261,068,361

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.

Dividends receivable represents property dividend received arising from the Company's investments held for trading securities.

Insurance claims represent the value of plant facilities being covered by insurance. These plant facilities were physically damaged by a typhoon in the last quarter of 2013.

Advances to officers and employees are non-interest bearing and collectible through salary deductions.

Other receivables includes, among others, advances made to a sports coordinator for the Group's sponsored marathon event and are collectible upon liquidation. It also includes other advances for liquidation of employees and non-interest bearing maternity receivables.

The total receivable of PGI from OOC eliminated during consolidation amounted to P166,861,236 and P 66,730,713 as at December 31, 2013 and 2012, respectively.

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

		2013		2012
Balance at beginning of year	**P**	**42,777,947**	P	68,879,355
Write-off		**-**	(	26,101,408)
Balance at the end of year	**P**	**42,777,947**	P	42,777,947

In 2012, management had determined that the interest receivable together with long outstanding trade receivable can no longer be collected hence, it was written-off during the year.

There is no significant credit risk since the title of property sold on an installment terms are not transferred to the buyer until the property is fully paid.

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:

		2013		2012
Finished goods:				
LPG, cylinders, stoves and accessories	**P**	**433,206,839**	P	342,667,401
Industrial gases		**9,783,957**		7,180,287
Fuel		**2,750,660**		6,181,562
		445,741,456		356,029,250
In-transit LPG		**112,038,958**		150,834,399
Material and supplies		**68,214,039**		69,733,425
Raw materials		**6,163,756**		4,670,899
	P	**632,158,209**	P	581,267,973

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:

		2013	2012
Memorial park lots:			
Cagayan de Oro Gardens	**P**	**74,770,451**	P 77,415,844
Zamboanga Memorial Gardens		**70,403,602**	70,891,322
Mt. Apo Gardens		**64,973,558**	65,405,136
North Zamboanga Gardens		**19,853,599**	19,398,233
Ma. Cristina Gardens		**17,809,839**	19,063,604
Pryce Gardens – ManoloFortich		**17,939,824**	17,964,143
Pryce Gardens – Bislig		**16,131,093**	16,159,737
Ozamis Memorial Gardens		**16,014,126**	16,077,735
Pryce Gardens – Alabel		**16,105,532**	16,016,670
Pryce Gardens – Malita		**13,974,817**	13,998,574
Pryce Gardens – Malaybalay		**12,016,645**	12,022,437
Unallocated costs incurred in memorial lots		**13,807,165**	39,622
		353,800,251	344,453,057
Subdivision lots:			
Iligan Town Center		**341,025,039**	341,098,724
Puerto Heights Village		**30,770,005**	30,770,005
Villa Josefina Resort Village		**19,691,787**	20,173,585
Saint Joseph Homes		**13,346,098**	13,346,098
Pryce Business Park		**892,524**	892,524
		405,725,453	406,280,936
Condominium units:			
Pryce Tower		**104,018,412**	104,018,412
Land held for future development:			
Cagayan de Oro		**164,022,528**	164,022,528
Davao		**168,200,704**	142,460,537
Misamis Oriental		**27,979,122**	27,979,122
Cotabato		**7,559,489**	7,559,489
		367,761,843	342,021,676
	P	**1,231,305,959**	P1,196,774,081

The real estate projects are stated at costs, which are lower than their net realizable values. Portion of the memorial park lots in Mt. Apo Gardens and Cagayan De Oro Gardens are mortgaged to China Banking Corporation (CBC) and Bank of the Philippine Islands (BPI). The value assigned to this lots amounted to P513,804,375.

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

11. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

	2013	2012
Prepaid rent	**P 12,118,866**	P 5,598,399
Prepaid maintenance	**9,843,133**	12,930,968
Prepaid taxes and licenses	**4,769,708**	5,287,562
Prepaid insurance	**3,922,746**	4,794,626
Foods and materials inventory	**3,688,605**	3,323,171
Excess tax credit	**3,539,025**	2,480,495
Deferred charges	**2,551,282**	3,369,915
Input tax	**1,195,639**	608,696
Others	**5,652,473**	3,306,802
	P 47,281,477	P 41,700,634

Deferred charges represent project development cost in progress.

Other prepayments includes, among others, terminal refilling and other plant repairs that are amortized within one (1) year.

The Group's management determined that based on their review, there were no indicators of impairment as at December 31, 2013 and 2012.

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

Reconciliations of net carrying amounts at the beginning and end of 2013 and 2012, and the gross carrying amounts and the accumulated depreciation of property, plant and equipment are shown below:

As at December 31, 2013

	Land and improvements	Buildings and structures	Machinery and equipment	Oxygen and acetylene cylinders	Hotel and office equipment	Total
Net carrying amounts, January 1, 2013	P 287,457,314	P 208,285,227	P 13,482,510	P 134,969,079	P 10,472,444	P 654,666,574
Additions	530,000	2,708,645	-	10,188,944	2,484,703	15,912,292
Disposal	-	-	-	(113,886)	-	(113,886)
Depreciation	(934,132)	(20,095,549)	(2,640,887)	(20,811,960)	(1,101,927)	(45,584,455)
Net carrying amounts, December 31, 2013	**P 287,053,182**	**P 190,898,323**	**P 10,841,623**	**P 124,232,177**	**P 11,855,220**	**P 624,880,525**
Cost	P 298,939,723	P 561,175,433	P 216,614,162	P 711,020,234	P 72,592,756	P 1,860,342,308
Accumulated depreciation	(11,886,541)	(370,277,110)	(205,772,539)	(586,788,057)	(60,737,536)	(1,235,461,783)
Net carrying amounts, December 31, 2013	**P 287,053,182**	**P 190,898,323**	**P 10,841,623**	**P 124,232,177**	**P 11,855,220**	**P 624,880,525**

As at December 31, 2012

	Land and improvements	Buildings and structures	Machinery and equipment	Oxygen and acetylene cylinders	Hotel and office equipment	Total
Net carrying amounts, January 1, 2012	P 287,896,414	P 225,398,466	P 14,314,965	P 155,985,732	P 10,948,427	P 694,544,004
Additions	-	2,546,926	-	8,344,830	939,282	11,831,038
Disposal	-	531,499	7,302,287	3,443,916	-	11,277,702
Depreciation	(439,100)	(20,191,664)	(8,134,742)	(32,805,399)	(1,415,265)	(62,986,170)
Net carrying amounts, December 31, 2012	**P 287,457,314**	**P 208,285,227**	**P 13,482,510**	**P 134,969,079**	**P 10,472,444**	**P 654,666,574**
Cost	P 298,409,723	P 558,466,789	P 216,614,162	P 700,934,223	P 70,108,053	P 1,844,532,950
Accumulated depreciation	(10,952,409)	(350,181,562)	(203,131,652)	(565,965,144)	(59,635,609)	(1,189,866,376)
Net carrying amounts, December 31, 2012	**P 287,457,314**	**P 208,285,227**	**P 13,482,510**	**P 134,969,079**	**P 10,472,444**	**P 654,666,574**

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

As at December 31, 2013

	Land and improvements	Buildings and structures	Machinery and equipment	Oxygen and acetylene cylinders	Hotel and office equipment	Total
Cost	P 205,346,035	P 428,957,500	P 112,553,657	P 550,637,888	P 62,897,600	P 1,360,392,680
Accumulated depreciation	(11,528,769)	(277,055,566)	(110,925,165)	(438,411,609)	(52,412,424)	(890,333,533)
Net carrying amount, December 31, 2012	**P 193,817,266**	**P 151,901,934**	**P 1,628,492**	**P 112,226,279**	**P 10,485,176**	**P 470,059,147**

As at December 31, 2012

	Land and improvements	Buildings and structures	Machinery and equipment	Oxygen and acetylene cylinders	Hotel and office equipment	Total
Cost	P 204,816,035	P 426,248,855	P 112,553,657	P 540,551,877	P 60,412,897	P 1,344,583,321
Accumulated depreciation	(10,952,409)	(253,920,035)	(109,586,299)	(419,791,991)	(51,651,180)	(845,901,914)
Net carrying amount, December 31, 2012	**P 193,863,626**	**P 172,328,820**	**P 2,967,358**	**P 120,759,886**	**P 8,761,717**	**P 498,681,407**

Depreciation charged to operations was allocated as follows:

	2013	2012
Cost of sales on industrial gases note 22	**P 24,331,650**	P 42,032,819
Cost of sales on hotel operations – note 22	**5,870,201**	5,720,611
Selling expenses – note 23	**4,805,702**	4,796,117
General and administrative expenses – note 23	**10,576,902**	10,436,623
	P 45,584,455	P 62,986,170

The above depreciation includes depreciation on appraisal increase amounting to P7.6 million in 2013 and P8.7 million in 2012, which also represents transfer of realized portion of revaluation reserve to deficit.

All of the appraised land, buildings and structures, machinery and equipment, and oxygen and acetylene cylinders of PGI were mortgaged as collaterals for PGI's obligations (see Note 18).

The Group deemed that it is impracticable to have its property appraised because of its current financial condition. While fair market value of the buildings was not determined as at December 31, 2013 and 2012, 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 2013 and 2012, and the gross carrying amounts and the accumulated depreciation of property, plant and equipment at cost are as follows:

As at December 31, 2013

	LPG plant machinery and equipment	Machinery and equipment	Transportation equipment	Leasehold improvements	Furniture, fixtures and equipment	Construction in progress	Building and structures	Land and improvements	Total
Net carrying amounts, January 1, 2013	P 890,838,704	P 60,813,420	P 77,008,160	P 6,260,785	P 17,855,704	P312,049,397	P 8,995,869	P 28,659,458	P 1,402,481,497
Additions	17,466,098	29,773,401	16,731,380	-	9,841,606	269,434,934	-	15,000,000	358,247,419
Disposals	(6,784,350)	-	(526,875)	-	-	-	-	-	(7,311,225)
Reclassification	286,542,613	-	-	-	-	(286,542,613)	-	-	-
Depreciation	(118,973,186)	(9,234,155)	(24,472,592)	(22,000)	(7,069,386)	-	(923,947)		(160,695,266)
Net carrying amounts, December 31, 2013	**P 1,069,089,878**	**P 81,352,666**	**P 68,740,074**	**P 6,238,785**	**P 20,627,924**	**P294,941,718**	**P 8,071,922**	**P 43,659,458**	**P 1,592,722,425**
Cost	P2,565,981,127	P 128,710,612	P263,558,455	P 16,947,296	P 96,793,306	P294,941,718	P 9,239,474	P 43,659,458	P 3,419,831,446
Accumulated depreciation	(1,496,891,249)	(47,357,946)	(194,818,381)	(10,708,511)	(76,165,382)	-	(1,167,552)	-	(1,827,109,021)
Net carrying amounts, December 31, 2013	**P 1,069,089,878**	**P 81,352,666**	**P 68,740,074**	**P 6,238,785**	**P 20,627,924**	**P294,941,718**	**P 8,071,922**	**P 43,659,458**	**P 1,592,722,425**

As at December 31, 2012

	LPG plant machinery and equipment	Machinery and equipment	Transportation equipment	Leasehold improvements	Furniture, fixtures and equipment	Construction in progress	Building and structures	Land and improvements	Total
Net carrying amounts, January 1, 2012	P 995,906,027	P 52,935,197	P 98,495,111	P 7,449,022	P 18,943,913	P 36,911,872	P 9,239,474	P 28,659,458	P 1,248,540,074
Additions	20,912,558	12,559,056	4,989,341	-	5,152,212	275,137,525	-	-	318,750,692
Disposals	(8,017,228)	-	(9,264,931)	-	(2,382,388)	-	-	-	(19,664,547)
Depreciation	(117,962,653)	(4,680,833)	(17,211,361)	(1,188,237)	(3,858,033)	-	(243,605)		(145,144,722)
Net carrying amounts, December 31, 2012	**P 890,838,704**	**P 60,813,420**	**P 77,008,160**	**P 6,260,785**	**P 17,855,704**	**P312,049,397**	**P 8,995,869**	**P 28,659,458**	**P 1,402,481,497**
Cost	P2,269,786,413	P 98,937,211	P249,024,193	P 16,947,296	P 87,484,550	P312,049,397	P 9,239,474	P 28,659,457	P 3,072,127,992
Accumulated depreciation	(1,378,947,709)	(38,123,791)	(172,016,033)	(10,686,511)	(69,628,846)	-	(243,605)	-	(1,669,646,495)
Net carrying amounts, December 31, 2012	**P 890,838,704**	**P 60,813,420**	**P 77,008,160**	**P 6,260,785**	**P 17,855,704**	**P312,049,397**	**P 8,995,869**	**P 28,659,457**	**P 1,402,481,497**

Depreciation charged to operations was allocated as follows:

		2013		2012
Cost of sales on liquefied petroleum gas – note 22	**P**	**107,511,020**	P	100,675,980
Cost of sales on industrial gases – note 22		**7,440,908**		8,347,268
Selling expenses – note 23		**18,615,188**		14,395,280
General and administrative expenses – note 23		**27,128,150**		21,726,194
	P	**160,695,266**	P	145,144,722

PGI's LPG plant, machinery and equipment, and transportation equipment with carrying values of P978 million and P817 million as of December 31, 2013 and 2012, respectively, were mortgaged as collaterals for its obligations (see Note 18).

Construction in progress as at December 31, 2013 and 2012 pertains mainly to LPG plant and refilling plants. As at December 31, 2013, portion of the construction in progress amounted to P286,542,613 has already been completed and transferred under "LPG plant, machinery and equipment" account.

As at reporting date, the Company reassessed any impairment in value on property, plant and equipment under LPG operations based on value in use. 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 2013 and 2012. The result of computation showed that the estimated recoverable amounts of such assets exceeded its carrying values by P696 million and P874 million as at December 31, 2013 and 2012, respectively.

14. ASSETS HELD FOR DACION EN PAGO

Assets held for dacion en pago with a carrying value of approximately P198 million as at December 31, 2013 and 2012 includes a number of memorial park lots contributed by the Parent Company to PGI in 2003 and 2004 for the increase in authorized capital stock of PGI in 2004. These assets shall be used by PGI in the settlement of debts for dacion en pago covered by the Rehabilitation Plan (see Note 2). Rehabilitation Plan is still under appeal in the Supreme Court and no assets were used to settle any obligations as at December 31, 2013 and 2012.

The Company's management evaluated that the carrying value of these assets held for dacion en pago approximates the fair value less cost to sell as at December 31, 2013 and 2012.

15. OTHER NONCURRENT ASSETS

This account represents the excess of the cost of business acquisition over the fair value of the identifiable net assets and liabilities acquired which amounted to P68,897,066 as at December 31, 2013 and 2012, respectively.

The Group management believes that the account is not impaired as at December 31, 2013 and 2012.

16. TRADE AND OTHER PAYABLES

		2013		2012
Accounts payable:				
Trade	**P**	**724,450,123**	P	579,820,444
Nontrade		**35,217,850**		57,295,987
Accrued expenses:				
Interest		**42,571,085**		64,912,282
Salaries, wages and benefits		**6,180,628**		4,994,591
Others		**12,633,318**		13,315,982
Cylinder and autogas kit deposits		**13,154,341**		10,919,637
Reserve fund liability		**5,892,141**		4,409,377
Due to government agencies		**5,361,622**		4,776,848
	P	**845,461,108**	P	740,445,148

Nontrade payable includes, among others, accounts owing to suppliers on supplies, fuel and other materials other than direct materials used in the production.

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

The total payable of OOC to PGI eliminated during consolidation amounted to P166,861,236 and P66,730,713 as at December 31, 2013 and 2012, respectively.

Management considers the carrying amounts of trade and other payables to be a reasonable approximation of their fair values, due to their short duration.

17. SHORT-TERM DEBTS

Short-term borrowings consist of:

	Loan type and significant terms		2013
PGI			
a.	Unsecured short-term loan obtained from a local bank on November 28, 2013 payable 180 days from the date of loan release and renewable upon maturity. Interest rate is at 6.0% per annum, subject to periodic repricing.	**P**	**75,000,000**
b.	Unsecured short-term loan obtained from a local bank on December 23, 2013 payable 179 days from the date of loan release and renewable upon maturity. Interest rate is at 6.0% per annum, subject to repricing.		**50,000,000**
			125,000,000

OOC		
c.	Unsecured short-term loan obtained from a local bank on October 11, 2013 payable 91 days from the date of loan release and renewable upon maturity. Interest rate is at 6.0% per annum, subject to repricing.	**25,000,000**
d.	Unsecured short-term loan obtained from a local bank on November 27, 2013 payable 91 days from the date of loan release and renewable upon maturity. Interest rate is at 6.0% per annum, subject to repricing.	**35,000,000**
		60,000,000
		P 185,000,000

A thirty-six percent (36%) penalty per annum will be charged on all amounts due and unpaid.

Total interest incurred from these short-term debts charged to operations amounted to P467,169 for the year ended December 31, 2013.

18. RESTRUCTURED DEBTS COVERED BY THE REHABILITATION PLAN

The liabilities covered by the Rehabilitation Plan, as mentioned in Note 2, consist of:

		2013		2012
Debts for dacion en pago	**P**	**848,628,918**	P	848,628,918
Accrued interest		**180,934,934**		169,813,199
		1,029,563,852		1,018,442,117
Restructured debts				
Current		**59,128,812**		102,060,234
Noncurrent		**118,257,627**		166,634,173
		177,386,439		268,694,407
	P	**1,206,950,291**	P	1,287,136,524

a) Debts for dacion en pago of the Parent Company

		2013		2012
Long-term commercial papers (LTCPs)	**P**	**208,581,499**	P	208,581,499
Loans from banks and other financial institutions		**356,797,528**		356,797,528
Trade and non-trade creditors		**20,946,491**		20,946,491
		586,325,518		586,325,518
Accrued interest		**180,934,934**		169,813,199
	P	**767,260,452**	P	756,138,717

Under the terms of the Rehabilitation Plan, the above indebtedness of the Parent Company shall be liquidated and paid by dacion en pago of the real estate properties with equivalent value of P513,804,375, subject to the following guidelines:

1. Payment of all indebtedness to creditor banks and long-term commercial papers (LTCPs) shall be made by way of dacion en pago of developed real estate properties of the Parent Company.

2. Trade creditors holding claims of at least P500,000 shall be paid by way of dacion en pago of memorial park lots to be allocated equally, except the memorial park lots in Davao City which is mortgaged to CBC.

3. Trade creditors holding claims of less than P500,000 shall be paid in cash over a three-year period, without interest, on a quarterly basis.

4. The value of the real estate properties to be ceded to the creditors by way of dacion en pago shall be the average of three appraisals to be undertaken by firms accredited by the BSP nominated by the creditors. In the event that the value shall exceed the amount of obligation to be settled, the excess assets shall be released in favor of the Parent Company. In case of deficiency in the value of the real estate properties, the shortfall shall be settled by way of dacion en pago of memorial park lots.

5. Memorial park lots shall be valued at P13,125 per lot for secured creditors and P17,500 for unsecured creditors.

<u>Long-term commercial papers</u>

These debts are secured by mortgaged trust indenture with CBC as mortgage trustee covering certain real estate projects of the Parent Company in Davao City with net carrying amounts of P104,018,412 as at December 31, 2013 and 2012, respectively..

The Parent Company transferred to a creditor bank a number of memorial park lots and a parcel of land as full settlement of its obligations amounting to P65.4 million in 2006. There were no transfers of memorial park lots made to creditors during 2013 and 2012.

<u>Loans from banks and other financial institutions</u>

These loans consist of foreign and local currency denominated loans, which include interest of P155.5 million, obtained by the Parent Company from a local bank on the assignment of trade receivables with recourse against the Parent Company. These loans are collateralized by certain real estate projects, and property and equipment of the Parent Company.

Total finance cost amounting to P11,121,735 and P11,121,307 for the years ended December 31, 2013 and 2012, respectively, were accrued on long term commercial papers and local and foreign currency denominated borrowings.

b) *Debts for dacion en pago of PGI*

This account consists of:

	2013	2012
Secured by non-operating assets:		
Peso-denominated bank loan	**P 123,521,054**	P 123,521,054
Foreign-currency denominated trade payable	**82,797,768**	82,797,768
Unsecured debts:		
Peso-denominated trade payables	**55,984,578**	55,984,578
	P 262,303,400	P 262,303,400

Under the terms of the Rehabilitation Plan, the amount in excess of P1.25 billion indebtedness shall be liquidated and paid by way of dacion en pago of real estate properties of the Parent Company, subject to the guidelines set forth below (see Note 2):

1. Real estate properties already mortgaged to a creditor or group of creditors shall be used as full payment of the debts to said creditors.

2. The value of the real properties to be ceded to the creditors by way of dacion en pago shall be the average of two appraisals to be undertaken by firms accredited by the Bangko Sentral ng Pilipinas (BSP) nominated by the creditors. In the event that the value shall exceed the amount of debts to be settled, the excess assets shall be released in favor of the Company or mortgagor. In case of deficiency in the value of the real estate assets, the shortfall shall be settled by way of dacion en pago of memorial park lots.

3. All other debts neither eligible for restructuring nor covered by a mortgage over real estate properties not used for operations shall be settled also by way of dacion en pago.

4. Memorial park lots shall be valued at a discount off-the-retail selling price as stipulated in the court order, in line with the prices used for similar dacions completed with nine other creditors of the Company.

5. Unsecured creditors and suppliers shall receive an aggregate of 49,500 memorial park lots at the stipulated dacion price.

6. All loans receivable acquired by the Parent Company from the various creditors of the Company through completed and prospective dacion en pago transactions shall be converted to additional equity of the Parent Company in the Company.

Debts secured by non-operating assets and unsecured debts are explained as follows:

<u>Debts secured by non-operating assets</u>

The Peso-denominated loan from a local bank is collateralized by a chattel mortgage on project assets, which are guaranteed by the Parent Company. The Peso-denominated loan from a financing company is collateralized by various transportation equipment owned by the Company (see Note 13). The US dollar denominated trade payable represents amounts payable for the purchases of commercial LPG mixtures from a foreign supplier.

The creditors, under this group, shall get whatever properties already mortgaged to them at dacion values keyed to the average of two appraisals undertaken by firms accredited by the BSP. In the event that dacion values shall exceed the amount of obligations to be settled, the excess assets shall be released in favor of the Parent Company or the mortgagor, as the case may be.

Certain bank, a mortgagee of a contiguous parcel of memorial development lot in Cagayan de Oro, and a foreign supplier, mortgagee of an eight-hectare portion of the Parent Company's memorial park lots in Dipolog, may elect either of the following options: (1) receive their memorial park lot entitlement entirely from the property mortgaged to them, or (2) receive a proportionate share of the available lot inventory in each location.

There were no transfers of memorial park lots made to the creditors in both 2013 and 2012.

As at December 31, 2013 and 2012, debts under this classification amounted to P206.3 million.

Unsecured debts

Unsecured trade payables represent the outstanding payables for purchases of goods and services from various suppliers of LPG, materials and supplies, repair services, freight and handling among others.

There were no transfers of memorial park lots made to trade creditors in both 2013 and 2012.

As at December 31, 2013 and 2012, debts under this classification amounted to P55.98 million.

c) *Restructured debts of PGI*

This account consists of US Dollar- and Peso-denominated bank loans broken down as follows:

As at December 31, 2013

	Tranche A	Tranche B	Total	Current	Noncurrent
Foreign currency-denominated US$15 million loan granted by a foreign financing company	**P -**	**P 113,213,953**	**P 113,213,953**	**P 37,737,984**	**P 75,475,969**
Foreign currency-denominated US$4 million loan granted by a foreign commercial bank	**-**	**28,745,340**	**28,745,340**	**9,581,780**	**19,163,560**
Peso-denominated loans granted by various local commercial banks	**-**	**35,427,146**	**35,427,146**	**11,809,048**	**23,618,098**
	P -	**P 177,386,439**	**P 177,386,439**	**P 59,128,812**	**P 118,257,627**

As at December 31, 2012

	Tranche A	Tranche B	Total	Current	Noncurrent
Foreign currency-denominated US$15 million loan granted by a foreign financing company	P 57,731,814	P 104,638,913	P 162,370,727	P 57,731,814	P 104,638,913
Foreign currency-denominated US$4 million loan granted by a foreign commercial bank	14,658,270	26,568,114	41,226,384	14,658,270	26,568,114
Peso-denominated loans granted by various local commercial banks	29,670,150	35,427,146	65,097,296	29,670,150	35,427,146
	P 102,060,234	P 166,634,173	P 268,694,407	P 102,060,234	P 166,634,173

The fair values of the restructured debts are as follows:

As at December 31, 2013

	Tranche A	Tranche B	Total	Current	Noncurrent
Foreign currency-denominated US$15 million loan granted by a foreign financing company	**P -**	**P 80,795,085**	**P 80,795,085**	**P 28,134,286**	**P 52,660,799**
Foreign currency-denominated US$4 million loan granted by a foreign commercial bank	**-**	**20,514,715**	**20,514,715**	**7,143,561**	**13,371,154**
Peso-denominated loans granted By various local commercial banks	**-**	**21,785,373**	**21,785,373**	**7,730,951**	**14,054,422**
	P -	**P 123,095,173**	**P 123,095,173**	**P 43,008,798**	**P 80,086,375**

As at December 31, 2012

	Tranche A	Tranche B	Total	Current	Noncurrent
Foreign currency-denominated US$15 million loan granted by a foreign financing company	P 43,080,076	P 76,586,803	P119,666,879	P 43,080,076	P 76,586,803
Foreign currency-denominated US$4 million loan granted by a foreign commercial bank	10,938,449	19,446,131	30,384,580	10,938,449	19,446,131
Peso-denominated loans granted By various local commercial banks	18,914,608	22,673,106	41,587,714	18,914,608	22,673,106
	P 72,933,133	P 118,706,040	P191,639,173	P 72,933,133	P 118,706,040

The fair values of restructured debts have been determined by calculating their present values at end of the reporting period using the fixed effective market interest rates available to the Company. However, any fair value changes have not been included in profit or loss, since restructured debts are carried at amortized cost in the consolidated statement of financial position.

Of the Company's indebtedness as at August 27, 2002, only P1.25 billion will be paid in cash subject to restructuring terms under the Rehabilitation Plan (see Note 2).

The terms are set forth as follows:

1. Tranche A – covering P1 billion out of the P1.25 billion restructured debts, upon which the principal will be paid over 29 quarters from June 2006 to June 2013 or 10 years inclusive of a 3-year grace period on principal, with annual interest rate at 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, reckoned from the date of approval of the Rehabilitation Plan.

   The interest will be paid when incurred reckoning from the approval of the Rehabilitation Plan up to the full settlement of Tranche A debt.

   Debts under Tranche A have been fully paid as at December 31, 2013.

   Payments made amounted to P102.1 million in 2013 and P107.1 million in 2012.

   Realized foreign exchange (loss) gain on settlements made on US dollar denominated debts amounted to (P2.1 million) and P2.3 million in 2013 and 2012, respectively, and is presented as part of the "Other income (net)" account in the consolidated statements of comprehensive income (see Note 24).

   Total finance costs on the above loans charged to operations amounted to P861,550 and P3,430,857 for the years ended December 31, 2013 and 2012, respectively.

2. Tranche B – covering the remaining P250 million, payable as to interest and principal in 12 equal quarterly installments starting upon full settlement of Tranche A debt but in no case later than September 2013, and with annual interest at prevailing 91-day Treasury Bill rate plus 1% for Peso-denominated loans and three-month LIBOR plus 1% for US Dollar-denominated loans, reckoned from date of approval of the Rehabilitation Plan.

   Foreign currency denominated loans shall continue to be denominated in US Dollars and to be computed at the prevailing peso exchange rate at the time of payment.

   Interest will accrue yearly in their respective foreign currency denominations and will be reckoned from the approval of the Rehabilitation Plan but repaid only after Tranche A debt is retired. Interest accrued on Tranche B debt will not accrue any additional interest or penalties until full repayment of Tranche A debt.

   Both Tranche A and Tranche B debts shall be secured by the operating assets respectively mortgaged to the creditors involved. Non-operating assets, which will not be ceded by way of dacion en pago, shall be released from the mortgages.

   If, during the grace period, the Company is unable to meet payment on interest falling due, then such interest shall be deferred and paid when the Company is able to accumulate enough cash. Under no circumstances will the deferred interest be paid beyond the maturity of Tranche B debt. No penalty charges will accrue on such deferred interest.

Certain creditor banks have assigned their rights, titles and interests on the restructured debts to third parties. Terms and conditions of the credit documents and the approved rehabilitation plan remain unchanged.

As at December 31, 2013 and 2012, unrealized foreign exchange (loss) gain on restructured debts amounted to (P7.32 million) and P14.3 million, respectively.

Total finance costs on the above loans charged to operations amounted to P2,179,637 and P2,547,580 for the years ended December 31, 2013 and 2012, respectively.

Details of the restructured debts are as follows:

Foreign-currency-denominated US$15 million loan granted by a foreign financing company

The US$15 million term loan, which includes principal and interest of P96.3 million as at August 31, 2002 has an original term of seven years, inclusive of three years grace period on principal repayment. This was obtained from a foreign financing company in 1999 to settle maturing short-term loans from local commercial banks. The loan was originally payable over eight consecutive semi-annual installments of US$1.9 million commencing on December 15, 2001 and bears annual interest at rates ranging from 1.04% to 1.71% in 2013 and 1.39% to 1.58% in 2012 over and above LIBOR.

Realized foreign exchange gain (loss) on settlements made amounted to (P1.7 million) and P1.8 million in 2013 and 2012, respectively, and is disclosed as part of the "Other income (net)" account in the consolidated statement of comprehensive income (see Note 24).

Foreign currency-denominated US$4 million loan granted by a foreign commercial bank

The US$4 million loan, which includes principal and interest of P17.0 million as at August 31, 2002, bears average interest 1.04% to 1.71% in 2013 and 1.39% to 1.58% in 2012. The loan is collateralized by the Company's oxygen and acetylene cylinders with carrying values of P124.3 million and P135.0 million at December 31, 2013 and 2012, respectively (see Note 13).

Realized foreign exchange (loss) gain on settlements made amounted to (P0.40 million) and P0.47 million in 2013 and 2012, respectively, and is disclosed as part of the "Other income (net)" account in the statements of comprehensive income (see Note 24).

Peso-denominated loans granted by various local commercial banks

The Peso-denominated loans granted by various local commercial banks consist of P425 million and P100 million loans. The 425 million Peso-denominated loans, which include principal and interest of P35.5 million as of August 31, 2002, represent availments from the Company's credit line obtained from various local commercial banks through a syndicated loan agreement. These loans were released in various dates in 1998 with an original term of seven years with two years grace period and payable in equal quarterly payments commencing at the end of the 9th quarter. The 1st quarterly payment started in April 2000. The P100 million Peso-denominated loans, which include principal and interest of P1.3 million as at August 31, 2002, represents availment from the Company's, approved credit line from a certain local commercial bank.

This loan was released in three tranches with an original term of five years with 1 ½ years grace period and is payable in 15 equal quarterly payments commencing at the end of the 5th quarter of the 2nd year.

These loan tranches bear interest at rates ranging from 1.27% to 1.35% in 2013 and 1.43% to 2.49% in 2012 .The proceeds from Peso-denominated loans were used to fund the construction of the Company's LPG terminals and refilling plants.

A Mortgaged Trust Indenture (MTI) on property, plant and equipment owned by the Company, was executed with a trustee bank to secure the abovementioned obligations. The loan agreements provide certain restrictions and requirements with respect to, among others, declaration of dividends, incurrence of additional indebtedness and maintenance of certain financial ratios. Failure of the Company to comply with one of these requirements shall make the loans due and payable as if an event of default has occurred.

There were no transfers of memorial park lots made in both 2013 and 2012 (see Note 14).

19. CAPITAL STOCK

Details of this account are as follows:

	2013	2012
Common stock – P1 par value		
Authorized – 2,000,000,000 common shares	**P 2,000,000,000**	P 2,000,000,000
Issued - 1,998,750,000 common shares	**P 1,998,750,000**	P 1,998,750,000
Subscribed – 1,250,000 common shares	**1,250,000**	1,250,000
Total	**P 2,000,000,000**	P 2,000,000,000

Track record

The Parent Company was incorporated on September 7, 1989 with an authorized capital stock of P1,000,000,000 divided into 600,000,000 shares of Class A common stock with the par value of P1.00 per share and 400,000,000 shares of Class B common stock with the par value of P1.00 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 P1.00 per share and 50,000,000 of its Class 'B' shares were likewise so listed at the same issue/offer price of P1.00 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 remained at P1,000,000,000 divided into 1,000,000,000 common shares with the par value of P1.00 per share.

On July 31, 1996, the SEC approved the increase of the capital stock of the Parent Company from P1,000,000,000 divided into 1,000,000,000 shares with the par value of P 1.00 per share to P2,000,000,000 divided into 2,000,000,000 shares with the par value of P1.00 per share.

The Parent Company is prohibited to trade its stock because it is under rehabilitation (see Note 2).

As at December 31, 2013 and 2012, the Parent Company's capital stock is fully subscribed and has 394 equity holders.

20. RELATED PARTY TRANSACTIONS

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

Relationships

Related parties	Relationship
Pryce Plans, Inc. (PPI)	Under common control
Pryce Drugstore (PD)	Under common control
Pryce Insurance Consultants, Inc. (PICI)	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
Chairman	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:

December 31, 2013

Related party	Amount of transactions **2013**	Amount of transactions 2012	Outstanding balances **2013**	Outstanding balances 2012
HHC	**(P 22,735,743)**	P 21,411,200	**P 21,411,200**	P 44,146,943
PPI	**(950,193)**	1,539,607	**1,539,607**	2,489,800
PD		631,870	**-**	425,529
MGI	**(425,529)**	295,363	**295,363**	295,363
Net	**(P 24,111,465)**	P 5,788,040	**P 23,246,170**	P 47,357,635

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:

December 31, 2013

Related party	Amount of transactions **2013**	Amount of transactions 2012	Outstanding balances **2013**	Outstanding balances 2012
MGI	P -	P -	**P 105,826,967**	P 105,826,967
Key management personnel	-	-	**49,293,300**	49,293,300
CLOAC			**3,675,253**	3,675,253
HHC	-	11,491	**11,491**	11,491
	P -	P 11,491	**P 158,807,011**	P 158,807,011

1. Due from HHC represents unsecured non-interest bearing advances to support its operations. These advances do not have any guarantee and no fix payment terms and is to be settled in cash.

2. Due from Pryce Plans, Inc. (PPI) represents payment made by the Parent Company on behalf of PPI for premiums for educational and pension plans provided to PPI's employees. This has no fix repayment terms and without any guarantee. These advances are to be settled in cash.

3. These are unsecured and non-interest bearing advances to and from PGI. These advances consist mainly of various costs and expenses paid for by on or behalf of PGI and have no fix payment term. Portion of these advances are settled through offsetting and portion are paid in cash.

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:

	2013	2012
Salaries and other short-term benefits	**P 14,216,884**	P 11,800,368
Retirement benefit expense	**1,772,253**	1,045,441
	P 15,989,137	P 12,845,809

21. REVENUES

The details of this account are as follows:

a) Liquefied petroleum, industrial gases and fuel

	2013	2012	2011
LPG, cylinders, stoves and accessories:			
Content	**P 2,945,531,039**	P 2,632,315,434	P 2,335,962,387
Autogas	**340,530,546**	380,954,396	333,174,110
Cylinders	**60,382,200**	65,521,265	43,972,030
Stove and accessories	**8,407,361**	4,278,181	4,532,611
Sub-total	**3,354,851,146**	3,083,069,276	2,717,641,138
Industrial gases:			
Oxygen	**340,903,689**	333,638,178	161,326,719
Acetylene	**58,516,806**	71,024,177	50,375,346
Other gases	**13,151,328**	13,546,495	10,164,343
Sub-total	**412,571,823**	418,208,850	221,866,408
Fuels:			
Gasoline	**16,229,457**	44,657,028	93,948,059
Diesel	**27,038,409**	30,656,299	54,954,400
Lubricants	**4,868**	189,952	132,755
Sub-total	**43,272,734**	75,503,279	149,035,214
	P 3,810,695,703	P 3,576,781,405	P 3,088,542,760

b) Real estate sales

Revenue from real estate sales amounted to P54,323,539, P46,991,947, and P38,611,305 for the years ended December 31, 2013, 2012 and 2011, respectively. Accumulated collections on contracts not yet recognized as revenue and recorded under the "Customers' deposits" account amounted to P124,856,908 and P108,233,363 as at December 31, 2013 and 2012, respectively.

22. COST OF SALES

Cost of sales on LPG and industrial gases consists of:

	2013	2012	2011
LPG, cylinders, stoves and accessories:			
Direct materials	**P 2,496,764,287**	P 2,272,556,323	P 1,991,972,760
Depreciation – note 13	**107,511,020**	100,675,980	108,186,351
Sales incentives	**39,946,523**	37,165,083	31,654,309
Repairs and maintenance	**30,784,633**	31,265,725	14,604,423
Freight and handling	**29,200,366**	25,675,622	16,112,459
Outside services	**23,736,786**	20,562,004	28,481,778
Direct labor	**18,221,603**	18,548,303	20,687,131
Rent and utilities	**14,570,128**	11,818,760	5,685,406
Taxes and licenses	**6,133,335**	4,639,758	5,801,091
Fuel and oil	**4,251,533**	3,825,583	3,617,149
Insurance	**1,827,583**	1,692,932	2,321,257
Others	**5,040,813**	3,989,243	3,037,766
	2,777,988,610	2,532,415,316	2,232,161,880
Industrial gases:			
Direct materials	**169,629,413**	177,138,688	65,949,337
Depreciation – notes 12 and 13	**31,772,558**	50,380,087	46,758,279
Direct labor	**10,758,403**	9,415,003	9,175,629
Rent and utilities	**10,636,627**	7,008,312	3,084,992
Outside services	**8,968,825**	9,493,830	4,979,871
Repairs and maintenance	**7,131,040**	10,865,414	7,912,553
Taxes and licenses	**1,158,243**	1,173,123	1,164,103
Insurance	**492,245**	434,030	434,015
Freight and handling	**24,552**	761,057	993,179
Others	**7,426,033**	8,219,908	4,360,619
	247,997,939	274,889,452	144,812,577
Fuel:			
Direct materials	**40,354,846**	66,519,813	137,060,670
	P 3,066,341,395	P 2,873,824,581	P 2,514,035,127

Cost of sales on hotel operations consists of:

		2013		2012		2011
Salaries, wages and benefits	**P**	**9,772,126**	P	10,368,616	P	11,888,450
Supplies		**8,744,838**		6,972,029		6,836,695
Depreciation – note 12		**5,870,201**		5,720,611		6,267,297
Outside services		**5,132,091**		2,567,307		186,045
Utilities		**3,590,073**		6,998,496		3,145,198
Taxes and licenses		**1,906,748**		1,831,437		1,572,651
Repairs and maintenance		**307,313**		475,110		472,990
Insurance		**36,307**		15,123		681,271
Travel and transportation		**11,912**		43,313		202,197
Others		**319,533**		343,889		186,935
	P	**35,691,142**	P	35,335,931	P	31,439,729

23. OPERATING EXPENSES

This account consists of:

		2013		2012		2011
Selling expenses:						
Salaries, wages and benefits	**P**	**61,869,645**	P	58,958,392	P	42,953,876
Repairs and maintenance		**41,711,669**		42,511,598		36,710,425
Outside services		**36,969,085**		33,454,411		25,822,529
Freight and handling		**26,530,331**		25,938,416		24,457,259
Depreciation – notes 12 and 13		**23,420,890**		19,191,397		12,582,688
Fuel and oil		**22,896,464**		22,314,993		16,911,714
Rent and utilities		**22,009,619**		22,409,698		15,093,009
Materials and supplies		**20,663,206**		21,508,290		19,839,442
Travel and transportation		**15,715,558**		16,362,131		11,871,747
Commissions		**7,544,812**		5,957,731		5,765,943
Taxes and licenses		**4,177,884**		5,427,815		4,361,902
Representation and entertainment		**4,056,062**		4,372,485		1,374,204
Advertisements		**3,055,229**		3,934,568		1,588,823
Training and seminars		**2,737,819**		4,624,299		4,066,439
Insurance		**1,382,489**		1,337,216		1,213,070
Dues and subscriptions		**1,098,749**		2,027,502		1,230,232
Professional fees		**248,010**		240,108		221,667
Others		**8,299,175**		7,633,900		7,553,333
		304,386,696		298,204,950		233,618,302
General and administrative expenses:						
Salaries, wages and benefits	**P**	**103,172,543**	P	111,724,133	P	98,128,046
Repairs and maintenance		**46,200,165**		42,989,475		39,120,781
Depreciation – notes 12 and 13		**37,705,052**		32,162,817		25,061,925
Travel and transportation		**22,041,759**		21,591,734		21,448,137
Rent and utilities		**19,549,192**		25,684,559		18,983,133

(Forwarded)

	2013	2012	2011
Materials and supplies	**15,728,216**	13,534,785	11,828,345
Fuel and oil	**14,488,349**	13,574,583	9,099,901
Taxes and licenses	**12,042,898**	10,951,887	15,779,090
Outside services	**11,498,478**	10,314,152	6,064,103
Freight and handling	**7,959,843**	7,507,226	6,507,226
Representation and entertainment	**7,794,735**	6,759,825	3,982,714
Insurance	**7,715,641**	7,112,009	4,466,665
Professional fees	**6,162,046**	3,783,186	2,847,505
Dues and subscriptions	**5,196,158**	5,243,947	5,074,287
Training and seminars	**3,843,213**	3,600,127	6,456,230
Donation	**2,330,299**	2,914,881	1,205,155
Advertisements	**2,441,553**	2,083,370	899,618
Meetings and conferences	**4,827,054**	4,234,609	5,302,651
Others	**16,461,754**	13,248,725	11,595,891
	347,158,948	339,016,030	293,851,402
	P 651,545,644	P 637,220,980	P 527,469,704

24. OTHER INCOME (NET)

This account consists of:

	2013	2012	2011
Other income:			
Dividend income - note 7	**P 28,283,384**	P 204,290	P 117,670
Rental income	**4,000,200**	5,969,946	8,159,158
Interment fees	**3,756,154**	1,854,955	6,640,700
Gain on sale of investments held for trading – note 7	**3,487,586**	34,510,946	5,186,939
Sale of scrap and junked materials	**711,986**	1,466,747	15,502,874
Interest income	**172,053**	358,106	303,824
Unrealized foreign exchange gain	**20,268**	29,343,593	1,493,431
Bargain purchase - note 1	**-**	-	6,441,294
Cylinder repair charges	**-**	-	3,877,458
Gain on sale of property	**-**	-	2,791,733
Others	**2,096,344**	2,316,383	1,929,233
	42,527,975	76,024,966	52,444,314
Other charges:			
Loss on sale of property	**(1,336,086)**	(3,830,253)	-
Unrealized foreign exchange loss	**(7,320,647)**	-	-
Foreign exchange loss	**(2,123,036)**	-	(109,790)
Receivership and rehabilitation charges	**-**	-	(2,400,000)
	(10,779,769)	(3,830,253)	(2,509,790)
	P 31,748,206	P 72,194,713	P 49,934,524

Loss on sale of property pertains to the disposal of its fuel refilling stations and transportation equipment during the year.

25. OTHER COMPREHENSIVE INCOME

	2013	2012
Remeasurement gains on retirement benefit obligation		
At beginning of year	**P 15,326,945**	P 733,017
Remeasurement gain during the year	**4,738,057**	20,848,469
Effect of deferred income tax	**(1,421,416)**	(6,254,541)
At end of year	**18,643,586**	15,326,945
Revaluation reserve		
At beginning of year	**103,817,661**	109,890,151
Transfer of revaluation reserve deducted from operations through additional depreciation charges	**(7,554,750)**	(8,674,984)
Deferred income tax effect on revaluation reserve charged to operations through additional depreciation	**2,266,424**	2,602,495
At end of year	**98,529,335**	103,817,661
Total other comprehensive income	**P 117,172,921**	P119,144,606

26. EFFECT ON THE ADOPTION OF PAS 19 (REVISED)

The consolidated financial statements as at and for the year ended December 31, 2012 were restated to effect the transition relative to the adoption of PAS 19 (Revised), *Employee benefits*, as follows:

a) Recognition of actuarial gain in other comprehensive income (OCI)

The Group's actuarial gain (net of tax) of P3,316,641 and P14,593,928 for the years ended December 31, 2013 and 2012, respectively, were recognized under "Other comprehensive income" in the consolidated statements of financial position. Actuarial gains and loss in prior years were previously recognized in the consolidated statements of comprehensive income.

b) Effect on retirement benefit obligation and deficit are as follows:

i) Increase in retirement benefit obligation by P49,581,496 and P60,657,943 as at December 31, 2012 and January 1, 2012, respectively;

ii) Increase the deficit by P64,908,441 and P61,390,959 as at December 31, 2012 and January 1, 2012, respectively; and

Reconciliation

The re-measurements of consolidated statement of financial position items as at December 31, 2012 and comparative financial year as at January 1, 2012 are as follows:

December 31, 2012

	As previously reported	Adjustment	As Restated
Changes in:			
Retirement benefit obligation	P 103,245,054	P 49,581,496	P 152,826,550
Deficit	(1,112,211,048)	(64,908,441)	(1,177,119,489)
Other comprehensive income	-	15,326,945	15,326,945

January 1, 2012

	As previously reported	Adjustment	As Restated
Changes in:			
Retirement benefit obligation	P 89,039,355	P 60,657,943	P 149,697,298
Deficit	(1,259,312,000)	(61,390,959)	(1,320,702,969)
Other comprehensive income	-	733,017	733,017

27. 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, 2013 and 2012, the present value of the retirement benefit obligation amounted to P168,541,013 and P152,826,550, 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, 2013 and 2012.

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

	2013	2012
Current service cost	**P 14,330,011**	P 13,553,002
Interest cost	**7,663,712**	11,725,634
Retirement benefit expense	**P 21,993,723**	P 25,278,636

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:

	2013	2012
Balance at beginning of year	**P 152,826,550**	P 149,697,297
Retirement benefit expense	**21,993,723**	25,278,636
Remeasurement gain on retirement benefit obligation	**(4,738,057)**	(20,848,469)
Benefits paid	**(1,541,203)**	(1,300,914)
Balance at end of year	**P 168,541,013**	P 152,826,550

No contributions were made in 2013 and 2012 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

	2013	2012
Discount rate	**4.24%**	5.16%
Expected salary increase rate	**8%**	8%

PGI

	2013	2012
Discount rate	**5.16%**	4.89%
Expected salary increase rate	**8%**	8%

The discount rate at December 31, 2013 and 2012, 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, 2013 is as follows:

	1 to 2 years	3 to 5 years	6 to 9 years
Normal retirement	P 45,931,470	P 18,899,995	P 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%	P 4,509,683	Increase by 5.3%	(P 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%	P 8,077,716	Increase by 8.7%	(P 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.

28. INCOME TAX

a) The components of income tax expense for the years ended December 31, 2013, 2012 and 2011 are as follows:

	2013	2012	2011
Current tax expense:	**P 47,243,145**	P 34,117,382	P 28,691,512
Deferred tax benefit on the origination and reversal of temporary differences	**(26,649,125)**	(1,071,612)	(2,894,265)
	P 20,594,020	P 33,045,770	P 25,797,247

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

	2013	2012	2011
Income before tax	**P 119,529,423**	P 169,016,884	P 145,078,385
Income tax expense at 30%	**P 35,858,827**	P 50,705,065	P 43,523,516
Add (deduct) tax effect of the following:			
Loss (income) on BOI-registered activities enjoying ITH	**-**	(198,625)	(754,996)
Depreciation on appraisal increase	**2,266,426**	2,602,496	4,031,330
Nondeductible expenses	**14,149,458**	44,316	1,743,262
Nontaxable income	**(9,523,098)**	(11,253,904)	(10,581,458)
NOLCO claimed	**(2,729,267)**	(3,661,671)	(13,979,030)
Change in temporary difference	**(19,275,898)**	2,034,549	(287,156)
MCIT applied	**(1,699,135)**	(5,519,544)	(2,894,265)
Change in valuation allowance on deferred tax assets	**1,546,707**	(1,706,912)	4,996,044
Reported income tax expense	**P 20,594,020**	P 33,045,770	P 25,797,247

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

	2013	2012
Deferred tax assets:		
Allowance for impairment losses	**P 12,833,383**	P 12,833,384
Unrealized foreign exchange losses	**27,769,906**	25,611,076
Retirement benefit obligation	**50,562,304**	45,847,965
MCIT	**1,482,186**	3,181,321
NOLCO	**-**	2,729,267
	92,647,779	90,165,647
Valuation allowance	**(76,108,078)**	(90,165,647)
	P 16,539,701	P -

	2013	2012
Deferred tax liabilities:		
Revaluation increment in property, plant and equipment	**P 42,226,857**	P 44,493,282
Unrealized foreign exchange gain	**-**	6,023,711
Interest expense capitalized to property, plant and equipment and real estate projects	**30,599,945**	33,264,241
	P 72,826,802	P 83,781,234

In 2012 and prior years, a full valuation allowance has been provided by the Group for the deferred tax assets, since management believes that there is no certainty that the tax benefits will be realized in the future. As at December 31, 2013, all of the LPG terminals and refilling plant operations enjoying ITH incentives have expired, hence, management expect utilization of tax benefits on deferred tax assets in the future.

Detail of Net operating loss carry over (NOLCO) and Minimum corporate income tax (MCIT) are as follows:

Details of MCIT are as follows:

Year of Incurrence	Year of Expiry	2012 Balance	Additions	Expired	Applied	2013 Balance
2010	2013	P 864,208	P -	P -	(P 864,208)	**P -**
2011	2014	1,213,733	-	-	(834,927)	**378,806**
2012	2015	1,103,380	-	-	-	**1,103,380**
		P 3,181,321	P -	P -	(P 1,699,135)	**P 1,482,186**

Details of NOLCO are as follows:

Year of Incurrence	Year of Expiry	2012 Balance	Additions	Expired	Applied	2013 Balance
2010	2013	P 9,097,555	P -	P -	(P 9,097,555)	**P -**

29. <u>EARNINGS PER SHARE</u>

Earnings per share is computed based on the weighted average number of common shares outstanding during the year. The number of shares used to compute basic earnings per share was 2,000,000,000 in both years.

	2013	2012
Net income	**P 98,935,403**	P 135,971,114
Weighted average number of common shares	**2,000,000,000**	2,000,000,000
	P 0.049	P 0.068

30. <u>FAIR VALUE GAIN ON TRANSFERRED REAL ESTATE PROPERTIES THRU DACION EN PAGO COVERED BY THE REHABILITIATION PLAN</u>

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 P2.1 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 were below the par value per share of its shares of stock due to its continued losses which resulted to a deficit amounting to P989,836,714 as at December 31, 2004. The fair value recognition on the transfer of Parent Company's real estate properties to PGI in exchange of PGI's shares of stock in the Parent Company's books and records would result to:

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

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

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

In 2005 and 2004, PGI transferred significant portion of the above real estate properties to its creditors by way of dacion en pago based on fair values as determined in the Court Order issued by the Regional Trial Court on the rehabilitation plan of PGI. The difference between the fair value and cost (as reported in the books and records by the parent company) of these transferred properties amounted to P129 million in 2005 and P902 million in 2004 or an aggregate amount of P1.03 billion. Subsequent to 2005, there were no real estate properties of PGI transferred to creditors by way of dacion en pago.

The P1.03 billion as at December 31, 2013 and 2012 represents the net difference between the fair value and the related cost the parent company's real estate properties transferred to PGI creditors in settlement of its debts covered by the rehabilitation plan. This amount was arrived at in the elimination process of intercompany account balances and such difference was accounted for as "Fair value gain on real estate properties" account and presented under equity section in the consolidated statement of financial position.

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

Had the Parent Company applied the fair value method of accounting on the recognition of its transferred real estate properties to PGI, the fair value gain on real estate properties should have been recognized as income and reduces the consolidated deficit as at December 31, 2013 and 2012 by P1.03 billion, respectively.

31. BUSINESS SEGMENTS

For management purposes, the Group recognizes real estate, and LPG and industrial gases as their basis in reporting their primary segment information.

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.

Financial information about business segments are presented below:

	Real Estate			LPG and Industrial Gases		
	2013	2012	2011	**2013**	2012	2011
	(amounts in millions)					
Revenue from external customers	**P 95**	P 87	P 80	**P 3,811**	P 3,577	P 3,088
Results						
Income (loss) before income tax	**P 4**	P 4	P 15	**P 116**	P 169	P 145
Income tax benefit (expense)	**(1)**	(1)	(1)	**(22)**	(37)	(25)
Net income (loss) for the year	**5**	3	3	**94**	132	120
Other information:						
Segment assets	**P 3,122**	P 3,088	P 3,183	**P 3,813**	P 3,321	P 3,082
Segment liabilities	**1,156**	1,147	1245	**1,726**	1,292	1,218
Capital expenditures	**31**	2	2	**343**	62	62
Depreciation	**9**	8	9	**198**	200	190

32. 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 2013 and 2012 amounted to P11.5 million and P39.2 million included as part of "Cost of sales" and "Operating expenses" accounts, in the consolidated statement of comprehensive income.

33. 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, 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:

	2013		2012	
	US Dollar	**PH Peso**	US Dollar	PH Peso
Cash	**P 221,031**	**P 9,816,872**	P 584,101	P 23,977,338
Liabilities:				
Trade payables	**(11,317,440)**	**(502,652,780)**	(3,936,270)	(161,583,884)
Restructured debts:				
Current	**(1,065,424)**	**(47,319,764)**	(1,763,461)	(72,390,074)
Noncurrent	**(2,130,849)**	**(94,639,529)**	(3,196,273)	(131,207,007)
Net	**(P14,292,682)**	**(P634,795,201)**	(P8,311,903)	(P341,203,627)

The foreign currency exchange rates used for US Dollar (US$) to Peso were P44.414 in 2013 and P41.050 in 2012. As a result of translating these foreign currency denominated balances, the Company reported a net unrealized foreign currency translation loss of P7.32 million in 2013 and P29.34 million in 2012, presented as part of "Other income (net)" account in the consolidated statement of comprehensive income (see Note 24).

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, 2013 and 2012 (due to the changes in the fair value of monetary assets and liabilities).

	Appreciation (Depreciation) of PHP	Effect in Income Before Tax
2013	**1.50**	**(P 21,439,024)**
	1.00	**(14,292,682)**
	(1.50)	**21,439,024**
	(1.00)	**14,292,682**
2012	1.50	(P 12,467,856)
	1.00	(8,311,903)
	(1.50)	12,467,856
	(1.00)	8,311,903

- *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, 2013 and 2012 are as follows:

	2013	2012
Cash in bank	**P 151,777,020**	P 223,960,990
Trade and other receivables	**378,187,057**	265,887,312
Due from related parties	**23,246,170**	47,357,635
	P 553,210,247	P 537,205,937

Credit quality information

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 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, 2013

	Cash	Trade and other receivables	Due from related parties
High	**P 151,777,020**	**P 5,976,197**	**P 23,246,170**
Moderate	**-**	**286,547,746**	**-**
	P 151,777,020	**P 292,523,943**	**P 23,246,170**

As at December 31, 2012

	Cash	Trade and other receivables	Due from related parties
High	P 223,960,990	P 4,050,864	P 47,357,635
Moderate	-	174,887,500	-
	P 223,960,990	P 178,938,364	P 47,357,635

High credit quality

This includes deposits or placements to counterparties with good credit rating or bank standing. For receivables, this covers, as of financial reporting date, accounts of good paying customers, with good credit standing and with no history of default for a defined period and related parties with offsetting arrangement.

Moderate credit quality

For receivables, this covers accounts of paying customers, but paid normally beyond the credit term. This also includes receivables from customers with delayed payment, although paid but was only made after a demand letter was sent.

Some of the unimpaired trade receivables are past due at the end of the reporting period. No other financial assets are past due at the end of the reporting period. Trade receivables past due but not impaired are shown in Note 8.

As at December 31, the aging analysis of trade receivables is as follows:

		2013		2012
Current	**P**	**159,114,486**	P	103,325,775
1 – 60 days		**50,079,808**		35,136,659
61 - 120 days		**14,123,997**		12,487,856
Over 120 days		**74,563,226**		75,052,835
		297,881,517		226,003,125
Allowance for impairment	**(**	**35,299,552)**	(	35,299,552)
	P	**262,581,965**	P	190,703,573

- *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 as at December 31, 2013 and 2012 based on contractual undiscounted payments:

<u>As at December 31, 2013</u>

			Contractual undiscounted payments			
	Total carrying value	**On demand**	**Less than 1 year**	**1 – 5 years**	**More than 5 years**
Trade and other payables	**P 839,188,396**	**P 738,035,124**	**P 101,153,272**	**P -**	**P -**
Debts covered by the Rehabilitation Plan	**88,693,220**	**-**	**59,128,812**	**118,257,627**	**-**
Short-term debts	**185,000,000**	**-**	**185,000,000**	**-**	**-**
Due to related parties	**158,807,011**	**-**	**-**	**158,807,011**	**-**
Total	**P 1,355,607,023**	**P 738,035,124**	**P345,282,084**	**P 277,064,638**	**P -**

As at December 31, 2012

	Total carrying value	Contractual undiscounted payments On demand	Less than 1 year	1 – 5 years	More than 5 years
Trade and other payables	P 734,417,967	P 628,853,927	P 105,564,040	P -	P -
Debts covered by the Rehabilitation Plan	268,694,407	-	102,060,234	166,634,173	-
Due to related parties	158,807,011	-	-	158,807,011	-
Total	P 1,161,919,385	P 628,853,927	P 207,624,274	P 325,441,184	P -

- *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
2013	**100**	**(P 31,293)**
	50	**(15,646)**
	(100)	**31,293**
	(50)	**15,646**
2012	100	P 1,708
	50	854
	(100)	(1,708)
	(50)	(854)

- *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 and PGI's restructured debts (see Note 18). The impact on the Group's equity is immaterial.

	Increase (Decrease) in Basis Points	Effect in Income After Tax
2013	**100**	**(P 444,792)**
	50	**(222,396)**
	(100)	**444,792**
	(50)	**222,396**
2012	100	(P 379,207)
	50	(189,604)
	(100)	379,207
	(50)	189,604

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

<u>As at December 31, 2013</u>

	1 - < 2 years	2 - < 3 years	Total
Foreign currency-denominated US$15 million loan granted by a foreign financing company	**USD849,687**	**USD1,699,373**	**USD2,549,060**
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	**USD215,738**	**USD431,475**	**USD647,213**
Interest rate	**3-month LIBOR + 1% margin**	**3-month LIBOR + 1% margin**	
Peso-denominated loans granted by various local commercial banks	**PhP11,809,049**	**PhP23,618,097**	**PhP35,427,146**
Interest rate	**91-day Treasury bill + 1% margin**	**91-day Treasury bill + 1% margin**	

As at December 31, 2012

	1 - < 2 years	2 - < 3 years	3 - < 4 years	Total
Foreign currency-denominated US$15 million loan granted by a foreign financing company	USD1,406,378	USD1,406,378	USD1,142,682	USD3,955,438
Interest rate	3-month LIBOR + 1% margin	3-month LIBOR + 1% margin	3-month LIBOR + 1% margin	
Foreign currency-denominated US$4 million loan granted by a foreign commercial bank	USD357,083	USD357,083	USD290,130	USD1,004,297
Interest rate	3-month LIBOR + 1% margin	3-month LIBOR + 1% margin	3-month LIBOR + 1% margin	
Peso-denominated loans granted by various local commercial banks	PhP29,670,150	PhP29,670,150	PhP5,756,996	PhP65,097,296
Interest rate	91-day Treasury bill + 1% margin	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, 2013 and 2012, the Group's ratios of interest-bearing debt to total capital are as follows:

	2013	2012
Total interest-bearing debt (a)	**P 635,417,001**	P 541,724,969
Total equity	**2,347,945,063**	2,244,586,780
Total interest-bearing debt and equity (b)	**P 2,983,362,064**	P 2,786,311,749
Gearing ratio (a/b)	**27.06%**	19.44%

As at December 31, 2013 and 2012, the Group's ratios of net interest-bearing debt to total capital are as follows:

		2013		2012
Total interest-bearing debt	**P**	**635,417,001**	P	541,724,969
Less: Cash		**205,736,478**		257,659,547
Financial assets at FVPL		**137,388,244**		94,302,320
Net interest-bearing debt (a)		**292,292,279**		189,763,102
Total equity		**2,347,945,063**		2,244,586,780
Net interest-bearing debt and equity (b)	**P**	**2,640,237,342**	P	2,434,349,882
Gearing ratio (a/b)		**11.07%**		7.80%

- *Fair value hierarchy*

The table below presents the hierarchy of fair value measurements used by the Group for financial assets at FVPL:

	Level 1	Level 2	Level 3	Total
December 31, 2013	**P 137,388,244**	**P -**	**P -**	**P 137,388,244**
December 31, 2012	94,302,320	-	-	94,302,320

The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

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

Categories and Fair Values of Financial Assets and Liabilities

Financial Assets

	2013		2012	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Cash	**P 205,736,478**	**P 205,736,478**	P 257,659,547	P 207,750,259
Financial assets at FVPL	**137,388,244**	**137,388,244**	94,302,320	296,771,694
Trade and other receivables	**378,187,057**	**376,038,250**	265,887,312	232,278,983
Due from related parties	**23,246,170**	**23,246,170**	47,357,635	126,368,495
Total	**P 744,557,949**	**P 742,409,142**	P 665,206,814	P 863,169,431

Financial Liabilities

	2013		2012	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Trade and other payables	**P 845,461,108**	**P 845,461,108**	P 740,445,148	P 740,445,148
Debts covered by the Rehabilitation Plan	**177,386,439**	**123,095,173**	268,694,407	191,639,173
Short-term debts	**185,000,000**	**185,000,000**	-	-
Due to related parties	**158,807,011**	**74,379,753**	158,807,011	174,318,053
Total	**P 1,366,654,558**	**P 1,227,936,034**	P 1,167,946,566	P 1,106,402,374

Cash, Trade and other receivables, Trade and other payables

The carrying amounts approximate fair values due to the relatively short-term maturities of the financial instruments.

Financial assets at FVPL

The fair value is based on quoted prices in active market.

Due to and from related parties

The fair value of advances to and from related parties are not reasonably determined due to unpredictable timing of future cash flows.

34. CONTINGENCIES

The Group is involved in litigations, claims and disputes arising in the ordinary course of business. The Group's 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. Other litigations involving the Parent Company are more fully discussed in Note 2.

* * *

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
Makati City, Philippines

We have audited the accompanying financial statements of **Pryce Corporation and Subsidiaries** as at and for the year ended December 31, 2013, on which we have rendered the attached report dated April 11, 2014. In connection with our audit, we obtained a certification from the Company's corporate secretary as to the number of stockholders and their corresponding shareholdings as at December 31, 2013. In relation to the certification issued by the corporate secretary, we conducted certain tests necessary to validate the related Company's entries and balances.

In compliance with SRC Rule 68 and based on the certification received from the Company's corporate secretary and the results of the work performed, as at December 31, 2013, the Company has ten (394) stockholders owning 100 or more shares.

Diaz Murillo Dalupan and Company
Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until December 31, 2014
SEC Accreditation No. 0192-FR-1, Group A, effective until March 24, 2016
BIR Accreditation No. 08-001911-0-2013, effective until April 01, 2016

by:

Jozel Francisco C. Santos, Jr.
Partner
CPA Certificate No. 89044
SEC Accreditation No. 1070-AR-1, Category A, effective until December 16, 2016
Tax Identification No. 173-035-673
PTR No. 4244794, January 17, 2014, Makati City
BIR Accreditation No. 08-001911-9-2013, effective until April 01, 2016

April 11, 2014

Statement Required by Rule 68, Part I, Section 3.v,
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
Makati City, Philippines

We have audited the accompanying financial statements of **Pryce Corporation and Subsidiaries** as at and for the year ended December 31, 2013, on which we have rendered the attached report dated April 11, 2014. The supplementary information shown in **Annexes "A" to "C"** and **Schedules "A" to "H"**, as additional components 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 consolidated 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, 2014
SEC Accreditation No. 0192-FR-1, Group A, effective until March 24, 2016
BIR Accreditation No. 08-001911-0-2013, effective until April 01, 2016

by:

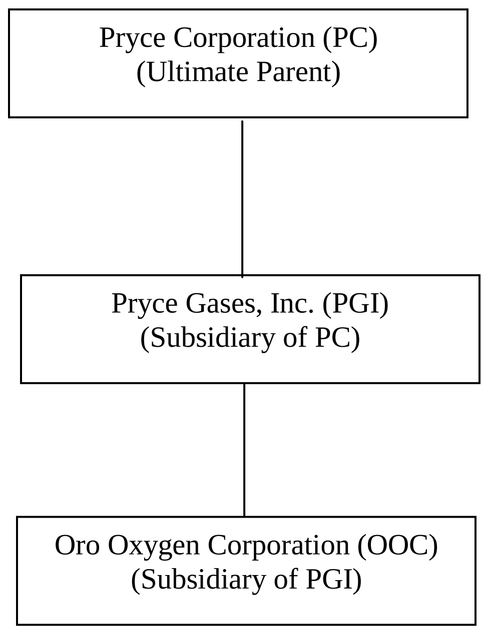
Jozel Francisco C. Santos, Jr.
Partner
CPA Certificate No. 89044
SEC Accreditation No. 1070-AR-1, Category A, effective until December 16, 2016
Tax Identification No. 173-035-673
PTR No. 4244794, January 17, 2014, Makati City
BIR Accreditation No. 08-001911-9-2013, effective until April 01, 2016

April 11, 2014

PRYCE CORPORATION AND SUBSIDIARIES
ANNEX "A" - FINANCIAL SOUNDNESS
DECEMBER 31, 2013

	2013	2012
Profitability ratios:		
Return on assets	**2.68%**	3.88%
Return on equity	**5.21%**	7.79%
Net profit margin	**3.06%**	4.61%
Solvency and liquidity ratios:		
Current ratio	**1.159**	1.227
Debt to equity ratio	**1.187**	1.134
Financial leverage ratio:		
Asset to equity ratio	**2.196**	2.142
Debt to asset ratio	**0.541**	0.529
Interest rate coverage ratio	**4.531**	5.019

PRYCE CORPORATION AND SUBSIDIARIES
ANNEX "B" – MAP OF CONGLOMERATE OR GROUP
OF COMPANIES WITHIN WHICH THE COMPANY BELONGS
DECEMBER 31, 2013



Annex "C"

PRYCE CORPORATION AND SUBSIDIARIES
LIST OF EFFECTIVE STANDARDS AND INTERPRETATIONS
For the year ended December 31, 2013

SUPPLEMENTARY INFORMATION REQUIRED BY THE SECURITIES AND EXCHANGE COMMISSION (SEC)

On October 20, 2011, the Securities and Exchange Commission (SEC) amended the SRC Rule 68, which requires the Company to disclose some information/ schedule showing the list of all of the effective current standards and interpretations under the Philippine Financial Reporting Standards (PFRS) starting 2011, is presented as follows:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2013**		**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 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✔
	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			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
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 PFRS 7: Transition	✔		
	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	✔		
	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	Financial Instruments		✔	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✔	
PFRS 10	Consolidated Financial Statements	✔		
PFRS 11	Joint Arrangements			✔
PFRS 12	Disclosure of Interests in Other Entities	✔		
PFRS 13	Fair Value Measurement	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✔		
	Amendment to PAS 1: Capital Disclosures	✔		
	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 Balance Sheet Date	✔		
PAS 11	Construction Contracts			✔
PAS 12	Income Taxes	✔		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✔
PAS 16	Property, Plant and Equipment	✔		
PAS 17	Leases	✔		
PAS 18	Revenue	✔		
PAS 19	Employee Benefits	✔		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✔
PAS 19 (Amended)	Employee Benefits	✔		
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	Borrowing Costs	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
(Revised)				
PAS 24 (Revised)	Related Party Disclosures	✔		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✔
PAS 27 (Amended)	Separate Financial Statements			✔
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✔
PAS 29	Financial Reporting in Hyperinflationary Economies			✔
PAS 31	Interests in Joint Ventures			✔
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	✔		
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			✔
	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	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
	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			✔
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 8	*Scope of PFRS 2*			✔
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 11	PFRS 2- Group and Treasury Share Transactions			✔
IFRIC 12	Service Concession Arrangements			✔
IFRIC 13	Customer Loyalty Programs			✔
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
	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			✔
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✔
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✔
SIC-7	Introduction of the Euro			✔
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✔
SIC-12	Consolidation - Special Purpose Entities			✔
	Amendment to SIC - 12: Scope of SIC 12			✔
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✔
SIC-15	Operating Leases - Incentives			✔
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✔
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			✔

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE A – FINANCIAL ASSETS
DECEMBER 31, 2013

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
San Miguel Corporation	1,568,570	P 98,035,625	P 98,035,625	P -
Swift Foods, Inc.	113,170,000	13,580,400	13,580,400	
Paxy's, Inc,	4,831,000	10,676,510	10,676,510	
Cebu Air	172,510	8,082,094	8,082,094	
Lopez Holdings	1,355,000	5,420,000	5,420,000	
Ionics, Inc.	4,359,000	1,591,035	1,591,035	
Alliance Global Group	100	2,580	2,580	
	125,456,180	P 137,388,244	P 137,388,244	P -

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2013

Name of debtor	Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
AGUADERA, JONAX	Officer	P 592,136	P 226,748	(P 124,780)		P 694,104		P 694,104
DEGUIT, ETHELBERT	Officer	381,247	272,693	(449,889)		204,051		204,051
DINOY, DINAH ROSE	Officer	125,788	168,537	(257,446)		36,879		36,879
ECO, SERVILLANO	Officer	400,171	204,652	(422,341)		182,482		182,482
ESCANO, JOSE MA.	Officer	380,508	396,385	(467,002)		309,891		309,891
ESCANO, RAFAEL	Officer	597,270	326,837	(645,464)		278,643		278,643
ESCAÑO, SALVADOR	Officer	601,059	14,732	(615,791)		-		-
FLORES, ARNOLD	Officer	176,708	-	(176,708)		-		-
LAGUMBAY, LUIS	Officer	428,083	418,492	(528,496)		318,079		318,079
MACION, GABRIEL	Officer	748,442	394,861	(913,992)		229,311		229,311
MORIAL, ROLANDO	Officer	395,784	147,038	(490,983)		51,839		51,839
NAGAC, RICHARD	Officer	2,036,432	274,863	(2,311,295)		-		-
PALMA, EFREN	Officer	368,801	336,842	(551,537)		154,106		154,106
POLIRAN, ELIGIO	Officer	1,073,247	2,462,848	(1,219,389)		2,316,706		2,316,706
SARRAGA, DARWIN	Officer	270,806	673,084	(524,434)		419,456		419,456
SULATRE, ALEXIS	Officer	468,209	268,374	(473,439)		263,144		263,144
ALBARAN, TEOTIMO	Employee	47,285	642,946	(234,857)		455,374		455,374
AMADOR, ROXLY	Employee	120,189	127,935	(78,945)		169,179		169,179
CAIMPON, JOEBERT	Employee	52,918	286,592	(162,736)		176,774		176,774
CAMINO, EDELITO	Employee	29,840	614,628	(261,527)		382,941		382,941
CUALES, EDUARDO	Employee	151,571	-	(151,571)		-		-
LEDESMA, VICTOR JABBAR	Employee	36,746	461,953	(192,742)		305,957		305,957
MACAYA, CHRISTOPHER	Employee	272,320	-	(272,320)		-		-
MANALOTO, JOHN ERROLL	Employee	184,584	224,648	(83,628)		325,604		325,604

PACANA, BINGLE MAY	Employee	134,680	176,228	(184,316)		126,592	126,592
PONTILLAS, WILBERT	Employee	118,940	714,859	(235,847)		597,952	597,952
REYES, DANIEL	Employee	266,755	222,937	(50,395)		439,297	439,297
ROSALES, DIOSITO	Employee	532,138	284,638	(293,746)		523,030	523,030
SIMBA,FRANCIONNIE FRANCES	Employee	217,720	769,283	(472,869)		514,134	514,134
TULIN, VINCENT JONATHAN	Employee	64,318	648,271	(347,253)		365,336	365,336
OTHERS*		10,292,306	5,608,115	-	-	15,900,421	15,900,421
TOTAL		**P 21,567,002**	**P 17,370,019**	**(13,195,738)**	**-**	**P 25,741,283**	**P 25,741,283**

**Others represents 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, 2013

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.	Pryce Corporation	P 801,979	P 106,642	P -	P -	P -	P908,621	P 908,621
Pryce Gases, Inc.	Oro Oxygen Corporation	66,730,713	792,024,603	691,894,084	-	166,861,232	-	166,861,232
		P 67,532,692	P792,131,245	P691,894,084	P -	P166,861,232	P908,621	P167,769,853

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE D – INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2013

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending balance
Goodwill	P 68,897,066	P –	P –	P –	P –	P 68,897,066

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE E – LONG TERM DEBT
DECEMBER 31, 2013

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
Debts for dacion en pago:			
Parent Company			
Long-term commercial papers (LTCP's)		P 208,581,499	P -
Loans from bank and other financial institutions		356,797,528	-
Trade and non-trade creditors		20,946,491	-
Accrued interest payable		180,934,934	-
Subsidiary			
Debts secured by non-operating assets:			
Foreign-currency denominated trade payable		82,797,768	
Peso-denominated bank loan		123,521,054	
Unsecured debts:			
Peso-denominated trade payables		55,984,578	
		P 1,029,563,852	P -
Restructured debts:			
Subsidiary			
Foreign currency denominated loan granted by a foreign financing company		P 37,737,984	P 75,475,969
Foreign currency denominated loan granted by a foreign commercial bank		9,581,780	19,163,560
Peso denominated loans granted by various local commercial banks		11,809,048	23,618,098
		P 59,128,812	P 118,257,627

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2013

Name of related party	Balance at beginning of period	Balance at end of period
Mindanao Gardens, Inc.	P 105,826,967	P 105,826,967
PioVeloso	32,766,300	32,766,300
Salvador Escaňo	16,527,000	16,527,000
Central Luzon Oxygen and Acetylene Corporation	3,675,253	3,675,253
Hinundayan Holdings Corporation	11,491	11,491
	P 158,807,011	P 158,807,011

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE G – GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2013

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

Not Applicable

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE H – CAPITAL STOCK
DECEMBER 31, 2013

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	2,000,000,000	1,998,750,000	–	568,210,772	34,492,660	1,397,046,568

PRYCE CORPORATION (Parent Company)
Aging of Accounts Receivable
As of December 31, 2013

Type of Accounts Receivable	**Total**	1-30 days	31-90 days	91-180 days	Over 180 days	1-2 Years	3-5 years	5 Years - above	Past due accounts
a. Trade Receivables									
1. Subdivision	**2,580,278**	132,911	182,821	236,991	248,812			-	1,778,743
2. Low-cost housing	**1,109,298**	152,072	221,321	304,953	302,113	101,664	27,175	-	
3. Memorial Parks	**48,654,060**	4,936,750	4,836,307	5,297,213	7,199,099	8,278,750	7,629,452	-	10,476,489
4. Hotel	**2,745,298**	456,118	2,289,180	-	-	-			
5. Head Office	**733,462**	298,346	435,116	-	-	-	-	-	
Totals	**55,822,396**	**5,976,197**	**7,964,745**	**5,839,157**	**7,750,024**	**8,380,414**	**7,656,627**	**-**	**12,255,232**
Less: Allow. For Doubtful Acct.	**7,415,618**								7,415,618
Sub Total	***48,406,778***	***5,976,197***	***7,964,745***	***5,839,157***	***7,750,024***	***8,380,414***	***7,656,627***	**-**	***4,839,614***
b. Non-trade Receivables									
Advances to Officers & Employees	**3,735,951**	411,872	580,677.28						2,743,401
Advances to Suppliers & Contractors	**1,248,112**	115,028	117,159.00	147,193					868,732
Others	**3,982,062**	416,571	551,483.00	358,442				-	2,655,566
Totals	**8,966,125**	**943,471**	**1,249,319**	**505,635**	**-**	**-**	**-**	**-**	**6,267,699**
Less: Allow. For Doubtful Acct.	**4,612,551**								4,612,551
Sub Total	***4,353,574***	***943,471***	***1,249,319***	***505,635***	**-**	**-**	**-**	**-**	***1,655,148***
Grand Total	***52,760,352***	***6,919,668***	***9,214,064***	***6,344,792***	***7,750,024***	***8,380,414***	***7,656,627***	**-**	***6,494,762***

Accounts Receivable Description

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