SEC Number 168063
File Number ________

PRYCE CORPORATION
(formerly PRYCE PROPERTIES CORPORATION)

Company's Full Name

17th Floor Pryce Center, 1179 Chino Roces Avenue corner Bagtikan St., Makati City

Company's Address

899-44-01 (trunkline)
Telephone Number

December 31
Fiscal Year Ending
(Month & Day)

SEC Form 17-Q

Form Type

N/A

Amendment Designation (if applicable)

June 30, 2014

Period Ended Date

N/A

Secondary License Type and File Number

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended June 30, 2014
2. Commission identification number 168063
3. BIR Tax Identification No. 000-065-142-000
4. PRYCE CORPORATION (formerly Pryce Properties Corporation)
5. Metro Manila, Philippines
6. Industry Classification Code: ☐
7. 17th Floor Pryce Center, 1179 Chino Roces Avenue cor. Bagtikan St. Makati City 1203
8. (0632) 899-44-01 (Trunkline)
9. N. A.

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

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

Title of Each Class	No. of shares/Amount of Outstanding Debt
Issued Common Shares	1,998,750,000
Subscribed Common Shares	2,000,000,000
Debt Outstanding (Creditor/Bank-principal only)	P 282,750,357.38 - parent company
	P 147,359,798 - subsidiary, re-structured loans only; P 138,782,346 - debts for dacion

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

    Yes { / } No { }

    Philippine Stock Exchange Common Stock

12. Indicate by check mark whether the registrant:

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

    Yes { / } No { }

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

    Yes { / } No { }

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements.

Please see attached.

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

Consolidated revenues for the six-month period ended June 30, 2014 aggregated P2.74 billion, broken down by product line as follows: liquefied petroleum gas (LPG), P2.49 billion (or 90.83% of total); industrial gases, P204.83 million (7.47%); other fuels, P5.92 million (0.22%); real estate sales, P22.44 million (0.82%); and revenues from hotel operations, P18.25 million (0.67%). The total revenue for the six-month period represents a remarkable growth of 60.5% from the previous year's comparable figure of P1.71 billion.

As previous reports indicated, LPG, industrial gases, and fuels are product lines handled by the subsidiary, Pryce Gases, Inc. (PGI) under the PryceGas Brand, while real estate sales as well as hotel operations are the responsibility of the mother company, Pryce Corporation. Commencing January 01, 2012, the accounts have included those of Oro Oxygen Corporation (OOC), PGI's subsidiary, which is engaged in essentially the same business as PGI's but focuses its operations in Luzon.

Revenues and Volume Growth

The substantial hike in consolidated revenues of 60.5% year-on-year was driven by the growth in sales revenues of LPG -- the company's main product – which ballooned by 71.55% following the opening of the company's 5,700 MT LPG terminal in San Fabian, Pangasinan in the 2nd half of 2013. Sales of household LPG soared in Peso terms by 85.85% from P1.24 billion to P2.31 billion, and volume-wise by 86.52% from 22,182 MT to 41,830 MT. This surge was somewhat tempered by sales revenue from autogas (LPG as vehicle fuel) which dropped by 15.85% to P146.6 million in Peso terms and by 17.33% in volume terms to 2,420 MT. The balance of LPG sales amounting to P37.80 million consisted of cylinders, stoves and accessories.

Industrial gas sales rose by 10.04% to P204.84 million compared to the year-before figure, mainly attributed to the growing sales of oxygen which moved up by 10.59% to P146.33 million; the volume improved even more by 14.73% to 433,848 cylinders. In contrast, sales of acetylene declined by 3.88% to P40.01 million and 1.51% by volume to 37,924 cylinders. Sales of other gases jumped by 51.66% to P18.5 million but this may not very significant given the low base figures in both Peso and volume terms. Total industrial gas volume sold for the period reached 487,250 cylinders compared to the previous year's 427,862 cylinders, or a growth of 13.88%.

Real estate sales, mainly consisting of memorial lot sales, dipped by 4.43% while sales from hotel operations fell slightly by 1.18%.

REVENUES			
PRYCE CORPORATION (PC)			
	2014	**2013**	Percent Growth/ (Decline)
Real Estate	22,437,007	23,475,909	-4.4%
Hotel	18,251,648	18,470,402	-1.2%

EVENUES			
PRYCE GASES, INC.(PGI) & Subsidiary (OOC)			
	2014	**2013**	Percent Growth/ (Decline)
LPG	2,489,691,742	1,451,321,458	71.5%
Industrial gas	204,836,242	186,142,748	10.0%
Fuel	5,922,286	27,954,123	-78.8%

VOLUME			
PRYCE GASES, INC.(PGI) & Subsidiary (OOC)			
	2014	**2013**	Percent Growth/ (Decline)
LPG (in kgs)	43,794,419	25,109,961	74.4%
Industrial gas (cyl.)	487,250	427,862	13.9%
Fuel (liters)	127,879	630,469	-79.7%

Price Movement and Market Demand

Following the trend in the international contract price of LPG, the average retail price of the product in the domestic market started the year with a high of P76.02 per kg. (following the record high of P83.67 per kg. in December 2013). The price gradually softened to P69.35 by the end of the first quarter and to a low of P67.10 by May, 2014. It slightly went up to P67.60 per kg. by June, averaging P70.35 per kg. for the first semester of the year. This is higher than the average price of P64.79 per kg. for the first semester of the previous year.

PGI's selling price to its dealers for household LPG averaged P55.72 per kg. for the semester under review, which essentially stayed constant from year-ago figure of P55.92. (The lower figure compared to the industry retail price stems from the wholesale component of sales.) The price of autogas also remained relatively steady at P60.57 per kg. compared to last year's P59.51. As cited in a previous report, this steady-pricing scenario occurred despite the significant hike in the international and domestic retail prices of LPG in the first semester of 2014 compared to the same semester last year because the company's growth in LPG volume sales emanated from increased sales in Luzon, consequential to the opening of PGI's San Fabian, Pangasinan LPG terminal. Luzon is a highly competitive LPG market with so many industry players; this curtails the company's capacity to adjust prices.

The average price of oxygen dipped by 3.6% to P337.27 per cylinder accompanied by the increased sales volume of 14.73%, accounted for by the perceptible rise in sales of oxygen attributable to the construction boom. The price of acetylene likewise slackend by 2.40% to P1,055.09 per cylinder but the volume remained essentially constant.

Competition and Market Share

The opening of the San Fabian, LPG terminal ushers in a new era for the company as it firmly establishes its presence in Luzon and endeavors to make inroads into this market. This development recasts the company from a significant player in the Visayas-Mindanao (VisMin) region to a national player in the LPG industry. The company enjoys the advantage of having a marine-fed terminal facility unlike many independent players in Luzon which depend on the bigger companies, with refineries or import terminals, for their supply. The Luzon market already comprises the bulk of the company's LPG sales when it turned in sales of 24,348 MT or 55.6% of total in the first semester of 2014; the balance of 44.4% being accounted for by VisMin sales.

The opening of the San Fabrian terminal is deemed auspicious in the wake of the closure of Shell Pilipinas' 45,000 MT refrigerated LPG terminal in Batangas. Notwithstanding, the company still faces stiff competition from established players like Petron (Gasul) and Isla Gas (Solane). Recently the 12,000 MT Liquigaz terminal in Bataan was acquired by a company affiliated with a major mall/supermarket operator and is expected to remake itself from purely a wholesaler to a wholesale and retail player which could result in even tighter competition.

It is worth noting, however, that while the company continues to expand aggressively in the LPG market for household cooking, its autogas sales volume has shrunk mainly because the expected increased conversion of vehicles to LPG-powered machines has not materialized. Moreover, some competitors have more point-of-sale stations all over the country because they are primarily engaged in the sale of gasoline and other automotive fuels, along with autogas.

In the industrial gas market, as stated in a previous report, the company altered its method of sourcing oxygen gas. Instead of manufacturing all its supply, in certain areas, it procures liquid oxygen from a third-party supplier which is then converted to gaseous form using appropriate equipment. This allows the company to obtain the product at lower cost and price it more competitively, thus increasing sales volume.

Profitability

While the company's LPG sales grew by leaps and bounds, its gross margin dipped to 11.88% of sales from 16.17% of the previous year's first semester. This stems from the bigger share of lower-margin Luzon sales in aggregate revenues. Gross margin of industrial gases likewise declined to 42.20% from the year-ago figure of 44.89% due to more competitive pricing strategy of the company for oxygen and acetylene to improve market share. Gross margin of real estate sales remained at 78-79% of sales since the bulk of revenues came from high-margin memorial lot sales. Gross margin from hotel operations slid to 10.48% from 12.01% of last year's comparable period since costs remained essentially at the same level despite the slight decline in sales.

Aggregate costs and expenses rose in absolute amount from P1.663 billion to P2.669 billion owing to the higher total cost of sales following the surge in LPG sales volume. Nonetheless, Income from Operations improved by a substantial 61.74% from P44.76 million to P72.39 million. Other income, net of finance costs amounted to P3.68 million, resulting in a pre-tax net income of P76.07 million which represents a 29.22% increase from the previous year's P58.87 million.

PROFITABILITY			
PRYCE CORPORATION (PC)			
	2014	**2013**	Percent Growth/ (Decline)
Gross Margin (%)			
Real estate	78.40%	79.33%	1.2%
Hotel operations	10.48%	12.01%	12.7%
Return on Assets (%)	0.08%	0.09%	11.1%
Return on Equity (%)	0.13%	0.14%	7.1%
Net profit margin (%)	6.53%	7.00%	6.8%

PROFITABILITY			
PRYCE GASES, INC.(PGI) & Subsidiary (OOC)			
	2014	**2013**	Percent Growth/ (Decline)
Gross Margin (%)			
LPG	11.88%	16.17%	-26.5%
Industrial Gas	42.20%	44.89%	-6.0%
Fuel	7.60%	8.04%	-5.5%
Return on Assets (%)	2.03%	1.71%	18.7%
Return on Equity (%)	3.39%	2.64%	28.4%
Net profit margin (%)	2.71%	3.36%	-19.3%

Liquidity

Total liquid assets of the company as of June 30, 2014 amounted to P371.48 million, which is higher by 8.26% from the P343.12 million recorded as of yearend 2013 based on audited accounts. These liquid assets consisted of Cash & cash equivalent of P149.93 million and Financial Assets at fair value (marketable securities) of P221.55 million. Other liquid assets of the company came in the form of trade and other receivables amounting to P367.75 million.

Current ratio as of the end of the first semester 2014 was at 1.30:1 while total debt-to-equity ratio stood at 1.04:1.

LIQUIDITY			
PRYCE CORPORATION (PC)			
	2014	**2013**	Percent Growth/ (Decline)
Current ratio	1.26	1.26	0.00%
Debt to equity ratio	0.60	0.59	2.1%

LIQUIDITY			
PRYCE GASES, INC.(PGI) & Subsidiary (OOC)			
	2014	**2013**	Percent Growth/ (Decline)
Current ratio	1.33	1.41	-5.7%
Debt to equity ratio	0.67	0.54	23.7%

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	(27.13%)	Due to payment of accounts to suppliers, lenders and other creditors and investment in marketable securities.
Investment held for trading	61.26%	Additional acquisition of marketable securities.
Inventories	(10.23%)	Attributed to the increase in sales volume.
Assets held for dacion	(62.49%)	Due to settlement of account.
Accounts payable and accrued expenses	8.92%	Due to additional purchases.
Income tax payable	(100.00%)	Full payment of income tax.
Debts for dacion en pago covered by Rehabilitation Plan	(29.57%)	Due to payment of loans.
Restructured debts covered by Rehabilitation Plan	(50.78%)	PGI's quarterly payment of restructured loans.
Short-term debt	13.51%	Loan availment by PGI.
Deficit	(7.10%)	Due to booking of net income for first 6 months of 2014.

PART II – OTHER INFORMATION

For the period under review, a report was filed with the SEC (using SEC 17-C format) with regard to the following: 1. SEC 17-C report dated April 28, 2014 - on the postponement of the Annual Stockholders' Meeting of the company to enable the company to prepare all reports and matters to be submitted for the approval of its stockholders; and 2. SEC 17-C report dated May 16, 2014 - on the notice of the date, time, and venue of the Annual Stockholders' Meeting of the company and the Record Date for determining the stockholders entitled to notice of and to vote therein.

SIGNATURES

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

PRYCE CORPORATION
By:

NILO S. EZEQUIEL
President &
Chief Operating Officer

SALVADOR P. ESCAÑO
Chairman &
Chief Executive Officer

August 15, 2014

PRYCE CORPORATION AND SUBSIDIARY

Financial Statements
for the periods ended June 31, 2014 and December 31, 2013;
and for June 31, 2014 and 2013

PRYCE CORPORATION AND SUBSIDIARY
Consolidated Balance Sheets
For the period ended June 30, 2014 (unaudited) and Dec. 31, 2013 (audited)

	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents - note 5	**149,925,536**	205,736,478
Financial assets at fair value through profit or loss - note 6	**221,553,196**	137,388,244
Trade and other receivables - note 7	**367,750,596**	376,038,250
Inventories - note 8	**567,473,865**	632,158,209
Real estate projects - note 9	**1,255,827,179**	1,231,305,959
Prepayments and other current assets (net) - note 10	**48,653,978**	47,281,477
TOTAL CURRENT ASSETS	**2,611,184,350**	2,629,908,617
Noncurrent Assets		
Trade and other receivables	**2,148,807**	2,148,807
Due from related parties (net)	**23,078,869**	23,246,170
Investment in associates (net) -	-	-
Property plant and equipment - note 11	**2,182,013,991**	2,217,602,950
Assets held for dacion en pago - note 13	**74,141,493**	197,662,548
Deferred tax assets	**16,539,701**	16,539,701
Other noncurrent assets (net) note 14	**68,897,066**	68,897,066
TOTAL NONCURRENT ASSETS	**2,366,819,927**	2,526,097,242
TOTAL ASSETS	**4,978,004,277**	5,156,005,859
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses - note 15	**920,878,541**	845,461,108
Income tax payable		24,776,383
Debts for dacion en pago covered by		
Rehabilitation Plan - notes 1, 8, 9 and 12	**725,107,864**	1,029,563,852
Restructured debts covered by		
Rehabilitation Plan - notes 1, 12 and 16	**29,102,171**	59,128,812
Short-term debt	**210,000,000**	185,000,000
Customers' deposits	**127,894,349**	124,856,908
	2,012,982,925	2,268,787,063
Noncurrent Liabilities		
Restructured debts covered by		
Rehabilitation Plan - notes 1, 12 and 16	**118,257,627**	118,257,627
Retirement benefit obligations	**170,275,293**	168,541,013
Due to related parties - note 20	**158,807,011**	158,807,011
Deferred income tax liabilities	**72,826,802**	72,826,802
	520,166,733	518,432,453
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - note 17	**2,000,000,000**	2,000,000,000
Additional paid-in capital	**271,834,820**	271,834,820
Other comprehensive income	**117,172,921**	117,172,921
Deficit	**(995,721,245)**	(1,071,789,521)
Fair value gain on real estate properties - notes 28	**1,030,726,843**	1,030,726,843
	2,424,013,339	2,347,945,063
Non-controlling interest	**20,841,280**	20,841,280
	2,444,854,619	2,368,786,343
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**4,978,004,277**	5,156,005,859

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

PRYCE CORPORATION AND SUBSIDIARY
Consolidated Statements of Income
For the period ended June 30, 2014 and 2013

	2014	2013
REVENUE (net) - note 2		
Liquefied petroleum and industrial gases	**2,700,450,270**	1,665,418,329
Real estate sales - note 4	**22,437,007**	23,475,909
Hotel operations	**18,251,648**	18,470,402
	2,741,138,925	1,707,364,640
COSTS		
Liquefied petroleum and industrial gases	**2,317,653,055**	1,344,849,959
Real estate - note 4	**4,845,601**	4,853,644
Hotel operations	**16,338,659**	16,250,876
	2,338,837,315	1,365,954,479
GROSS INCOME	**402,301,610**	341,410,161
OPERATING EXPENSES - note 22	**329,909,948**	296,650,197
INCOME (LOSS) FROM OPERATIONS	**72,391,662**	44,759,964
OTHER INCOME (CHARGES) - Net		
Gain (Loss) on sale of marketable securities	**790,687**	3,299,570
Unrealized FOREX Gain (Loss)	**-**	-
Finance costs	**(3,417,553)**	(6,113,972)
Fees and other charges	**6,303,480**	16,920,288
	3,676,614	14,105,886
NET INCOME (LOSS)	**76,068,276**	58,865,850
Attributable to:		
Equity holders of the Parent Company	**74,721,868**	57,823,924
Minority interest absorbed by the Parent Company	**1,346,408**	1,041,926
	76,068,276	58,865,850
EARNINGS (LOSS) PER SHARE	**0.0380**	0.0294

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

PRYCE CORPORATION AND SUBSIDIARY
Consolidated Statements of Changes in Stockholders' Equity
Period ended June 30, 2014 and 2013 and December 31, 2012

	Capital Stock					Fair Value Gain		
	Issued	**Subscribed**	**Additional Paid-in Capital**	**Revaluation Reserve**	**Deficit**	**on Real Estate Properties**	**Minority Interest**	**Total**
BALANCE AT JANUARY 1, 2012								
As previously reported	P1,998,750,000	P 1,250,000	P271,834,820	P119,144,606	(1,259,312,009)	P1,030,726,843	18,618,476	P2,181,012,736
Prior period adjustments	-	-	-	-	-	-	-	-
As restated	1,998,750,000	1,250,000	271,834,820	119,144,606	(1,259,312,009)	1,030,726,843	18,618,476	2,181,012,736
Issuance of shares of stocks	-	-						-
Additional stock subscription		-	-	-	-	-		-
Transfer of revaluation reserve deducted from operations thru add'l depreciation charges	-	-	-		8,674,985	-		8,674,985
Non-controlling interest on share of subsidiaries					(1,062,619)		1,062,619	-
Deferred income tax effect on revaluation reserve charged to operations thru add'l depreciation	-	-	-			-		-
Effect of adoption of the revised PAS 19				-	(61,390,960)			(61,390,960)
Net income for the year	-	-	-	-	135,971,114			135,971,114
BALANCE AT DECEMBER 31, 2012	1,998,750,000	1,250,000	271,834,820	119,144,606	(1,177,119,489)	1,030,726,843	19,681,095	2,264,267,875
Balance at January 1, 2013	1,998,750,000	1,250,000	271,834,820	119,144,606	(1,177,119,489)	1,030,726,843	19,681,095	2,264,267,875
Non-controlling interest on share of subsidiaries								-
Net income (loss) for the period					58,865,851		708,759	59,574,610
BALANCE AT JUNE 30, 2013	1,998,750,000	1,250,000	271,834,820	119,144,606	(1,118,253,638)	1,030,726,843	20,389,854	2,323,842,485
BALANCE AT JULY 01, 2013								
As previously reported	1,998,750,000	1,250,000	271,834,820	119,144,606	(1,118,253,638)	1,030,726,843	20,389,854	2,323,842,485
Prior period adjustment			-	-		-	-	-
Transfer of revaluation reserve deducted from operations thru add'l depreciation charges	-	-	-		7,554,750	-		7,554,750
Non-controlling interest on share of subsidiaries					(1,160,185)			(1,160,185)
Deferred income tax effect on revaluation reserve charged to operations thru add'l depreciation	-	-	-	(1,971,685)	-	-		(1,971,685)
Net Income for the year					40,069,552		451,426	40,520,978
Balance at December 31, 2013	1,998,750,000	1,250,000	271,834,820	117,172,921	(1,071,789,521)	1,030,726,843	20,841,280	2,368,786,343
Balance at January 1, 2014								
As restated	1,998,750,000	1,250,000	271,834,820	117,172,921	(1,071,789,521)	1,030,726,843	20,841,280	2,368,786,343
Non-controlling interest on share of subsidiaries								-
Net Income (loss) for the period					76,068,276			76,068,276
BALANCE AT JUNE 30, 2014	**1,998,750,000**	**1,250,000**	**271,834,820**	**117,172,921**	**(995,721,245)**	**1,030,726,843**	**20,841,280**	**2,444,854,619**

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

PRYCE CORPORATION AND SUBSIDIARY
Consolidated Statements of Cash Flows
For the period ended June 30, 2014 and 2013

		2014		2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (Loss) before income tax		**P76,068,276**		P119,529,423
Adjustments for :				
Depreciation		**25,315,761**		206,279,721
Finance cost		**3,417,553**		14,162,922
Retirement benefits				21,993,723
Gain on sale of investment held for trading		**790,687**		39,728,195
Unrealized gain on investment held for trading				44,704,170
Unrealized foreign exchange (loss) gain				7,300,379
Loss (gain) on sale of property, plant and equipment				1,336,086
Interest income		**(42,665)**		(825,969)
Dividend income				(28,283,384)
Operating income before working capital changes		**105,549,612**		425,925,266
Decrease (increase) in assets:				
Trade and other receivables		**8,287,654**		(19,255,813)
Inventories		**64,684,344**		(62,081,947)
Prepayments and other current assets		**(1,372,501)**		(26,596,149)
Real estate projects		**(24,521,220)**		
Increase (decrease) in liabilities:				
Trade and other payables		**75,417,431**		40,821,577
Loans payable		**(24,776,383)**		
Retirement benefit obligations		**1,734,280**		
Customers' deposits		**3,037,441**		16,623,545
Net cash generated from operations		**208,040,658**		375,436,479
Interest received		**42,665**		825,969
Finance cost paid				(861,550)
Income tax paid				(15,080,836)
Net cash provided by (used in) operating activities		**208,083,323**		360,320,062
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment		**(19,053,721)**		(374,159,711)
Proceeds from sale of property, plant and equipment		**2,998,681**		6,089,026
Proceeds from sale held for trading				
Acquisition of investment held for trading		**100,832,206**		(127,518,289)
Dividend received				1,962,166
Granting of advances to related parties				(243,965)
Decrease (increase) in:				
Financial assets at fair value through profit or loss		**84,164,952**		
Due from related parties		**167,301**		908,621
Net cash used in investing activities		**169,109,419**		(492,962,152)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of debts covered by the				
Rehabilitation Plan		**(334,482,629)**		(104,183,269)
Benefits paid				(1,541,203)
Availment of due to related parties				114,642
Proceeds received from borrowings		**25,000,000**		185,000,000
Increase (decrease) in assets held for dacion en pago		**(123,521,055)**		
Net cash used in financing activities		**(433,003,684)**		79,390,170
EFFECTOF EXCHANGE RATE CHANGES ON CASH				1,328,851
NET INCREASE (DECREASE) IN CASH		**(55,810,942)**		**(51,923,070)**
CASH				
AT BEGINNING OF YEAR		**205,736,478**		257,659,547
AT END OF PERIOD	**P**	**149,925,536**	P	205,736,478

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

PRYCE CORPORATION AND SUBSIDIARY
Consolidated Statements of Income

	Period April 1 to June 30	
	2014	2013
REVENUE		
Liquefied petroleum and industrial gases	**1,417,051,809**	855,697,333
Real estate sales	**15,520,432**	11,113,728
Hotel operations	**10,461,418**	9,535,942
	1,443,033,659	876,347,003
COSTS		
Liquefied petroleum and industrial gases	**1,242,543,433**	706,152,205
Real estate	**3,192,308**	1,898,668
Hotel operations	**9,465,978**	8,351,783
	1,255,201,719	716,402,656
GROSS INCOME	**187,831,940**	159,944,347
OPERATING EXPENSES - note 20	**147,821,243**	146,669,245
INCOME (LOSS) FROM OPERATIONS	**40,010,697**	13,275,102
OTHER INCOME (CHARGES) - Net		
Gain on sale of securities	**790,687**	424,050
Finance costs	**(804,089)**	(2,816,629)
Other charges (net)	**355,668**	15,480,515
	342,266	13,087,936
NET INCOME (LOSS)	**40,352,963**	26,363,038
Attributable to:		
Equity holders of the Parent Company	**39,638,716**	25,896,412
Minority interest absorbed by the Parent Company	**714,247**	466,626
	40,352,963	26,363,038
EARNINGS (LOSS) PER SHARE	**0.0202**	0.0132

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

1. CORPORATE INFORMATION

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

Name of Company	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 June 30:

			Ownership	
Subsidiaries	**Nature of Business**	**Year End**	**2014**	**2013**
Pryce Gases, Inc. (PGI)	Manufacturer/Distributor of Industrial Gases and Liquefied 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%

PGI

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

As at the end of the reporting period, PGI has 16 liquefied petroleum gas (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 liquefied petroleum gases (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 of 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.

2. STATUS OF OPERATIONS

Real Estate

As shown in these financial statements, the Parent Company has sustained net losses from 2005 to 2010, resulting to a deficit amounting to P366 million and P369 million as at June 30, 2014 and 2013, respectively.

The downturn in the real estate industry in prior years has led to a slowdown in the development of real estate projects, lower collections of trade receivables and restricted credit for the industry. To address the impact of these economic events, the Parent Company has instituted certain measures which include: (1) re-phasing of ongoing development work; (2) selective undertaking of new projects; and (3) comprehensive cost reduction and cash control programs. However, despite considerable efforts of implementing these measures, the Parent Company was not able to meet its projected revenue because of the slump in the property market. Moreover, the Parent Company was not able to generate sufficient net cash inflows to pay maturing obligations from creditors banks, financing companies, and trade and nontrade suppliers.

LPG and Industrial Gases

As shown in the accompanying financial statements, PGI has sustained net losses in prior years resulting to a deficit of P729 million and P809 million as at June 30, 2014 and 2013, respectively. PGI's operations in 2014, however, resulted to a net income of about P73 million, which contributed to the decrease in deficit as at June 30, 2014.

From 1998 to 2000, PGI ventured into a massive expansion of its operations in the Visayas and Mindanao regions by constructing bulk terminals and refilling plants, and financing initial costs of its dealers. PGI financed the expansion through borrowings from various creditor banks.

Rehabilitation Plan of the Parent Company

Rehabilitation Plan

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. On July 13, 2004, the RTC issued a Stay Order deferring all claims against the Parent Company and appointing a rehabilitation receiver. Further, 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 December 1, 2004, the rehabilitation receiver submitted an Amended Rehabilitation Plan (Rehabilitation Plan) to the RTC which conforms to 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. On January 17, 2005, the RTC approved the Rehabilitation Plan. Certain guidelines on payments covered by dacion en pago in the Rehabilitation Plan are fully disclosed in Note 18.

Reversal of the Rehabilitation Plan

The Parent Company's creditor bank, CBC, appealed to the Court of Appeals (CA) assailing the RTC's Orders dated July 13, 2004, September 13, 2004 and January 17, 2005. 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 based on its decision promulgated on April 12, 2006.

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 be reversed and set aside. The SC had promulgated a decision on February 4, 2008 denying 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 in Bank of Philippine Islands (BPI) case and ignores the Interim Rules of the SC governing corporate rehabilitation. In the meantime CBC, on September 27, 2008, 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 accrued 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 statements of financial position dates. 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.

As at June 30, 2014 and 2013, although the "Plan" is final and executory since June 2, 2008, no asset has been transferred to BPI.

Rehabilitation Plan of PGI

On June 7, 2002, PGI 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 PGI's creditors filed a petition in court placing PGI under receivership. 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 (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 PGI. 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 PGI 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.

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.

The indebtedness subject to dacion en pago and restructuring terms are reflected in the 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 statements of financial position.

Going concern assumption

As a result of the Rehabilitation Plan, the Group's forecasts and projections, taking into account of reasonably possible changes in operational performance, show that the Group will be able to operate within the level of its current financing. Furthermore, management has reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing these consolidated financial statements.

Product line

In the first quarter of 2006, PGI started selling LPG Auto gas, which is considered excellent alternative for gasoline having fuel efficiency, low emission and low cost. To boost its sales, PGI set up Auto LPG dispensing stations to cater the needs of gas converted vehicles. PGI also sells auto gas cylinders to several transport groups, its main target market, in various regions in the Philippines. As at March 31, 2014 and 2013, PGI has 33 Auto LPG dispensing stations in the country, mostly located in Visayas and Mindanao.

In 2007, PGI started the business of reselling fuel, which is purchased from a local supplier. As at June 30, 2014 and 2013, PGI has 19 and 20 fuel refilling stations, respectively, operating in regions located in Visayas and Mindanao.

In 2010, PGI has established dealer sales centers. Sales centers are installed and operated in secluded areas of Visayas and Mindanao, in order to cater LPG sale to those areas where the big players do not operate. It has been the marketing strategy of the Company to cater LPG deliveries on areas where LPG business competition is not present yet. These sales centers sell cylinders, stoves, replenish empty tanks of dealers and conduct promotional activities for existing customers. As at June 30, 2014 and 2013, PGI has 83 and 81 sales centers, respectively, which are strategically located in Visayas and Mindanao.

In 2011, PGI launched its new product know 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.

3. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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 concludes that compliance with a requirement in PFRS would so misleading that it would conflict with the objectives of the 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), Standing Interpretation Committee (SIC) /International Financial Reporting Interpretation Council (IFRIC), Interpretations which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by SEC, including SEC pronouncements.

The financial statements of OOC have been prepared in conformity with Philippine Financial Reporting Standards for Small and Medium-sized Entities and was adjusted to apply the full Philippine Financial Reporting Standards in the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation for certain assets. The measurement basis is more fully described in the accounting policies.

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 statement of comprehensive income. Two comparative periods are presented for the statement of financial position when the Group applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements, or reclassifies items in the financial statements.

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).

The preparation of consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates and also requires management to exercise its judgment in the process of applying the Parent Company's accounting policies. The areas involving a higher degree of judgment or areas where assumptions and estimates are significant to the consolidated financial statements are more fully discussed in Note 5.

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRSs and Philippine Interpretations which were adopted as at January 1, 2012.

PFRS 7 (Amendment), Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements, effective July 1, 2011, requires additional disclosures about financial assets that have been transferred but not derecognized to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment affects the disclosure only and has no impact on the Group's financial position or performance.

PAS 12, Income Taxes - Recovery of Underlying Assets, effective January 1, 2012, clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that is carrying amount will be recovered through sale. Furthermore, it introduces the requirements that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset. The amendment is currently not applicable to the Group's financial statements.

PFRS 1 (Amendment), First-time Adoption of PFRS - Fixed Dates and Hyperinflation, effective July 1, 2011. The amendment includes two changes to PFRS 1, First-time adoption of PFRS. The first replaces references to a fixed date of January 1, 2004 with 'the date of transition to PFRS', thus eliminating the need for entities adopting PFRS for the first time to restate derecognition transactions that occurred before the date of transition to PFRS. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with PFRS after a period when the entity was unable to comply with PFRS because its functional currency was subject to severe hyperinflation. This amendment is currently not applicable to the Group's financial statements.

New accounting standards, interpretations and amendments to existing standards effective subsequent to January 1, 2012

This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

PAS 1(Amendment), Financial statement presentation regarding other comprehensive income, effective July 1, 2012. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Group will apply the standard beginning January 1, 2013, the adoption is not expected to have a significant impact on the Group's financial statement except on the presentation of other comprehensive income.

PAS 19(Revised), Employee benefits, On January 1, 2013, the Group adopted PAS 19(*Revised), Employee Benefits.* The revised standard requires all actuarial gains 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 ar 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, effective January 1, 2013. 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. Group has yet to assess the full impact of the amendments and intends to adopt the amendment beginning January 1, 2013.

PAS 28 (Revised), Investments in Associates and Joint Ventures, effective January 1, 2013. 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 will not have an impact on the Group's financial statements.

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.

PFRS 1 (Amendment), Government Loans, effective January 1, 2013. These amendments add an exception to the retrospective application of PFRSs. First-time adopters are required to apply 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 new standard will not have an impact on the Group's financial statements.

PFRS 7 (Amendment), Disclosures-Offsetting Financial Assets and Financial Liabilities, effective January 1, 2013. These amendments involves 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. The amended standard shall be applied for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The Group has yet to assess the full impact of the amendments and intends to adopt the amendment beginning January 1, 2013.

PFRS 9 Financial instruments, effective January 1, 2015, addresses 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 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.

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 Group. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess PFRS 10's full impact but will adopt PFRS 10 beginning January 1, 2013.

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) always 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 Group is yet to assess PFRS 12's full impact and will adopt PFRS 12 beginning January 1, 2013.

PFRS 12 Disclosures of interest in other entities, effective January 1, 2013, includes the disclosures requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess PFRS 12's full impact and will adopt PFRS 12 beginning January 1, 2013.

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 Group is yet to assess PFRS 13's full impact and will adopt PFRS 13 beginning January 1, 2013.

*IFRIC 20 Stripping Costs in the Production Phase of a Surface Min*e, effective January 1, 2013. This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (‘production stripping cost’) and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset. This new standard will not have an impact on the Group’s financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and the following subsidiaries, which were all incorporated in the Philippines and are registered with the Philippine Securities and Exchange Commission, as at December 31 of each year.

Subsidiaries	Nature of Business	Ownership 2014	Ownership 2013
Pryce Gases, Inc. (PGI)	Manufacturer/Distributor of Industrial Gases and Liquefied Petroleum Gas (LPG)	98.23%	98.23%
Oro Oxygen Corporation (OOC)	Importation, trading, and marketing in general merchandise, industrial, medical and other gases and LPG	74.13%	74.13%

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.

During 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” 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.

Minority interests

Minority interest represents the portion of the net assets of consolidated subsidiaries not held by the Parent Company, and is presented separately in the consolidated statement of comprehensive income, consolidated statement of comprehensive income and within the equity section of the consolidated statement of financial position, separate from the controlling interest of 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 OCC are limited to the investment made. Any additional losses are for the account of the Group.

All significant intercompany transactions and balances between the members of the Group are eliminated in consolidation.

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 comprehensive income are reclassified to profit or loss.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the Investment is initially recognized at cost, and the carrying value amount is increased or decreased to recognize the investor’s share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group’s share of post-acquisition profit or loss is recognized in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to ‘share of profit/(loss) of an associate’ in the statement of comprehensive income.

Profits and losses resulting from the upstream and downstream transactions between the Group and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interest in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Segment reporting

The strategic steering committee is the Company'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

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

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: (a) financial assets at FVPL, (b) loans and receivables, (c) held-to-maturity (HTM) investments and (d) available-for-sale (AFS) financial assets. The Group also classifies its financial liabilities into (a) financial liabilities at FVPL and (b) 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, reevaluates 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.

The Group did not hold financial assets at AFS or HTM financial assets and FVPL financial liabilities as at June 30, 2014 and 2013.

Subsequent measurement

Available-for-sale financial assets and financial assets and liabilities at fair value through profit or loss are subsequently measured at fair value. Loans and receivables, held-to maturity investments and other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Determination of fair value and fair value hierarchy

The fair value for financial instruments traded in active markets at reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and asking price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For financial instruments where there is no active market, except for investment in unquoted equity securities, fair value is determined by using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to current market value of another instrument, which is substantially the same; discounted cash flow analysis; and options pricing models. In the absence of a reliable basis for determining fair value, investments in unquoted equity securities are carried at cost, net of impairment.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

- Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly; and

- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

"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 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

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.

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 statement of comprehensive income.

<u>Financial Assets</u>

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

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

Interest income on financial assets at FVPL is included in the income statement under “Other income” account.

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

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or

- The assets are part of a group of financial assets, which are managed and their performance 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 Company's investment in listed equity securities presented under "Investments held for trading" in the statement of financial position (see Note 7).

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 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 June 30, 2014 and 2013, included under loans and receivables are the Group's cash, trade and other receivables and due from related parties.

Cash

Cash as included in the statement of cash flows and in the statement of financial position includes cash on hand and deposits held at call with banks.

Trade 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.

Financial liabilities

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 June 30, 2014 and 2013, included under other financial liabilities are the Group's trade and other payables and due to related parties.

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 (mainly payable to advertising company and freight companies) 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.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the 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 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 statement of comprehensive income under "Other operating income" account. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

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

<u>Inventories</u>

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.

Real estate projects

Real estate projects are recognized based on percentage of completion.

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.

Prepayments and other current assets

This includes prepaid expenses and creditable withholding taxes. Prepaid expenses 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 asset, otherwise, these are classified as other noncurrent asset.

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 profit or loss.

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

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 equipments 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 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 profit or loss. Annually, an amount from the Revaluation Reserves is transferred to Retained Earnings for the depreciation relating to the revaluation surplus. Upon disposal of revalued assets, amounts included in Revaluation Reserves 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
Leasehold improvements	5-15
Machinery and equipment	9-10
Hotel and office equipment	9
Transportation equipment	5-6
Furniture, fixtures, equipment and others	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 profit or loss in the year the item is derecognized.

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.

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 statements 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 statements 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.

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 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 to the 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 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 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 benefits

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 the 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.

Remeasurement 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”.

(c) Retained earnings (deficit)

Retained earnings (deficit) includes all current and prior period results as disclosed in the 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 collectibility 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” accounts.

- *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 statements of comprehensive income.

- *Sale of goods*

  Revenue from sale of goods, shown as “Sales- net”, 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 Company'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 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 profit or loss 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 profit or loss: 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 statement of financial position of an asset.

Foreign currency-denominated transactions and translations

(a) *Functional and presentation currency*

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in Philippine peso (P) 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 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 statement of comprehensive income, net of any reimbursement.

Contingent liabilities are not recognized in the 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 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 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 financial statements.

Related party relationships and transactions

Related party relationship exists when (a) a person or a close member of that person's family has control or joint control, has significant influence or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to the Group if, the entity and the Group are members of the same group, one entity is an associate or joint venture of the other entity, both entities are joint ventures of the same third party, one entity is a joint venture of a third entity and the other entity is an associate of the third party, an entity is a post-employment benefit plan for the benefit of employees of the Group, the entity is controlled or jointly controlled by a person who has control or joint control over the Group and a person as identified in (a) above has significant influence over the entity or is a member of the key management personnel of the entity or of a parent of the entity. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

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.

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 financial statements. Post year-end events that are not adjusting events are disclosed in the financial statements when material.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in compliance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements. The estimates and assumptions used in the 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 Board of Directors 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

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

Accordingly, real sales which the Group determines to be with sufficient payments are recorded as revenue otherwise they are recorded as “Customers’ deposits”.

(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. Accordingly, the Group accounts for its leases as operating lease.

(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 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 3 and relevant disclosure is presented under Note 22.

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 Company'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 June 30, 2014 and 2013, the net realizable value of inventories amounted to P567 million and P632 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 June 30, 2014 and 2013, the net carrying amounts of real estate projects amounted to P1.26 billion and P1.23 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 of June 30, 2014 and 2013, the carrying amounts of property, plant and equipment amounted to P2.18 billion and P2.22 billion, respectively (see Notes 13 and 14).

(d) *Retirement benefits*

The present value of the retirement benefits 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 25

The carrying amount of the Group's retirement benefits obligation as at June 30, 2014 and 2013 are P170 million and P169 million, respectively (see Note 25).

(e) Realizability of deferred tax assets

At the end of each reporting period, the Group reviews deferred tax assets and reduce 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 asset to be utilized. Management considers industry trends and projected performance in assessing the sufficiency of taxable income.

(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 June 30, 2014 and 2013,the net carrying amounts of property, plant and equipment amounted to P2.18 billion and P2.22 billion, respectively (see Notes 13 and 14).

5. CASH

This account consists of:

		2014		2013
Cash on hand	**P**	**2,093,899**	P	53,959,458
Cash in banks		**147,831,637**		151,777,020
	P	**149,925,536**	P	205,736,478

Cash in banks generally earn interests at rates based on daily bank deposit rates.

6. INVESTMENTS HELD FOR TRADING

This consists of equity securities from various listed companies in the Philippines.

The movement of the account follows:

		2014		2013
Cost				
Balance at beginning of year	**P**	**137,388,244**	P	48,622,918

	2014	2013
Additions	**100,699,880**	127,518,289
Disposals	**(16,534,925)**	(39,728,195)
	221,553,196	136,413,012
Fair value gain	**-**	975,23
Balance at end of year	**P 221,553,196**	P 137,388,244

The fair values of these securities have been determined directly by reference to published prices quoted in the active market at the end of the reporting period.

The movements of the fair value gain as at June 30, 2014 and 2013 are as follows:

	2014	2013
Balance at beginning of year	**P -**	P 45,679,402
Fair value (loss) gain during the year		44,704,170
Balance at end of year	**P -**	P 975,232

The Group recognizes the fair value gain of the Investments held for trading as "fair value adjustment" and is presented in the statement of comprehensive income.

7. <u>TRADE AND OTHER RECEIVABLES (NET)</u>

This account consists of:

	2014	2013
Current:		
Trade	**P 336,471,751**	P 297,881,517
Less: Allowance for impairment loss	**35,299,552**	35,299,552
	297,118,263	262,581,965
Dividends receivable		26,321,218
Advances to officers and employees	**28,263,041**	25,741,283
Insurance claims recievable		23,696,842
Advances to contractors and suppliers	**15,608,772**	6,239,296
Refundable deposits	**12,809,778**	5,796,176
Cylinder deposits		1,903,304
Others	**21,429,137**	31,236,561
	78,110,729	120,934,680
Less: Allowance for impairment loss	**7,478,395**	7,478,395
	70,632,334	113,456,285
Net	**P 367,750,596**	P 376,038,250
Noncurrent:		
Trade	**P -**	P -
Refundable deposits	**2,148,807**	2,148,807
	P 2,148,807	P 2,148,807

The current and noncurrent trade receivables include installment contract receivable of Parent Company amounting to P59.52 million in 2014 and P54.91 million in 2013 due within one to five years 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.

A major portion of the advances to officers and employees is non-interest bearing and collectible through salary deductions.

Notes receivable is an interest bearing receivable, which is expected to be collected within a year after the reporting date.

Other receivables mainly pertain to other advances for liquidation of employees, SSS, maternity receivables and other receivables.

The net receivables of the Parent Company are assessed by the management to be good and additional provision for impairment losses is not necessary since the outstanding balance as at June 30, 2014 and 2013 consist mainly of receivables arising from sale of real estate which the Parent Company retains the title until fully paid by the buyers.

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

		2014		2013
Balance at beginning of year	**P**	**42,777,947**	P	42,777,947
Write-off		**-**		
Balance at the end of year	**P**	**42,777,947**	P	42,777,947

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

8. INVENTORIES

This account, which is stated at cost, consists of:

		2014		2013
Finished goods:				
LPG, cylinders, stoves and accessories	**P**	**480,389,718**	P	433,206,839
Industrial gases		**14,669,160**		9,783,957
Fuel		**1,011,087**		2,750,660
		496,069,965		445,741,456
In-transit LPG				112,038,958
Material and supplies		**64,333,175**		68,214,039
Raw materials		**7,070,725**		6,163,756
	P	**567,473,865**	P	632,158,209

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

9. REAL ESTATE PROJECTS

Real estate projects consist of the following:

		2014		2013
Memorial park lots				
Cagayan de Oro Gardens	**P**	**75,835,893**	P	74,770,451
Zamboanga Memorial Gardens		**71,961,207**		70,403,602
Mt. Apo Gardens		**65,771,825**		64,973,558
North Zamboanga Gardens		**20,988,796**		19,853,599
Ma. Cristina Gardens		**18,948,021**		17,809,839
Pryce Gardens – ManoloFortich/CDO		**18,996,047**		17,939,824
Pryce Gardens – Bislig		**16,131,093**		16,131,093
Ozamis Memorial Gardens		**16,546,344**		16,014,126
Pryce Gardens – Alabel		**16,105,532**		16,105,532
Pryce Gardens – Malita		**13,974,817**		13,974,817
Pryce Gardens – Malaybalay		**12,016,645**		12,016,645
Pryce Gardens – Pagadian		**30,591,832**		13,807,165
Subdivision lots				
Iligan Town Center		**341,478,458**		341,025,039
Puerto Heights Village		**30,770,005**		30,770,005
Villa Josefina Resort Village		**19,691,787**		19,691,787
Saint Joseph Homes		**13,346,098**		13,346,098
Pryce Business Park		**892,524**		892,524
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**		168,200,704
Misamis Oriental		**27,979,122**		27,979,122
Cotabato		**7,559,489**		7,559,489
	P	**1,255,827,179**	P	1,231,305,959

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 and Bank of the Philippine Island. 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.

10. PREPAYMENTS AND OTHER CURRENT ASSETS (NET)

This account consists of:

		2014		2013
Prepaid rent	**P**	**15,558,908**	P	12,118,866
Prepaid maintenance		**6,908,456**		9,843,133
Prepaid taxes and licenses		**5,461,493**		4,769,708
Prepaid insurance		**4,002,351**		3,922,746
Foods and materials inventory		**1,867,113**		3,688,605
Excess tax credit				3,539,025
Deferred charges		**11,814,737**		2,551,282
Input tax				1,195,639

Others		**3,040,920**		5,652,473
		48,653,978		47,281,477
Allowance for impairment		**-**	(	-)
Net	**P**	**48,653,978**	P	47,281,477

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 evaluated that based on their review, there were no indicators of impairment as at June 30, 2014 and 2013.

11. PROPERTY, PLANT AND EQUIPMENT AT REVALUED AMOUNTS

Reconciliations of net carrying amounts at the beginning and end of 2014 and 2013, and the gross carrying amounts and the accumulated depreciation of property, plant and equipment are shown below:

As at June 30, 2014

	Land and Improvements	Buildings and Structures	Machinery and Equipment	Oxygen and Acetylene Cylinders	Hotel and Office Equipment	Total
Net carrying amounts, January 1, 2014	P 287,053,182	P 190,898,323	P 10,841,623	P 124,232,177	P 11,855,220	P 624,880,525
Additions						
Disposal and other movements		-	-		-	
Depreciation	(732,724)	(15,567,489)	(2,045,825)	(16,122,473)	(853,634)	(35,313,068)
Net carrying amounts, June 30, 2014	**P 286,329,535**	**P 175,330,834**	**P 8,795,798**	**P 108,109,704**	**P 11,001,586**	**P 589,567,457**
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	(12,352,559)	(382,499,938)	(210,392,509)	(603,346,489)	(62,183,356)	(1,270,774,851)
Net carrying amounts, June 30, 2014	**P 286,587,164**	**P 178,675,495**	**P 6,221,653**	**P 107,673,745**	**P 10,409,400**	**P 589,567,457**

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 and other movements				(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 298,409,723	P 558,466,789	P 216,614,162	P 700,934,223	P 70,108,053	P1,844,532,950
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

Depreciation charged to operations was allocated as follows:

		2014		2013
Cost of sales	**P**	**32,557,918**	P	30,201,851
Selling expenses		**743,510**		4,805,702
General and administrative expenses		**2,011,640**		10,576,902
	P	**35,313,068**	P	45,584,455

The fair market value of the properties of the Group under revaluation model was determined by an independent appraiser as of January 1, 2005. The valuation, which conforms to International Valuation Standards, was determined by reference to recent market transactions on arm's length terms. The revaluation reserves net of applicable deferred income taxes, was credited to "Other comprehensive income" and is shown in "Revaluation reserves" in the stockholders equity.

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 March 31, 2014 and 2013, the Group's management believes that the fair value does not differ materially from its carrying amount.

12. PROPERTY, PLANT AND EQUIPMENT AT COST

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 June 30, 2014

	LPG Plant Machinery and Equipment	Machinery and Equipment	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures, Equipment And Others	Construction in Progress	Building and Structures	Land and improvements	Total
Net carrying amounts, January 1, 2014	P 1,069,089,878	P 81,352,666	P 68,740,074	P 6,238,785	P 20,627,924	P 294,941,718	P 8,071,922	P 43,659,458	P 1,592,722,425
Additions	10,003,765	2,277,813	1,258,995	-	377,807	5,401,948	-	-	19,320,328
Disposals and other Movements									-
Reclassification	80,113,678					(26,230,202)			53,883,476
Depreciation	(62,959,085)	(4,790,888)	(4,048,128)		(1,214,786)	-	(466,809)		(73,479,695)
Net carrying amounts, June 30, 2014	**P 1,096,248,236**	**P 78,839,591**	**P 65,950,942**	**P 6,238,785**	**P 19,790,945**	**P274,113,464**	**P 7,605,113**	**P 43,659,458**	**P 1,592,446,534**
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	(1,498,677,218)	(48,895,085)	(192,774,543)	(10,470,780)	(75,161,643)	-	(1,405,642)	-	(1,827,384,912)
Net carrying amounts, June 30, 2014	**P 1,067,303,909**	**P 79,8105,527**	**P 70,783,912**	**P 6,476,516**	**P 21,631,663**	**P294,941,718**	**P 7,833,832**	**P 43,659,458**	**P 1,592,446,534**

As at December 31, 2013

	LPG Plant Machinery and Equipment	Machinery and Equipment	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures, Equipment And Others	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	P 312,049,397	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 and other Movements	(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**

Depreciation charged to operations was allocated as follows:

	2014	2013
Cost of sales	**P 50,967,340**	P 114,951,928
Selling expenses – note 23	**7,287,628**	18,615,188
General and administrative expenses – note 23	**15,224,727**	27,128,150
	P 73,479,695	P 160,695,266

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.

13. ASSETS HELD FOR DACION EN PAGO

Assets held for dacion en pago with a carrying value of approximately P198 million as at June 30, 2014 and 2013 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 June 30, 2014 and 2013.

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.

14. OTHER NONCURRENT ASSETS (NET)

This account consists of:

		2014		2013
Goodwill	**P**	**68,897,066**	P	68,897,066
Miscellaneous receivables and others		**-**		-
		68,897,066		68,897,066
Allowance for impairment losses		-		-
Net	**P**	**68,897,066**	P	68,897,066

15. TRADE AND OTHER PAYABLES

		2014		2013
Accounts payable:				
Trade	**P**	**837,556,450**	P	724,450,123
Related party – note 20		-		-
Nontrade		**21,008,555**		35,217,850
Accrued expenses:				
Interest		**31,843,938**		42,571,085
Salaries, wages and benefits		**4,208,558**		6,180,591
Others		**8,871,459**		12,633,318
Cylinder and autogas kit deposits		**8,987,885**		13,154,341
Reserve fund liability		**6,728,228**		5,892,141
Due to government bodies		**1,673,468**		5,361,622
	P	**920,878,541**	P	845,461,108

Other accrued expenses includes communication, light and water, incentive and security services.

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

16. RESTRUCTURED DEBTS COVERED BY THE REHABILITATION PLAN

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

		2014		2013
Debts for dacion en pago	**P**	**433,046,686**	P	848,628,918
Accrued interest		**153,278,832**		180,934,934
		586,325,518		1,029,563,852
Restructured debts				

Current	**29,102,171**	59,128,812
Noncurrent	**118,257,627**	118,257,627
	147,359,798	177,386,439
	P 733,685,316	P 1,206,950,291

a) Debts for Dacion En Pago of the Parent Company

	2014	2013
Long-term commercial papers (LTCPs)	**P 208,581,499**	P 208,581,499
Loans from banks and other financial institutions	**203,518,696**	356,797,528
Trade and non-trade creditors	**20,946,491**	20,946,491
	433,046,686	586,325,518
Accrued interest	**153,278,832**	180,934,934
	P 586,325,518	P 767,260,452

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 assets of the Parent Company in Davao City.

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 2014 and 2013.

Loans from banks and other financial institutions

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 costs amounting to P11,121,735 in 2013 and P11,121,307 in 2012 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:

		2014		2013
Debts secured by non-operating assets:				
Foreign-currency denominated trade payable	**P**	**82,797,768**	P	82,797,768
Peso-denominated bank loan				123,521,054
Unsecured debts:				
Peso-denominated trade payables		**55,984,578**		55,984,578
	P	**138,782,346**	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:

Debts secured by non-operating assets

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 14). 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 during 2014 and 2013.

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 during 2014 and 2013.

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

c) Restructured Debts

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

June 30, 2014

	Tranche A	Tranche B	Total	Current	Noncurrent
Foreign currency-denominated US$15 million loan granted by a foreign financing company		**P 93,870,747**	**P 93,870,747**	**P 18,394,778**	**P 75,475,969**
Foreign currency-denominated US$4 million loan granted by a foreign commercial bank		**23,930,681**	**23,930,681**	**4,767,121**	**19,163,560**
Peso-denominated loans granted					

by various local commercial banks		**29,558,370**	**29,558,370**	**5,940,272**	**23,618,098**
		P 147,359,798	**P 147,359,798**	**P 29,102,171**	**P 118,257,627**

December 31, 2013

	Tranche A	Tranche B	Total	Current	Noncurrent
Foreign currency-denominated US$15 million loan granted by a foreign financing company	-	P 113,213,953	P 113,213,953	P37,737,984	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 177,386,439	P 177,386,439	P 59,128,812	P 118,257,627

The fair values of the restructured debts are as follows:

June 30, 2014

	Tranche A	Tranche B	Total	Current	Noncurrent
Foreign currency-denominated US$15 million loan granted by a foreign financing company		**P 64,524,167**	**P 64,524,167**	**P 13,384,834**	**P 51,139,333**
Foreign currency-denominated US$4 million loan granted by a foreign commercial bank		**16,421,315**	**16,421,315**	**3,445,680**	**12,975,635**
Peso-denominated loans granted By various local commercial banks		**20,325,882**	**20,325,882**	**4,322,292**	**16,003,590**
		P 101,271,364	**P 101,271,364**	**P 21,152,806**	**P 80,118,558**

December 31, 2013

	Tranche A	Tranche B	Total	Current	Noncurrent
Foreign currency-denominated US$15 million loan granted By a foreign financing company	-	P 80,795,085	P80,795,085	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

-	P123,095,173	P123,095,173	P 43,008,798	P 80,086,375

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 PGI. However, any fair value changes have not been included in profit or loss, since restructured debts are carried at amortized cost in the statement of financial position.

Of PGI'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 gain (loss) 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 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. Interest accrued on Tranche B debt up to the date of full repayment of Tranche A debt will be capitalized then repaid (without further interest) in 12 equal quarterly amortizations to coincide with principal repayments on Tranche B 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 from 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 at 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 as 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).

17. CAPITAL STOCK

Details of this account are as follows:

	2014	2013
Common stock – P1 par value Authorized – 2,000,000,000 common shares	**P2,000,000,000**	P2,000,000,000
Issued - 1,998,750,000 common shares	**P1,998,750,000**	P1,998,750,000
Subscribed – 1,250,000 common shares	**1,250,000**	1,250,000
Total	**P2,000,000,000**	P2,000,000,000

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 Company is prohibited to trade its stock because it is under rehabilitation (see Note 2).
As at March 31, 2014 and 2013, the Parent Company's capital stock is fully subscribed and has 398 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:

June 30, 2014

Related Party	**Nature of transactions**	**Amount of transactions**	**Outstanding balance**
HHC	a.1	**P 600,000**	**P 21,011,200**
PPI	a.2	**518,834**	**2,599,184**
PD	a.3	**368,526**	**482,908**
MGI	a.4		**295,363**
		1,487,360	**24,388,655**
Allowance for impairment		**-**	**-**
Net		**P 1,487,360**	**P 24,388,655**

On a special meeting held on December 14, 2012, the Board of Directors approved the write-off of its advances to non-operating or dormant associates and affiliated company in full.

December 31, 2013

Related Party	Nature of transactions	Amount of transactions	Outstanding balance
HHC	a.1	(P22,735,743)	21,411,200
PPI	a.2	(950,193)	1,539,607
MGI	a.4	(425,529)	295,363
PD	a.3		
		24,111,465	23,462,170
Less: Allowance for impairment		-	-
		P 24,111,465	P 23,246,170

a.1) Due from HHC represents unsecured non-interest bearing advances extended to or received from the Company. These advances do not have any guarantee and no fix payment terms and is to be settled in cash.

a.2) Advances extended to Pryce Plans, Inc. (PPI). These advances are non-interest bearing with no definite repayment period.

a.3) Advances extended to Pryce Drugstore, a newly organized company and a related party, as its working capital in the initial stage of operations.

a.4) In January 2012, the Group made advances to Mindanao Gardens, Inc. amounting to P783,238 .These advances are non-interest bearing with no definite repayment period.

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:

June 30, 2014

Related Party	**Nature of transactions**	**Amount of transactions**	**Outstanding balance**
MGI	c	P -	**P 105,826,967**
Key management personnel	b.1	-	**49,293,300**
CLOAC		-	**3,675,253**
HHC		-	**11,491**
		P -	**P 158,807,011**

December 31, 2013

Related Party	Nature of transactions	Amount of transactions	Outstanding balance
MGI	c		P 105,826,967
Key management personnel	b.1	P -	49,293,300

CLOAC		-		3,675,253
HHC		-		11,491
	P	-	P	158,807,011

b.1) Conveyance of the Company's Chairman of the Board and an officer of their real estate properties in favor of the Company's creditors. The transfer value of the properties amounted to P49,293,300.

c) On December 16, 2011, Mindanao Gardens, Inc. executed a Deed of Assignment in favor of the Company assigning the P100 million shares in Oro Oxygen Corporation at P1 par value per share. Consequently, the Company has obtained majority of the outstanding capital stock of OOC. As at December 31, 2012, full payment has been made for the subscription payable to Mindanao Gardens, Inc.

d) Total advances from PGI to Parent Company eliminated during consolidation amounted to P998,451 and P908,621 as at June 30, 2014 and 2013, respectively.

21. REVENUES

The details of this account are as follows:

a) Liquefied petroleum and industrial gases

	2014	2013
LPG, cylinders, stoves and accessories:		
Content	**P 2,305,287,517**	P 1,240,378,257
Autogas	**146,604,354**	174,227,764
Cylinders	**33,798,640**	32,747,429
Stove and accessories	**4,001,231**	3,968,008
Sub-total	**2,489,691,742**	1,451,321,458
Industrial gases:		
Oxygen	**146,325,322**	132,317,262
Acetylene	**40,013,336**	41,628,779
Other gases	**18,497,584**	12,196,707
Sub-total	**204,836,242**	186,142,748
Fuels:		
Gasoline	**2,843,930**	15,635,950
Diesel	**3,072,355**	12,307,981
Lubricants	**6,000**	10,192
Sub-total	**5,922,286**	27,954,123
	P 2,700,450,270	P 1,665,418,329

b) Real estate sales

Revenue from real estate sales amounted to P40,688,655 and P41,946,311 as at June 30, 2014 and 2013, respectively. Accumulated collections on contracts not yet recognized as revenue and recorded under the "Customers' deposits" accounts amounted to P127,894,349 and P124,856,908 as at June 30, 2014 and 2013, respectively.

22. OPERATING EXPENSES

This account consists of:

	2014	2013
Salaries, wages and benefits	P86,203,607	P 76,518,852
Repairs and maintenance	37,780,253	42,080,250
Depreciation – notes 13 and 14	25,315,761	25,315,761
Rent and utilities	10,207,556	22,233,624
Travel and transportation	15,723,033	11,043,694
Fuel and oil	24,950,146	19,165,102
Materials and supplies	10,832,518	9,692,724
Taxes and licenses	15,050,979	8,540,767
Outside services	25,897,057	21,942,114
Freight and handling	20,700,064	13,441,775
Insurance	4,516,711	3,791,533
Representation and entertainment	3,736,578	1,744,056
Dues and subscriptions	3,292,001	2,588,077
Professional fees	1,844,786	2,536,042
Training and seminars	305,696	2,206,208
Donation	877,947	746,138
Advertisements	721,095	650,425
Others	19,908,879	11,931,566
Commission	22,045,281	20,481,490
	329,909,948	P 296,650,197

23. OTHER INCOME (NET)

This account consists of:

	2014	2013
Other income:		
Gain on sale of investments held for trading – note 7	**P 790,687**	P 3,299,570
Interment fees	**1,697,602**	1,613,852
Sale of scrap and junked materials	**2,998,681**	10,900,800
Interest income	**42,665**	83,585
Dividend income - note 7		
Others	**1,564,532**	4,322,051
	P 7,094,167	P 20,219,858

24. RETIREMENT BENEFITS 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 Parent Company obtained an actuarial valuation as at December 31, 2013 to determine its liability as at December 31, 2013.

25. EARNINGS PER SHARE

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.

	2014	2013
Net income	**P 76,068,276**	P 58,865,850
Weighted average number of common shares	**2,000,000,000**	2,000,000,000
	P 0.0380	P 0.0294

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

In 2004, the Parent Company transferred real estate properties to PGI its subsidiary, in exchange for PGI's shares of stock as capital/ equity contribution. The application for the increase in capital stock to 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, 2010 and 2009 represents the net difference between the fair value and the related cost the parent company's real estate properties transferred to PGI creditors in settlement of its debts covered by the rehabilitation plan. This amount was arrived at in the elimination process of intercompany account balances and such difference was accounted for as "Fair value gain on real estate properties" account and presented under equity section in the consolidated statements of financial position.

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

Had the Parent Company applied the fair value method of accounting on the recognition of its transferred real estate properties to PGI, the fair value gain on real estate properties should have been recognized as income and reduces the consolidated deficit as at December 31, 2010 and 2009 by P1.03 billion, respectively.

27. <u>OPERATING LEASE AGREEMENTS</u>

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.

28. 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 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.

- *Credit Risk*

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

  The Group's trade and other receivables are actively monitored to avoid significant concentration of credit risk. The maximum amount of exposure to credit risk as at March 31, 2014 and 2013 are as follows:

		2014		2013
Cash in bank	**P**	**147,831,899**	P	151,777,020
Trade and other receivables		**369,899,403**		378,187,057
Due from related parties		**23,078,869**		23,246,170
	P	**540,810,171**	P	553,210,247

  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.

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

- *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.

- *Interest Rate Risk*

The Group's exposure to interest rate risk relates primarily to the Group's financial instruments with floating interest rate and fixed 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 PGI's restructured debts (see Note 18). The impact on the Group's equity is immaterial.

	Increase (Decrease) in Basis Points	Effect on Income After Income Tax
In-house as of June 30, 2014	**100**	**(P 735,653)**
	50	**(298,955)**
	(100)	**735,653**
	(50)	**298,955**
2013	100	(P 211,671)
	50	(105,835)
	(100)	211,671
	(50)	105,835

(g) *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 statement of financial position.

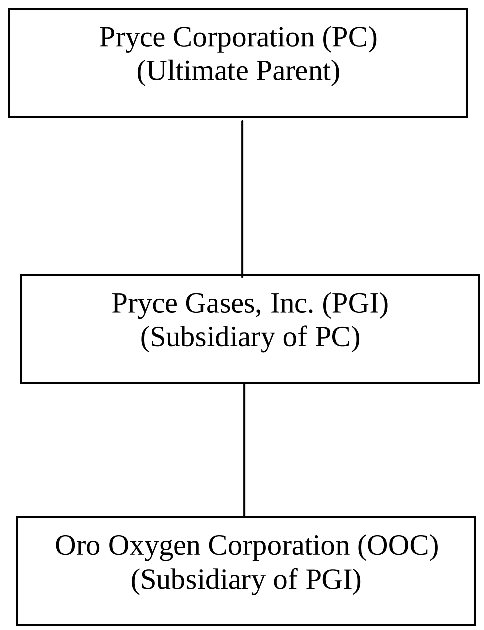
The Group monitors its capital gearing by measuring the ratio of interest-bearing debt to total capital and net interest-bearing debt to total capital. Interest-bearing debt includes all short term and long term debt while net interest-bearing debt includes all short term and long term debt net of cash and cash equivalents, investments held for trading and Available-for-sale investments.

29. 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.

* * *

PRYCE CORPORATION AND SUBSIDIARIES
ANNEX A – MAP OF CONGLOMERATE OR GROUP
OF COMPANIES WITHIN WHICH THE COMPANY BELONGS
JUNE 30, 2014



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

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

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

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE A – FINANCIAL ASSETS
JUNE 30, 2014

Name of issuing entity and associate of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Valued based on market quotation at end of reporting period	Income received and accrued
Paxy's, Inc.	4,930,000	P 10,886,214	P 10,886,214	P -
Swift Foods, Inc.	118,885,000	14,257,330	14,257,330	
Ionics, Inc.	5,194,000	1,929,646	1,929,646	
Alliance Global Group	100	2,580	2,580	
San Miguel Corporation	1,685,050	104,558,110	104,5658,110	
Cebu Air	9,590	449,607	449,607	
SMC-Purefoods	52,000	13,458,730	13,458,730	
Top Frontier	758,702	75,385,224	75,385,224	
Ginebra San Miguel	35,000	625,755	625,755	
	131,549,442	P 221,553,196	P 221,553,196	P -

PRYCE CORPORATION AND SUBSIDIARIES

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

FOR THE PERIOD ENDED JUNE 30, 2014

Name of Debtor	Designation of Debtor	Balance @ Beginning	Additions	Amount Collected	Amount written off	Current	Non-Current	Balance at end
AGUADERA, JONAX	Officer	592,136	226,748	(224,780)		594,104		594,104
ACHAS, LUCRECIO	Employee	34,605	258,609	(44,937)		248,277		248,277
ALVIAR, BERNARDO	Employee	68,908	190,450	(31,261)		228,097		228,097
GALVEZ, JORGE	Officer	0.00	291,066	(64,400)		226,667		226,666
MACION, GABRIEL	Officer	748,442	394,861	(860,194)		283,109		283,109
MARTIN, EMILIANO	Officer	0.00	367,558	(30,206)		337,352		337,352
POLIRAN, ELIGIO	Officer	1,073,247	2,602,848	(726,719)		2,949,376		2,949,376
SARRAGA, DARWIN	Officer	270,806	622,201	(384,916)		508,091		508,091
SULATRE, ALEXIS	Officer	468,209	1,401,858	(462,109)		1,407,958		1,407,958
SIMBA, FRANCIONNIE FRANCES	Employee	217,720	551,211	(512,158)		256,773		256,773
TOTAL		**3,474,073**	**6,907,411**	**(3,341,680)**		**7,039,804**		**7,039,804**

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
JUNE 30, 2014

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	908,621	992,017	902,187		998,451		998,451
Pryce Gases, Inc.	Oro Oxygen Corporation	166,861,232	905,717,081	985,747,613		86,830,700		86,830,700
		167,769,853	906,709,098	986,649,800	-	87,829,151		87,829,151

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE D – INTANGIBLE ASSETS - OTHER ASSETS
JUNE 30, 2014

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
JUNE 30, 2014

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long term debt" in related statement of financial position	Amount shown under caption "Long-term debt" in the related statement of financial position
Debts for Dacion en pago			
Parent Company			
Long-term commercial Papers (LTCP's)		P 208,581,499	P -
Loans from bank and other financial institution		203,518,696	-
Trade and non-trade creditors		20,946,491	-
Accrued interest payable		153,278,832	
		586,325,518	P -
Subsidiary			
By non-operating assets			
Foreign currency denominated		P 82,797,768	P -
Peso denominated			-
Unsecured:			
Peso denominated trade payables		55,984,578	-
		P 138,782,346	P -
Subsidiary			
Foreign currency denominated loan granted by a foreign financing company		P 18,394,778	P 75,475,969
Foreign currency denominated loan granted by a foreign commercial bank		4,767,121	19,163,560
Peso denominated loans granted by various local commercial banks		5,940,272	23,618,098
		P 29,102,171	P 118,257,627

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED COMPANIES)
JUNE 30, 2014

Name of related party	Balance at beginning of period	Balance at end of period
Mindanao Gardens, Inc.	P105,826,967	P105,826,967
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	11,492	11,492
	P 158,807,013	P 158,807,013

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE G – GUARANTEES OF SECURITIES OF OTHER ISSUERS
JUNE 30, 2014

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
JUNE 30, 2014

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

PRYCE CORPORATION (Parent Company)
Aging of Accounts Receivable
As of June 30, 2014

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	**2,570,770**	140,298	169,290	216,977	268,723				1,775,482
2. Low-cost housing	**2,128,712**	129,034	223,725	329,063	334,927	462,366	516,071		133,526
3. Memorial Parks	**54,389,512**	3,106,223	3,483,092	4,444,209	6,100,387	7,574,129	8,230,874		21,450,598
4. Hotel	**1,836,770**	604,839	1,231,931						
5. Head Office	**688,480**	265,934	422,546						
Totals	**61,614,244**	**4,246,328**	**5,530,584**	**4,990,249**	**6,704,037**	**8,036,495**	**8,746,945**	**-**	**23,359,606**
Less: Allow. For Doubtful Acct.	**7,415,618**								7,415,618
Sub Total	***54,198,626***	***4,246,328***	***5,530,584***	***4,990,249***	***6,704,037***	***8,036,495***	***8,746,945***	**-**	***15,943,988***
b. Non-trade Receivables									
Advances to Officers & Employees	**3,266,125**	140,204	346,673						2,779,248
Advances to Suppliers & Contractors	**2,030,430**	121,298	123,192						1,785,940
Others	**2,491,121**	216,982	266,592					-	2,007,547
Totals	**7,787,676**	**478,484**	**736,457**	**-**	**-**	**-**	**-**	**-**	**6,572,735**
Less: Allow. For Doubtful Acct.	**4,612,551**								4,612,551
Sub Total	***3,175,125***	***478,484***	***736,457***	**-**	**-**	**-**	**-**	**-**	***1,960,184***
Grand Total	***57,373,751***	***4,724,812***	***6,267,041***	***4,990,249***	***6,704,037***	***8,036,495***	***8,746,945***	**-**	***17,904,172***

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

PRYCE CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS
June 30, 2014 and December 31, 2013

	2014	2013
Profitability ratios:		
Return of Assets	1.52%	2.68%
Return of Equity	3.13%	5.21%
Net profit margin	2.77%	3.06%
Solvency and liquidity ratios:		
Current ratio	1.30	1.159
Debt to Equity ratio	1.05	1.187
Financial leverage ratios:		
Asset to Equity ratio	2.05	2.196
Debt to Asset ratio	0.51	0.541