COVER SHEET

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

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

(Company's Full Name)

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

Atty. Erica P. Encabo
Contact Person

(02) 899-4401
Company Telephone Number

1 2 — 3 1
Month *Day*
Fiscal Year

2 0 - I S
FORM TYPE

0 6 — 2 8
Month *Day*
ANNUAL MEETING

Secondary License Type, if Applicable

C F D
Dept. Requiring this Doc.

Amended Articles Number/Section

363 (as of April 30, 2018)
Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

June 14, 2018

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

To the Stockholders:

Please be notified that the Annual Stockholders' Meeting of the Corporation will be held on Thursday, **June 28, 2018**, at the Isabela Ballroom BC, Makati Shangri-La, Manila, corner Ayala and Makati Avenues, Makati City, at 4:00 p.m. to take up the following:

AGENDA

1. Call to Order and Determination of Quorum
2. Approval of Minutes of Previous Meeting
3. President's Report
4. Approval of Annual Report and Audited Financial Statements
5. Ratification of Acts of the Board of Directors and Management
6. Election of Board of Directors
7. Appointment of External Auditors
8. Other Matters
9. Adjournment

For the purpose, stockholders of record as of **June 8, 2018** shall be entitled to vote at this meeting.

The Corporation is NOT SOLICITING ANY PROXIES. However, those who cannot attend and wish to send a representative/proxy, please send your proxy letter to the Corporate Secretary on or before **June 18, 2018** at the above-indicated address for recording and verification.

By the Chairman.

SIMEON S. UMANDAL
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   [ ] Preliminary Information Statement
   [√] Definitive Information Statement

2. Name of Registrant as specified in its charter: **PRYCE CORPORATION**

3. Province, country or other jurisdiction of incorporation or organization: **Philippines**

4. SEC Identification Number: **168063**

5. BIR Tax Identification Number: **000-065-142-000**

6. Address of principal office:
   17th Floor PRYCE CENTER
   1179 Chino Roces Avenue
   corner Bagtikan Street
   Makati City 1203

7. Registrant's telephone number, including area code: **(+632) 899-4401**

8. Date, time and place of the meeting of security holders:
   Date: **June 28, 2018**
   Time: **4 o'clock in the afternoon**
   Place: **Isabela B and C Ballroom, Makati Shangri-La, Ayala Avenue corner Makati Avenue, Makati City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders:
   June 14, 2018

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA as of May 31, 2018**:**

Title of Each Class	*Number of Shares of Common Stock Outstanding*
Total Common	2,024,500,000

11. Are any or all of registrant's securities listed in a Stock Exchange? Yes [√] No [ ]

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
    Philippine Stock Exchange – Common Shares

PRYCE CORPORATION
INFORMATION STATEMENT

This Information Statement is dated June 14, 2018 and is being furnished to stockholders of record of Pryce Corporation as of June 8, 2018 in connection with the Annual Stockholders' Meeting on June 28, 2018.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

GENERAL INFORMATION

Date, time and place of meeting of security holders

The Annual Stockholders' Meeting of Pryce Corporation (the "Company") for the current year (2018-2019) will be held on June 28, 2018 at 4 o' clock in the afternoon at the Isabela B and C Ballroom, Makati Shangri-La, Ayala Avenue corner and Makati Avenue, Makati City.[1] The complete mailing address of the registrant is:

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

The information statement will first be sent to security holders approximately on June 14, 2018.

Dissenters' Right of Appraisal

A stockholder has a right to dissent and demand payment of the fair market value of his shares: (i) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (ii) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; (iii) in case of merger or consolidation; and, (iv) in case of an investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized under Section 42 of the Corporation Code.

There are no matters or proposed corporate actions that may give rise to a possible exercise by security holders of their appraisal rights. Should an action which may give rise to the right of appraisal be proposed at any time after this information statement is sent or at the meeting, any stockholder who *voted*

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1 Per the Company's by-laws, stockholders' meetings shall be held in the principal office of the corporation or at any place designated by the Board in the city or municipality where the principal office of the Company is located. For purposes of Section 51 of the Corporation Code and Rule 20 of the Rules and Regulations implementing the Securities Regulation Code on the place of stockholders' meetings, Metro Manila is considered a city or municipality.

against the proposed corporate action may exercise the right of appraisal by making a written demand within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action. Failure on the part of the stockholder to make the demand within such period shall be deemed a waiver of the appraisal right. Upon payment to the stockholder, the stockholder shall transfer his shares to the Corporation. No payment however shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment. Within ten (10) days after demanding payment for his shares, the dissenting stockholder shall submit his certificates of stock to the Corporation for notation that the shares represented are dissenting shares. All other matters respecting a stockholder's right of appraisal shall be governed by Title X of the Corporation Code.

Interest of Certain Persons in or Opposition to Matters to be Acted Upon

Other than election to office, no person who has been director or executive officer of the Company at any time since the beginning of the last fiscal year, or who is a nominee for election as director, or who is an associate of any of the foregoing, has a direct or indirect substantial interest, by security holdings or otherwise in any matter to be acted upon.

No Director has informed the Company of his intention to oppose any action to be acted upon.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

The Company has 2,024,500,000 subscribed and outstanding common shares as of May 31, 2018. Every stockholder shall be entitled to one vote for each share of stock held as of the record date.

All stockholders of record as of June 8, 2018 are entitled to notice of and to vote at the Company's Annual Stockholders' Meeting.

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

Security Ownership of Certain Record and Beneficial Owners (as of May 31, 2018)

Based on the records of the Company's Stock Transfer Agent, BDO Unibank, Inc. (Trust Banking Group), the

Company knows of no other person who is directly or indirectly the record and/or beneficial owner of more than 5% of the Company's voting securities as of May 31, 2018, except as set forth hereafter:

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner[2]	Citizenship	No. of Shares Held	Percent to Total of Class
Common	Guild Securities, Inc. 1215, Tower I Exchange Plaza, Makati City	Various[3]	Filipino	1,017,140,468	50.242
	PCD Nominee Corporation 37/F Tower I, the Enterprise Center, 6766 Ayala Avenue corner Paseo de Roxas, Makati City	Various[4]	Filipino	565,604,438	27.938
		Josefina Multi-Ventures Corporation[5] 17th Floor Pryce Center, 1179 Chino Roces Avenue, Makati City Client of PDTC Participant	Filipino	108,614,512	5.365
	Hinundayan Holdings Corporation 17th Floor Pryce Center, 1179 Chino Roces Avenue, Makati City Affiliate of the Issuer	Hinundayan Holdings Corporation is also the beneficial owner[6]	Filipino	160,708,000	7.938

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

3 Guild Securities, Inc. is a stock brokerage firm and a trading participant in the Philippine Depository and Trust Corporation (PDTC), holding shares for the account of its various clients.

4 PCD Nominee Corporation, a corporation owned by the Philippine Depository and Trust Corporation (PDTC), acts as the legal owner of all shares lodged in the PDTC. The beneficial owners are the PDTC participants and their clients. The Company knows of no other single participant who has beneficial ownership of more than 5% of the Company's shares other than as stated above.

5 The Board of Directors of Josefina Multi-Ventures Corp. has the power to decide how its shares will be voted and has authorized Mr. Salvador P. Escaño to vote the shares of Josefina Multi-Ventures Corp.

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

	PCD Nominee Corp. (Non-Filipino) 37/F Tower I, the Enterprise Center, 6766 Ayala Avenue corner Paseo de Roxas, Makati City	Various[7]	Non-Filipino	102,447,752	5.060
	Josefina Multi-Ventures Corporation 17th Floor Pryce Center, 1179 Chino Roces Avenue, Makati City Affiliate of the Issuer	Josefina Multi-Ventures Corporation is also the beneficial owner[5]	Filipino	24,500,000	1.210

Security Ownership of Management (As of May 31, 2018)

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (see footnote 2)		Citizenship	Percent to Total of Class
		Direct	Indirect		
Common	Salvador P. Escaño	33,492,660	26,513,250*	Filipino	2.964*
	Efren A. Palma	100	100,000	Filipino	0.005
	Ramon R. Torralba, Jr.	218,806	0	Filipino	0.011
	Xerxes Emmanuel F. Escaño	0	26,513,250**	Filipino	1.310**
	Ray W. Jovanovich	0	1,000	American	0.000
	Roland Joey R. de Lara	100	0	Filipino	0.000
	Arnold L. Barba	0	3,100	Filipino	0.000
	Simeon S. Umandal	950	200,000	Filipino	0.010
	Benjamin P. Escaño	75,421	0	Filipino	0.004
	Sonito N. Mole	0	0	Filipino	0.000
	Samuel H. Cinco	0	0	Filipino	0.000
	Jose Ma. C. Ordenes	1,449	0	Filipino	0.000
	Feliciano B. Hatud	0	25,000	Filipino	0.001
	Erica P. Encabo	0	10,000	Filipino	0.001

** Indirect shares in a joint account with Xerxes Emmanuel F. Escaño*

*** Indirect shares in a joint account with Salvador P. Escaño*

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7 PCD Nominee Corp. (Non-Filipino), a corporation owned by the PDTC, acts as the legal owner of all shares lodged in the PDTC. The beneficial owners are the PDTC participants and their non-Filipino clients. The Company knows of no other single participant who has beneficial ownership of more than 5% of the Company's shares other than as stated above.

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

Title of Class	Name of Record Owner	Name of Beneficial Owner	Amount and Nature of Record Ownership	Citizenship	Percent to Total of Class
Common	Salvador P. Escaño	Pryce Development Corporation	1,684,450	Filipino	0.083
	Ramon R. Torralba, Jr.	Pryce Development Corporation	90,000	Filipino	0.004

Voting Trust Holders of 5% Or More

The Company knows of no shareholder holding more than 5% of the Company's shares under a voting trust or similar agreement.

Changes in Control

The Company knows of no arrangement that may result in a change in its control, or of any change in control of the Company that had occurred since the beginning of its last fiscal year.

Directors and Executive Officers

Directors/Independent Directors, and Executive Officers

The following are certain information on the incumbent Directors and Independent Directors, and the Executive Officers of the Company as at May 31, 2018:

Name	Age	Citizenship	Position		
			Board	Executive Officer	Corporate Governance Committee Membership/s
Salvador P. Escaño	66	Filipino	Director – Chairman of the Board	Chief Executive Officer	*Chair,* Nomination; *Member,* Compensation and Remuneration.
Efren A. Palma	52	Filipino	Director	President	---
Ramon R. Torralba, Jr.	73	Filipino	Director	---	*Chair,* Compensation and Remuneration
Xerxes Emmanuel F. Escaño	27	Filipino	Director	---	*Member,* Audit; *Member,* Nomination.
Ray W. Jovanovich	55	American	Director	---	---
Roland Joey R. de Lara	64	Filipino	Independent Director	---	*Chair,* Audit; *Member,* Nomination.
Arnold L. Barba	66	Filipino	Independent Director	---	*Member,* Audit; *Member,* Compensation and

					Remuneration.
Simeon S. Umandal	77	Filipino	---	FVP – Corporate Secretary	---
Benjamin P. Escaño	65	Filipino	---	SVP – Head, Northern Mindanao Operations	---
Sonito N. Mole	61	Filipino	---	Regional Head – Southern Mindanao Operations	---
Jose Ma. C. Ordenes	59	Filipino	---	Treasurer; VP – Operations Monitoring; Alternate Corporate Information and Compliance Officer	---
Samuel H. Cinco	58	Filipino	---	FVP-Sales and Landbanking	---
Feliciano B. Hatud	60	Filipino	---	VP-Finance; Assistant Corporate Secretary	---
Erica P. Encabo	38	Filipino	---	Corporate Information and Compliance Officer	---

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

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

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

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

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

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

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

Arnold L. Barba is name partner of the Barba Barba Barba & Associates law firm based in Cagayan de Oro City. He is also currently an Associate Professor and Lecturer in the College of Law, Xavier University - Ateneo de Cagayan. Prior to that, he was exposed to government work at the Bukidnon Public Works and Highways as well as the Provincial Population Office of Misamis Oriental. He likewise previously served as Sales Head of the Macajalar Realty and Development Corp. and Director of the Public Relations and Legal Affairs Departments of the Cagayan Electric Power & Light Co. Atty. Barba is a member of the Integrated Bar of the Philippines, obtaining his Bachelor of Laws degree from Xavier University, and he placed 9th in the bar examinations of 1984.

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

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

Samuel H. Cinco began work in PGI in 1988 as a salesman and was later promoted as Area Manager of the company's Cagayan de Oro sales center. In 1990, he was assigned to PGI's Special Project Landbanking Division and later moved to PC. Mr. Cinco is a licensed real estate broker and holds a Bachelor's degree in Business Administration obtained from the Xavier University in Cagayan de Oro City.

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

Feliciano B. Hatud first joined Pryce Securities Inc. (PSI) in 1987 as a stock trader, in charge of buying and selling shares, and remained with PSI for 14 years. In December 2001, he was transferred to PGI as Assistant Vice President for Purchasing. He was thereafter promoted as Vice President of the same department and later on assumed the same position concurrently in PC. Mr. Hatud is a graduate of Southwestern University in Cebu with a Bachelor's Degree in Commerce major in Accounting.

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

Nominees and Term of Office

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

The following are nominated for election to the Board of Directors for the year 2018-2019:

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

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

All, including the independent directors, were nominated by Hinundayan Holdings Corporation (HHC). HHC, beneficial owner of 7.938% of the Company, is a firm of which Mr. Salvador P. Escaño holds 64.92% of the total outstanding capital stock. HHC and the independent directors have no existing relationship,[8] apart from the directorship herein disclosed, and the Company and the independent directors have no existing relationship. The Board of Directors of HHC has the power to decide how its shares in the Company are to be voted. Pursuant to the Company's Revised Manual on Corporate Governance, these nominees passed through the Nomination Committee for pre-screening and evaluation and have been evaluated to have all of the qualifications and none of the disqualifications of a director/independent director.

Significant Employees

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

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

objectives of the Company.

Family Relationships

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

Involvement in Certain Legal Proceedings

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

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

The directors and officers of PGI were implicated in this case because of the alleged existence of conspiracy. Neither the directors nor the officers issued any directive whatsoever, much less, passive acquiescence to commit fraud or crime for that matter. There is no basis therefore for the allegation of conspiracy. The Department of Justice (DOJ) issued a resolution dismissing the case. Pilipinas Shell filed a motion for reconsideration. Accordingly, PGI filed its comment and/or opposition thereto. After Shell filed its reply, PGI filed its rejoinder. PGI is still awaiting the resolution of Shell's motion for reconsideration.

2. *LPGIA versus the Directors & Officers of Pryce Gases, Inc. and/or Oro Oxygen Corp.*
NPS Docket No. XV-18M-INV-15H-03386, Office of the Provincial Prosecutor, Rizal;
NPS Docket No. XV 16-INV-15H-00628, Office of the City Prosecutor, Taguig City; and,
Case No. OSEC-PR-RZL-2-051216-001; Department of Justice.
For: Trademark Infringement, and Violation of BP 33 and RA 623

The Complaints were filed indiscriminately against all the directors and officers of PGI and OOC because of presumed consent and acquiescence to commit the offenses. There is no allegation in the Complaints however that alleges with particularity the identity of offenders or how the offender is connected with the companies, much less the actual personal participation its board of directors and officers in the alleged commission of the offenses. Complainant further bases its Complaint, among others, on noticeably intercalated invoices, for which countercharges of falsification have been filed.

3. *LPGIA versus the Directors and Officers of Pryce Gases, Inc.*
Petron Corporation versus the Directors and Officers of Pryce Gases, Inc.
NPS Docket Nos. XV-03-INV-17-H-3149 to 3150, XV-03-INV-17C-0909 to 0912
Office of the Provincial Prosecutor, Cavite City
For: Trademark Infringement; Unfair Competition; Violation of B.P. 33, as amended by P.D. 1865, and of R.A. 623, as amended by R.A. 5700

Like in the foregoing Taytay and Taguig cases, the Complaints were filed indiscriminately against all the directors and officers of PGI because of presumed consent and acquiescence to commit the offenses, without allegation in the Complaints that particularly identifies the offenders or how they are connected with the company. Much less is there any showing of the actual personal participation its board of directors and officers in the alleged commission of the offenses. The cases are currently deemed submitted for resolution.

4. *LPGIA versus the Directors and Officers of Pryce Gases, Inc.*
NPS Docket No. II-07-INV-171-05786, Office of the Provincial Prosecutor of Bayombong, Nueva Vizcaya, and the Department of Justice.
For: Trademark Infringement and Violation of B.P. 33

Similar to the foregoing cases, complaints were filed indiscriminately against all the directors and officers of PGI because of presumed consent and acquiesce to commit the offenses. The cases were dismissed as against all directors and officers but for Mr. Rafael Escaño, as president of PGI, the charge being based solely on his position as such without showing any actual consent by to the commission of the offense, much less any participation therein. On that basis, Mr. Rafael Escaño filed a Petition for Review with the DOJ where the case is currently pending.

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

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

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

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

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

<u>Certain Relationships and Related Transactions</u>

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

<u>Resignation of Director</u>

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

Compensation of Directors and Executive Officers

Executive Compensation

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

Name and Principal Position	Year	Salary (P, in '000)	Bonus and/or other annual compensation (P, in '000)	Total (P, in '000)
Salvador P. Escaño Chairman of the Board/CEO				
Efren A. Palma President				
Benjamin P. Escaño Senior Vice President – Northern Mindanao Operations				
Jose Ma. C. Ordenes Treasurer; VP – Operations Monitoring; Alternate Corporate Information and Compliance Officer				
Samuel H. Cinco First Vice President – Sales and Landbanking				
Aggregate compensation of above-named officers	2016	4,467	606	5,073
	2017	4,467	606	5,073
	2018 (est.)	4,467	606	5,073
All other officers and directors as a group unnamed	2016	5,033	274	5,307
	2017	4,318	435	4,753
	2018 (est.)	4,318	435	4,753

Standard and Other Arrangements

Each Director receives a *per diem* allowance of twenty thousand pesos (Php 20,000.00) for his attendance in Board Meetings. Aside from this, there is no regular compensation for directors of the Company. Neither is there any other arrangement pursuant to which any director of the Company was compensated or is to be compensated, directly or indirectly, for the provision of service as Director.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements.

Other than what may be granted under the Company's Retirement Plan, the Company has no compensatory plan or arrangement which results or will result from the resignation, retirement, or termination of any executive officer's employment with the Company or its subsidiary or from a change-in-control of the Company or a change in the executive officer's responsibilities following a change-in-control.

Warrants and Options Outstanding: Repricing

The Company has no outstanding warrants or options granted to its CEO, to the above executive officers, and to all its officers and directors as a group.

Independent Public Accountants

Current Accountants

Since 2004, the SEC-accredited accounting firm of Diaz Murillo Dalupan & Company ("DMD") has served as the Company's external auditor, having offered the most economical audit proposal package to the Company as evaluated by the Board Audit Committee. In selecting an external auditor, the Board Audit Committee considers the standing and level of proficiency of the auditor/firm in the industry and evaluates if the fees charged are commensurate with such standing, as against the proposals submitted by other comparable firms. Pursuant to SRC Rule 68, Ms. Rosemary D. de Mesa was the signing partner for 2009, Atty. Bethuel V. Tanupan has served as the signing partner for 2010 and 2011, then Ms. Rosemary D. de Mesa again for 2012. Mr. Jozel Francisco C. Santos was signing partner for 2013, 2014, 2015, 2016, as well as for 2017.

Following are the fees (which exclude VAT) paid to DMD for 2015, 2016, and 2017:

Year	**External Audit Fee**[9]	**Tax Fees**[10]	**Other Fees**[11]	**Aggregate Fees**
2015	Php 571,929.00	---	---	Php 571,929.00
2016	Php 600,000.00	---	---	Php 600,000.00
2017	Php 636,000.00	---	---	Php 636,000.00

Resignation of Principal Accountant

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

10 No engagement.

11 No engagement.

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

Compensation Plans

There is no action to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

ISSUANCE AND EXCHANGE OF SECURITIES

Authorization or Issuance of Securities Other than for Exchange

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

Modification or Exchange of Securities

No action is to be taken with respect to the modification of any class of securities of the Company, or the issuance or authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class.

Financial and Other Information

Financial Statements and Management Report

The Company's Audited Financial Statements for the fiscal year 2017, its Quarterly Report (SEC Form 17-Q) for the quarter ending March 31, 2018 and its Management Report containing Management's discussion and analysis and plan of operation, substantially as stated in its Annual Report for the year ending December 31, 2017 (SEC Form 17-A), are attached to this Information Statement and incorporated hereto by reference.

Disagreements with Accountants

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

Presence of Accountants at the Annual Stockholders' Meeting

Representatives of DMD are expected to be present at the meeting and will have the opportunity to make a statement if they so desire and will be expected to respond to appropriate questions.

Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken with respect to any transaction involving the merger or consolidation of the Company into or with any other person, the acquisition by the Company or any of its security holders of securities of another person, the acquisition by the Company of any other going business or of the assets thereof, the sale or other transfer of all or any substantial part of the assets of the Company, or the liquidation or dissolution of the Company.

Acquisition or Disposition of Property

No action is to be taken with respect to the acquisition or disposition of any property.[12]

Restatement of Accounts

No action is to be taken with respect to the restatement of any asset, capital, or surplus account of the Company.

OTHER MATTERS

Action with Respect to Reports

The Company will submit for approval:

(1) The Annual Report of Management for the year ending December 31, 2017;
(2) The Audited Financial Statements of the Company for the year ending December 31, 2017; and,
(3) The Minutes of the 2017 Annual Stockholders' Meeting held on August 17, 2017 with the following significant items, among others, though no matter therein will be submitted for the approval of the stockholders as action on the said matters have already been obtained in the previous annual meeting: (i) approval of the minutes of the 2016 annual stockholders' meeting; (ii) approval of the Annual Report and the Financial Statements of the Company for the year ended December 31, 2016; (iii) ratification of all acts and transactions entered into by the Board of Directors and its Officers from June 1, 2016 to June 30, 2017; (iv) election of the members of the board of directors; and, (v) re-appointment of the accounting firm of Diaz Murillo Dalupan and Company as the external auditor of the Company.

Matters Not Required to be Submitted

12 The registrant being essentially a real estate company, the acquisition and disposition of real properties is essentially in the ordinary course of business.

No action is to be taken with respect to any matter that is not required to be submitted to a vote of security holders.

Amendment of Charter, Bylaws or Other Documents

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

Other Proposed Action

The Company seeks the ratification and approval of all acts and resolutions of the Board of Directors and the Management in the ordinary course of business from August 1, 2017 to May 31, 2018. The major resolutions and acts of the Board and Management relate to: the authority to Mr. Jose Ma. C. Ordenes to cause the rescission of the August 2004 Deed of *Dacion En Pago* executed by and between the Company, PGI, and Site Resources Development Corporation on the dacion of 334 Pryce Gardens memorial lots, to execute the Deed of Rescission, and to receive the original certificates of ownership on the lots; the authority to Messrs. Samuel H. Cinco, Benjamin P. Escaño, and/or Mr. Efren A. Palma to sell, receive payment, and execute quitclaims over the portion of the real estate properties of the Company located at Upper Bantiles, Bogo, Cagayan de Oro City ceded to the Republic of the Philippines through the Department of Public Works and Highways; the availment of new product lines including loan facilities and other credit accommodations from BDO Unibank, Inc. affiliates BDO Capital and Investment Corporation and BDO Leasing and Finance, Inc.; the appointment of R.R. Torralba & Associates and/or Emmanuel A. Gaabucayan, and the following officers: Messrs. Salvador P. Escaño, Efren A. Palma, Jose Ma. C. Ordenes, Benjamin P. Escaño, and/or Samuel H. Cinco, to prosecute, defend, and represent and appear for and on behalf of the Company in *Pryce Corporation vs. Hon. Jeoffre W. Acebido, Presiding Judge of Regional Trial Court Branch 41, Cagayan de Oro City and Forest Lake Development, Inc. HLURB Arbiter Atty. Rhona B. Albarece* before the Court of Appeals; the declaration of cash dividends in the total amount of Php 242,940,000.00 or Php 0.12 per common share and payable on February 5, 2018 to all stockholders of record as of January 12, 2018, out of the unrestricted retained earnings of the Company as of June 30, 2017; the availment of new product lines of UCPB, Cogon Branch in Cagayan de Oro City; the approval of general resolutions authorizing Management to: a) appoint company officers in the renewal of business permits, licenses, and clearances from the different government entities, local or national, relative to its real estate development, housing, and memorial park operations, b) file or defend cases against any third party or to take such steps as may be necessary or appropriate to protect the interest of the Company or to vindicate its rights, c) sell the Company's delivery or service vehicles under acceptable terms and conditions, and d) open, maintain, and/or close bank account/s anywhere in its area of operations as the need arises; the designation Messrs. Ernesto B. Pagunsan and/or Jonas B. Catingob as official liaison officers relative to transactions with government entities; the authority to Mr. Samuel H. Cinco and Atty. Artemio C. Ubaub to file a petition with the court for the registration under the Torrens System of three parcels of land located in Cagayan de Oro City and belonging to the Company; the appointment of Atty. Nenita C. Chua to transact with the National Privacy Commission in compliance with the Data Privacy Act of 2012; the authority of Messrs. Salvador P. Escaño, Efren A. Palma, or Jose Ma. C. Ordenes as the Company's representative/s to transact and negotiate with Marubeni Corporation for the purchase of 8,500,000 PGI common shares; the designation of Mr. Samuel H. Cinco or Ms. April Mae M. Belandres, with the assistance of Atty. Jose Yamot, in *Abel Q. Pacana, Jr. vs. Pryce Corporation* before the NLRC; and the authority to Mr. Samuel H. Cinco to sell one service vehicle and to sign the deed of absolute sale and other necessary documents for the purpose.

Voting Procedures

<u>Vote Required</u>

Motions in general require the affirmative vote of a majority of the shares of the Company's common stock present or represented and entitled to vote. Certain proposed actions however may require the vote of at least two-thirds (2/3) of the Company' outstanding capital stock.

<u>Method by which votes are to be counted.</u>

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

Shares are traditionally voted by verbal motion and duly seconded during the meeting, unless otherwise required by law. A matter is approved when there is no objection or any such objections are otherwise overcome by the required affirmative vote. The Corporate Secretary is normally designated to count the votes to be cast.

****

UNDERTAKING

Upon the written request of any stockholder, the Company undertakes to furnish said stockholder a copy of its Annual Report (SEC Form 17-A) free of charge [exhibits however will be charged at cost]. Any written request for a copy of SEC Form 17-A may be directed to:

Mr. SIMEON S. UMANDAL
Corporate Secretary
PRYCE CORPORATION
17th Floor PRYCE CENTER
1179 Chino Roces Avenue
corner Bagtikan Street
Makati City

-OR-

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

-OR-

Mr. JOSE MA. C. ORDENES
Treasurer; Alternate Corporate Information and Compliance Officer
PRYCE CORPORATION
17th Floor PRYCE CENTER
1179 Chino Roces Avenue
corner Bagtikan Street
Makati City

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on June 5, 2018.

PRYCE CORPORATION
By:

ERICA P. ENCABO
Corporate Information and Compliance Officer

CERTIFICATION OF INDEPENDENT DIRECTOR

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

1. I am nominated as an independent director of **PRYCE CORPORATION** and have been its independent director since **2013** (where applicable).

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Honor Merit Phils., Inc.	Managing Director	23 years
Klinserv, Inc.	CEO	23 years

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

4. **I am not related to any director/officer/substantial shareholder of PRYCE CORPORATION.** [I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)]

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
-N/A-		

5. **To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding** [/I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be)]:

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
-N/A-		

6. I am not in government service nor affiliated with a government agency or GOCC.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

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

Done on MAY 2 1 2018 at Makati City.

ROLAND JOEY R. DE LARA
Nominee/Independent Director

REPUBLIC OF THE PHILIPPINES)
Makati City) SS.

SUBSCRIBED AND SWORN to before me on MAY 2 1 2018 Makati City, affiant exhibiting to me his Senior Citizen's ID No. 11500 of Gingoog City issued on June 19, 2012.

Doc. No. 188;
Page No. 39;
Book No. VII;
Series of 2018.

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2018
IBP No. 656155-Lifetime Member
MCLE Compliance No. V-0006934
Appointment No. M-104 (2017-2018)
PTR No. 6607879 Jan. 3, 2018
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

CERTIFICATION [ON BEHALF OF INDEPENDENT DIRECTOR]

I, SIMEON S. UMANDAL, of legal age, Filipino, and with address at 17th Floor PRYCE CENTER 1179 Chino Roces Avenue corner Bagtikan Street, Makati City, after having been duly sworn in accordance with law, hereby declare that:

1. **ATTY. ARNOLD L. BARBA** is nominated as an independent director of **PRYCE CORPORATION** and have been its independent director since **2017** (where applicable).

2. He is affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Xavier University	Lecturer, Associate Professor	33 years
Barba Barba Barba & Assoc.	Partner	33 years

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

4. **He is not related to any director/officer/substantial shareholder of PRYCE CORPORATION.** [I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)]

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
-N/A-		

5. **To the best of my knowledge, he is not the subject of any pending criminal or administrative investigation or proceeding** [/I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be)]:

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
-N/A-		

6. He is not in government service nor affiliated with a government agency or GOCC.

7. I shall ensure that he will faithfully and diligently comply with his duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall ensure that he will inform the corporate secretary of **PRYCE CORPORATION** of any changes in the abovementioned information within five (5) days from its occurrence.

9. I execute this certification to attest to the truth of the foregoing on behalf of Atty. Arnold L. Barba who is currently in the United States for medical treatment, and I will obtain his personal certification to attest to the foregoing as soon as he has returned to the Philippines.

Done on MAY 2 1 2018 at Makati City.

SIMEON S. UMANDAL
Affiant

REPUBLIC OF THE PHILIPPINES)
Makati City) SS.

SUBSCRIBED AND SWORN to before me on MAY 2 1 2018 at Makati City, affiant exhibiting to me his Driver's License with number N03-88-070094 until 2023.

Doc. No. 486;
Page No. 99;
Book No. 5;
Series of 2018.

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2018
IBP No. 656155-Lifetime Member
MCLE Compliance No. V-0006934
Appointment No. M-104 (2017-2018)
PTR No. 6607879 Jan. 3, 2018
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING OF PRYCE CORPORATION HELD AT THE ISABELA BALLROOM AB, MAKATI SHANGRI-LA, CORNER AYALA AND MAKATI AVENUES, MAKATI CITY ON THURSDAY, AUGUST 17, 2017 AT 4:00 P. M.

The Chairman and Chief Executive Officer, Mr. Salvador P. Escaño, presided and called the meeting to order at 4:00 p.m. The undersigned as Corporate Secretary certified that notices of the meeting were sent to stockholders of record as of July 28, 2017, at their given addresses on August 3, 2017, and published in a newspaper of general circulation, the Manila Bulletin on the same day, August 3, 2017. It was also certified that a quorum was present because 1,969,082,152 shares out of the issued and outstanding shares of 2,000,000,000 or 98.45% entitled to vote were present in person and by proxy.

The next item on the agenda was the reading and approval of the minutes of the previous special stockholders meeting held on February 2, 2017. Inasmuch as the stockholders present were given their copies of the said minutes before the meeting, on motion duly made and seconded, it was unanimously

> "RESOLVED, that the reading of the minutes of the annual meeting held on Febuary 2, 2017, be, dispensed with and the same be, as it is hereby, approved".

The next order of the business was the report of the President and Chief Operating Officer (COO), or simply the Management Report. Likewise, copies of the Management Report to the Stockholders were furnished them before the meeting as well as the Audited Financial Statements as of December 31, 2016. Nevertheless, the President, Mr. Efren A. Palma rendered a brief oral report on the result of operations in 2016 with comparative figures to the previous year, 2015, as follows:

- Pryce Corporation turned in a robust performance for 2016. Consolidated revenue for the year ended December 31, 2016 posted a hefty increase of 16.4% to Php6.7 billion from Php5.8 billion in 2015 owing to the increase in LPG sales volume and also increase in real estate sales.
- Revenue contribution by product line was led by liquefied pertroleum gas (LPG), Php6.1 billion (91.2% of total), followed by industrial gas, Php382.5 million (5.7%); real estate sales, Php133.6 million (2.0%); hotel operations Php37.1 million (0.5%); and pharmaceuticals, Php36.2 million (0.5%).
- Consolidated gross profit also rose to Php1.7 billion in 2016 from 1.5 billion in 2015.
- Net income after tax went up by 64% to Php966.1 million in 2016 from 589.1 million in 2015.
- The earnings per share in 2016 is Php0.477. This is a 58% improvement over the Php0.302 per share reported in 2015.

After some questions, clarifications and answers thereon, on motion duly made and seconded, it was unanimously

> "RESOLVED, that the report of the President or simply the Management Report for the year ending December 31, 2016, be, as they are hereby, approved."

The next order of the business was the approval of the Annual Report and the Financial Statements of the Company for the year ended December 31, 2016. The Chairman requested the COO of the Corporation to render and brief the stockholders about the results of the operations for the year then ended. As the COO was about to render the report about the results of operations of the Corporation for the year ending December 31, 2016, a motion was made to dispense with in as-much-as it is already stated in the Information Statement and Management Report provided the stockholders' before the meeting. And on motion duly made and seconded, it was unanimously

> "RESOLVED, that the report of the operations of the Corporation for the fiscal year ending December 31, 2016, as well as the Audited Financial Statements for the same period, be, as they are hereby, approved."

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

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

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

1. Salvador P. Escaño - Chairman
2. Ramon R. Torralba - Director
3. Efren A. Palma - Director
4. Xerxes Emmanuel F. Escaño - Director
5. Ray W. Jovanovich - Director
6. Roland Joey R. de Lara - Independent Director
7. Arnold L. Barba - Independent Director

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

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

There being no further business to take up, the meeting was, on motion duly made and seconded, adjourned at 4:56 p.m.

[original sgd.]
SIMEON S. UMANDAL
Corporate Secretary

A T T E S T :

[original sgd.]
SALVADOR P. ESCAÑO
Chairman

MANAGEMENT REPORT

BUSINESS AND GENERAL INFORMATION

BUSINESS

Background

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

Pryce Gases, Inc. ("PGI"), the Company's subsidiary, is principally engaged in the importation and distribution of liquefied petroleum gas (LPG) under the brand name *PryceGas*. It also produces and sells industrial gases. PC's ownership in PGI slightly lowered to 91.4% (lower from the previous 98% in 2014) as a result of the latter's increase in authorized capital stock from P2.5 billion to P3.7 billion, even as PC subscribed to an additional 93,500,000 shares in PGI in June 2015. The Securities and Exchange Commission (SEC) approved PGI's increase in capital stock on May 22, 2015.

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

Another subsidiary of the Company is Pryce Pharmaceuticals, Inc. (PPhI), a wholesaler and distributor of private branded multi-vitamins and some 'over-the-counter' generic drugs. It was organized to primarily take advantage of the 'Generic Medicines Law'. PPhI is a relatively new player in the pharmaceutical business as it was organized in September 2005.

Corporate Rehabilitation

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

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

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

PC's rehabilitation proceedings was closed and terminated in late July 2015. PC's corporate rehabilitation would have been terminated much earlier though had it not been for the opposition of the two aforementioned creditor-banks to PC's rehabilitation. The two creditor-banks, CBC and BPI, filed their respective petitions for review before the Court of Appeals (CA) in February, 2005, opposing the rehabilitation plan.

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

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

On May 19, 2015, PC filed the motion to terminate the proceedings for corporate rehabilitation. Hinundayan Holdings Corp. manifested to the RTC-Makati that: 1) it was the only remaining LTCP creditor of

PC; 2) it had made certain arrangements with it on the settlement of the said LTCP obligation, given that it is an affiliate of PC; and 3) it endorsed PC's motion to terminate the rehabilitation proceedings.

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

Product Mix

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

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

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

In late 2005, PGI decided to enter the LPG automotive fuel ("autogas") business as it believed in the long-term viability of this business considering that it is environmentally a cleaner alternative to the gasoline and diesel fuels. As of April 2018, it has a total of 27 autogas stations: 13 are in Mindanao, 14 in Visayas.

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

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

Del Sur, Malaybalay City in Bukidnon, Alabel in Sarangani and Pagadian City. (The parks in Manolo Fortich and Malaybalay City were later upgraded into the company's Class A category of memorial parks.)

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

Another product group that belongs to the mix consist of private branded multi-vitamins and some 'over-the-counter' generic drugs that are marketed by PPhI. PPhI, being a relatively new player in the industry and having a modest capitalization, is not expected in the near term to provide significant contribution to the Company's business. It is, however, expected to gradually grow in the long term as the generic drugs business is a substantial industry that continues to expand.

Personnel and Manpower

The Company has a regular workforce of 208 employees in its real estate business and is composed of the following: 51 are in administrative positions, 147 are in operations and 10 are senior officers. Compared to 2016, the number of employees increased by 20 in the administration and operations group mainly because of the regularization of employees from their contractual status. Replacements are hired only when necessary. The workforce excludes those in the hotel operations, which has stopped as of December 31, 2016. Consequent to this closure, the hotel employees were made to choose between these options: a) transfer of employment to the Company's other business units or to its subsidiary, PGI; b) early retirement, if qualified under the Company's retirement plan; c) receive separation pay in accordance with the relevant labor laws.

The subsidiary, PGI, on the other hand, has 675 regular personnel, of which 235 are in the technical services group, 261 are in operations, 156 are in administration and 23 are senior / key officers. An increase of 188 personnel occurred in PGI in 2017 compared to the previous figure of 487 in 2016 since a large number of employees had to be hired due to the expansion of its facilities in several regions, including the establishment of various refilling plants. This is consistent with the thrust of bringing its LPG product closer to the consumer market as well as widening its market reach. For PGI, administration personnel are those who mainly provide support and 'back office' functions, which consist mainly of personnel in the administrative services department and finance and accounting services department, the operations group is composed of employees whose tasks chiefly relate to transport of products and sales/marketing functions, and the technical personnel are those involved in plant operations, gases production, LPG operations, LPG cylinder maintenance and autogas operations.

The workforce numbers herein do not include non-regular personnel, i.e., probationary and contractual ones. The number of regular employees expected to be hired in 2018 will depend on developments and growth in the company's business and on the number of employees who may resign or retire within the said year. The employees are not subject to any collective bargaining agreement (CBA) since the PC and PGI are non-unionized.

Marketing and Sales

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

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

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

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

Competition

PGI has been, for more than 20 years, operating its LPG business in the Vis-Min area where it competes with the main players Petron (*Gasul* brand), Phoenix (*Petronas* brand), and Isla Gas (*Solane* brand). In Luzon however, PGI is a relatively new entrant having entered the fray only in June 2014. Therein, it competes with Petron, Liquigaz, Isla Gas, as well as with South Pacific, Inc. (SPI), the latest entrant in Luzon, whose marine storage terminal (in Calaca, Batangas) went into operation in late 2015. At the refilling plant level, Management estimates that PGI competes with more than a hundred independent refilling plants all over Luzon.

PGI now has an increased aggregate LPG storage capacity of 26,952 metric tons (MT) consisting of sea-fed / marine terminals and inland refilling plants which are strategically located all over Luzon and Vis-Min (see tabulation under the discussion below titled *LPG Plants*). PGI's total storage capacity of 16,200 MT for its Vis-Min operations is the biggest compared to any of its competitors in the area. In Luzon, PGI's 8,500-MT storage capacity is one among the three largest storage facilities, which includes those of Liquigaz and SPI. On product distribution capability, PGI and OOC have, as of this writing, thirty-three (33) refilling plants strategically located in various parts of Luzon and the NCR. The large capacities of its marine terminals and numerous refilling plants in various locations across the country allow PGI to cover a wide range of the market within those regions and bring its product closer to the consumer market. Moreover, the location of its network of terminals and refilling plants gives it the flexibility to transfer product to ensure continuity of supply in the event of possible stock-outs due to fortuitous events.

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

The Department of Energy (DOE) reports that PGI has the following LPG market shares in the following regions as of 2017: 26.76% in Mindanao, 24.20% in Visayas, and 9.3% in Luzon (including NCR). PGI is a major player in the Philippine LPG industry and had a 12.69% share of the country's total market, or equivalent to 206,000 MT, as of end-2017. It is the second largest industry player in both the Visayas and Mindanao areas, and has a 25% market share of those areas combined.

PGI's industrial gas business (comprising about 4 to 5% of PGI's total revenues) competes with about thirteen other companies, with Linde Philippines, Inc. and Air Liquide Philippines, Inc. being considered its closest major competitors. It has to contend with different environments for its products (oxygen, acetylene, argon, nitrogen, carbon dioxide, and compressed air) in terms of the extent and composition of the competition. PGI's Vis-Min operations account for the bulk of its industrial gas revenues; management estimates that PGI has roughly 30% of the combined Mindanao and Visayas markets.

Prices are determined by market forces, resulting in increasing competition. Although the LPG business operates in a deregulated environment in the Philippines, the government exercises moral suasion if not outright pressure on the industry from time to time to prevent upward price movements or to influence the magnitude of price increases. A more specific discussion of price and market demand is provided in the section on *Results of Operations* under *Operational and Financial Information* of this report.

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

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

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

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

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

D. North Zamboanga Gardens (Dipolog City)

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

E. Ozamiz Memorial Gardens (Ozamiz City)

- Malindang Memorial Gardens
- Ozamiz Chinese Cemetery

F. Mt. Apo Memorial Gardens (Davao City)

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

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

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

H. Pryce Gardens – Malaybalay (Bukidnon)

- Shepherd Meadows Memorial Park
- Valencia Memorial Gardens

I. Pryce Gardens – Malita (Davao del Sur)

- Backyard interment
- Inaburan Public Cemetery

J. Pryce Gardens – Bislig (Surigao del Sur)

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

K. Pryce Gardens – Alabel (Sarangani)
(most ‘competitors’ are some distance away in General Santos City)

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

L. Pryce Gardens – Pagadian

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

- Pagadian Public Cemetery (Barangay Paglaom)

Government Approvals, Licenses and Permits

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

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

Development Cost in relation to Revenues

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

	2017	2016	2015
Development Cost	589,352,628	624,922,453	604,648,941
Percentage to Revenues	6.39%	9.30%	10.47%

There was a decrease in development costs in 2017 since much of the earlier planned development activities (construction of LPG plants and purchase of machineries & equipment) were already completed in 2016.

Environmental Regulations

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

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

Major Risk Factors and their Management

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

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

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

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

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

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

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

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

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

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

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

Since PGI is engaged in the trading of highly flammable gas products, the obvious principal risk is an operational one and relates to the hazards of handling and storage of these products. The particular risks involved are: i) potential injury to people; ii) damage to property; iii) damage to environment; or, iv) some combination thereof. The business losses arising from a disastrous consequence of any of these hazards are significant and could amount to several times that of the actual damage / losses and can further result in a longer-than-expected business interruption in any of PGI's refilling plants or terminals. Hazards can be due to any, or a combination, of the following: i) intrinsic property of the product; ii) catastrophic ruptures/leakages; iii) unsafe refilling and receiving activities; iv) failure of safety valves; v) un-requalified fire-protection equipment or devices; vi) potential sparks from presence of gasoline-fueled vehicles during refilling and receiving activities; and, vii) discharge of LPG to the atmosphere because of leak(s).

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

- Continuous identification of hazards and consequence analysis thereof (utilizing the *Structure What If Technique* or 'SWIFT');
- Fire prevention and fire-protection management program;
- Regular emergency response training and drill, and continued evaluation thereof;

- Maintaining operating standards in relation to safety practices and requirements and fire-preventive measures; and,
- Training and continuing education of its personnel on safety and risk management

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

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

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

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

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

The discussions on *Financial Risk Management Objectives and Policies* (Note no. 36) as well as *Capital Risk Objective and Management* in the Notes to the 2017 Audited Financial Statements are incorporated hereto by way of reference.

PROPERTIES

Completed Projects

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

Cagayan de Oro Gardens

This is the first memorial park project developed by the Company, located in Lumbia, Cagayan de Oro City, with a wide frontage along the national highway. The project site is blessed with a scenic view of the Lumbia hillsides as well as part of the city and Macajalar Bay in the distance. The Cagayan de Oro River meanders at the bottom of a ravine adjacent to the property. The site has a total gross area of 20.76 hectares, of which total saleable area is estimated at 135,390 square meters, equivalent to about 55,491 lawn lots, with an average size of 2.44 m^2 per plot.

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

Puerto Heights Village

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

Pryce Tower

The Pryce Tower Building commenced construction in December 1995 and became the first high-rise condominium project in Mindanao. It is a 16-level first class building on a 1,965 m^2 lot located at the Pryce Business Park in Bajada, Davao City. The building has 89 office suites with areas ranging from 106 to 390 m^2 and two basement levels for parking. The building was completed in February of 1999.

Socialized Housing Projects

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

Villa Josefina Resort Village

This mid-to-upscale residential development is located on a 36.4-ha. property in Dumoy, Davao City. It has a beachfront along the Davao Gulf and a frontage along a national highway where the main entrance is located. The initial 23 has. of the project comprising Phases I and II provide a total of 570 residential lots with an average size of 300 m^2 per lot. Phase III, which comprises the beachfront area, measures some 13.4 has. with a total of 174 saleable lots. Phase IV, with an area of 0.986 has., consists of smaller lots totaling 44, some of them containing housing units for the mid-scale market.

Pryce Business Park, Davao

The Company has a 1.8-ha. prime property in the highly commercialized area of J.P. Laurel Avenue in Bajada, Davao City, diagonally across Victoria Plaza, a large shopping mall in the city. PC developed this property into a commercial cluster called Pryce Business Park. The development consists of 15 subdivided commercial lots with areas ranging from 600 to 1,965 m^2 per lot. Construction of this business park was fully completed in 1997.

Pryce Plaza Hotel, Cagayan de Oro City

Pryce Plaza closed its operations on December 31, 2016. It was a premier business and convention hotel and was in operation for almost 26 years since it opened in April 1991. The hotel is located atop Carmen Hill in Cagayan de Oro City and overlooks the city. Management decided to stop its operations as it has not been providing the desired returns the past years due mainly to the stiff and growing competition, which was compounded by the increasing costs of having to maintain an old hotel.

Essentially Completed Projects

Maria Cristina Gardens

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

Development works for Phase 1 commenced in February 1996 while development of Phases II and III began in August 1996. To date, all these phases are all fully or essentially completed, containing an area of 21.6 has. An additional 6.0 has. for development under Phase IV of the park is still under the planning stage. Selling activities began in October 1996.

Zamboanga Memorial Gardens

This was designed in the same tradition as the Company's Cagayan de Oro Gardens and Maria

Cristina Gardens. It is PC's most ambitious memorial park project in terms of size, being located on a 49.16-ha. property in Sinunuc, Zamboanga City. The site also offers a panoramic view as it nestles on an elevated terrain overlooking the Zamboanga west coast, which is just a street across the site.

Development of Phase I, commenced in July 1997, was later divided into two phases, Phases I-A and I-B of 9.5 has. and 9.7 has., respectively. These initial phases of the project aggregate 19.24 has., with total saleable area of 103,988 m^2 and equivalent to 41,595 lawn lots. The development of the second phase began in the early part of 2003. It has a gross area of 29.92 has., the saleable portion of which is 154,590 m^2, equivalent to about 61,836 lots. Only about half of the second phase is essentially completed as of date, in terms of electrical, lighting, pathwalks, roads and landscaping works.

North Zamboanga Gardens

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

The first 10 has. of the project commenced development in October 1997 and was completed in 1999; subsequently, in 2000, another area of 9.36 has. was developed, while 4.19 has. at the back was reserved for future development. Presently, the total saleable area measures about 137,350 m^2, which is equivalent to 54,943 equivalent lawn lots. In 2008, the Company acquired an additional 1.6-ha. property adjacent to the park, which is reserved for future development.

Ozamiz Memorial Gardens

This fifth memorial park project of the Company became operational in late 2001. It is located on a 9.32-ha. property along the national highway connecting the cities of Ozamiz and Tangub within the barrio of Dimaluna, Ozamiz City, and against the backdrop of Mt. Malindang. This project commenced development works in December 1999 and became essentially completed in December 2002. Selling operations for this project began in 2000.

Mt. Apo Gardens

Mt. Apo Gardens is the Company's sixth memorial park, named after the tallest mountain in Mindanao, which is highly visible from the site, is located in what was originally an 18.1-ha. property in Riverside, Calinan, Davao City. This project is essentially completed and has a currently-identified saleable area of 109,430 m^2, equivalent to 43,772 lawn lots. An area near the entrance gate alongside the main access road has been reserved for future development. Properties adjacent to the park were subsequently acquired (8,539 m^2 in August 2003 and 8,540 m^2 in December 2002), with a total area of 17,079 m^2, increasing the gross area of the project to 19.81 has.

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

Pryce Gardens CDO-Manolo Fortich

In May 2004, construction of the Company's first boutique memorial park began in Mambatangan at the northeast boundary of Cagayan de Oro with Manolo Fortich, Bukidnon. The project is divided into three phases and is designed to yield a total saleable area of 96,250 m^2, roughly equivalent to 39,446 lawn lots from a total land area of 12.14 has. The project's first phase is 95% complete with a small amount of remaining works to be finished in its water and electrical systems. The total saleable area under Phases I and II is 68,840 m^2, which is roughly equivalent to 28,214 lawn lots. As stated previously, this project was reclassified by management from a boutique to a "Class A" park.

Pryce Gardens-Malaybalay

This is the second boutique memorial park project of the Company, construction of which began in March 2005. It is located in Brgy. Laguitas, Malaybalay City, Bukidnon, and has a gross area of 4.94 has. and a total saleable area of 36,846 m^2, equivalent to 15,101 lawn lots. The project has hilly terrain and was essentially completed on March 31, 2007. The site has a commanding view of the hillsides and rolling terrain of Malaybalay and Valencia. In fact, it is located between Malaybalay and Valencia, enabling the project to tap the market in both locations. This project was likewise upgraded to a "Class A" park.

Pryce Gardens-Malita

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

Pryce Gardens-Bislig

Also classified as a boutique memorial project of the Company, Pryce Gardens-Bislig is located in Kahayag, Bislig, Surigao del Sur. Construction for this project began on June 14, 2005 and was essentially completed by end of 2006. The land has a gently rolling terrain similar to Pryce Gardens-Malaybalay with a gross area of 5.76 has. and saleable area of 37,848 m^2, equivalent to 15,415 lawn lots.

Pryce Gardens-Alabel

Another boutique memorial park of the Company is located in Alabel, Sarangani, almost adjacent to the town's public cemetery. The site is also a short travelling distance from General Santos City. Its construction began in February 2007 and was operational by the time it was formally launched in April 2008. The park has a total land area of 4.9 has. and offers a saleable area of 35,625 m^2 or 14,549 equivalent lawn lots.

Pryce Gardens-Pagadian

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

Other Properties

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

Location		*Total Area (m^2)*
Cagayan de Oro City		
	Bugo	272,164
	Tina-ao	138,654
	Bulua	242,000
Misamis Oriental		
	Tagoloan*	450,000
	Sta. Ana	1,261,034
	Balingasag	170,745
Malagos, Davao City		578,576
Polomolok, South Cotabato		67,521
	Total	3,180,694

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

Joint Venture

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

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

LPG Plants

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

In selling *PryceGas*, PGI divided Vis-Min into ten marketing regions namely: Northern Mindanao, Southern Mindanao 1, Southern Mindanao 2, Eastern Mindanao, Western Mindanao 1, Western Mindanao 2, Panay Island, Negros Island, Central Visayas, and Eastern Visayas. Sea-fed terminals with storage capacities of 1,200-MT and 3,400-MT located in Balingasag, Misamis Oriental and Sta. Cruz, Davao del Sur, respectively, currently support the marketing operations of Northern and Southern Mindanao, together with the Caraga (Eastern Mindanao) Region (comprised of Butuan and Surigao provinces). To serve the market in Western Mindanao, PGI constructed a 1,010 MT storage terminal in Zamboanga City. Aside from these import terminals, PGI also built three refilling plants in Taguibo in Butuan, Polomolok in South Cotabato, and Aurora in Zamboanga del Sur in order to service the remote markets. A refilling plant was also later built in Tagum City (Davao del Norte). The facilities are within convenient shipping distance to large population centers thus ensuring its customers a ready supply of *PryceGas*.

Applying the same strategy for the Visayas, PGI built a 2,590-MT storage import terminal in Sogod, Cebu to serve the growing LPG markets in Cebu and Bohol. It also built a 1,000-MT storage import terminal in Albuera, Leyte to cover the Eastern Visayas markets, and the same has since been expanded to 3,000 MT. Two 900-MT storage import terminals were each constructed in Ayungon in Negros Oriental and in Ajuy in Iloilo to cover the Negros Island and Western Visayas Markets. The company also constructed several refilling plants in Pavia in Iloilo, Silay in Negros Occidental, Cebu and Naga Cities in Cebu, and Tacloban in Leyte.

PGI had eyed Luzon as the desirable yet challenging market to break into. After scouting for a feasible property in Northern Luzon, it finally chose one in the coastal area of San Fabian, Pangasinan. In mid-2013, it was able to build its initial 4,200-MT (gross capacity) marine-fed LPG storage therein, consisting of two tanks with gross capacity of 2,100 MT each. These tanks were commissioned when it received its maiden load of imported LPG. A third tank, also with capacity of 2,100 MT, was constructed in May of 2013 and completed in March 2014. Construction of the fourth tank began in March 2015 and was completed in early February 2016, bringing San Fabian's total storage capacity to 8,500 MT. On refilling plants in Luzon and certain parts of NCR, PGI has a total of 33 refilling plants in various locations, with storage capacities ranging from 25 to 120 MT.

The 26,952-MT aggregate LPG storage capacity of PGI thru its sea-fed or marine terminals and inland refilling plants is distributed across the country as shown below.

Type	*Region Location*	*Number*	*Capacity (MT)*
LPG Marine Terminal	Luzon	1	8,500
	Visayas	4	8,590
	Mindanao	3	7,610
	Sub-totals	8	24,700
LPG Refilling Plants	Luzon	33	1,644
	Visayas	9	310
	Mindanao	8	298
	Sub-totals	50	2,252
		Total	26,952

Encumbered Assets

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

Previously encumbered properties under the Mortgage Trust Indenture (MTI) which secured the Company-issued LTCP's in December 1995 (an aggregate amount of Php 300 Million) were released in

January 2016, months after PC's rehabilitation proceedings was terminated in July 2015. Earlier in August 2014, a portion of the MTI collaterals (Davao commercial lots) was released after the consent / approval of the majority creditors was obtained as a consequence of the settlement of a significant portion of the LTCP loan.

The assets earlier mortgaged to CBC (as part of the collateral of the Company's P200 million loan line with the bank) were also released from mortgage. Comprising these assets are the following: 30 office condominium units at the Pryce Tower in Davao City; 34 residential lots at Puerto Heights Village in Cagayan de Oro City; 5-ha. lot in Cagayan de Oro Gardens; 11,937-m^2 undeveloped property in Brgy. Del Carmen, Cagayan de Oro City; 31 residential lots in Villa Josefina Resort Village (Phase III) in Davao City; and, 4 lots in Mt. Apo Gardens, Davao City.

Assets that secured a short-term loan with the BPI have also been released from mortgage. The following properties comprise the previously mortgaged assets: the 77,761- m^2. semi-developed property Iligan Town Center; and five subdivision lots in Puerto Heights Village in Cagayan de Oro City. In September 2014, the Iligan property was sold to a mall developer and the sales proceeds were used in the settlement of the aforesaid loan thereby causing the release from mortgage. (Earlier mortgaged to BPI too were five residential lots at the Villa Josefina Resort Village, Davao City; however, BPI filed for extra-judicial foreclosure of these properties, and these were eventually auctioned off on February 26, 2004. The proceeds of the said auction were applied to the reduction of the Company's obligation with BPI.)

LEGAL PROCEEDINGS

The Company and PGI are party to pending cases and believe they have meritorious causes of action and defenses with respect to all pending litigation and intend to defend the actions vigorously. Moreover, its directors and officers have no knowledge of any other proceedings pending or threatened against the Company and PGI or any facts likely to give rise to any proceedings that might materially affect the position of the Company. Enumerated and discussed below is the status of various pending cases as of May 31, 2018. Apart from the cases enumerated below, PC and PGI are likewise involved in other legal cases that occurred under the ordinary course of business and do not materially affect the parent Company's or PGI's operations as whole.

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

   Nature and Antecedents: This is an action for "Specific Performance" against the Solidums relative to the 52-ha. lot in Casinglot, Tagoloan, Misamis Oriental. PC entered into a Memorandum of Agreement with the Solidums whereby the Solidums undertook to sell to PC the property, conditioned upon the removal of the squatters and conversion of the property into industrial/commercial use. The Solidums failed to remove all of the squatters and execute the deed of sale, despite advances of about P8 million. The parties finalized a *Memorandum of Agreement*, which was subsequently annotated by the Provincial Register of Deeds of Misamis Oriental on the Transfer Certificate of Title of the subject lot.

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

2. **Pryce Corporation vs. China Banking Corporation**
Civil Case No. 2005-231, Branch 20, RTC of Misamis Oriental

Nature and Antecedents: This is a case filed by PC against CBC for injunction since the latteris consolidating its title over certain properties of the former by virtue of an extra-judicial foreclosure sale despite a Stay Order that was issued by the Commercial Court in Special Proceeding Case No. M-5901, which pertains to PC's petition for corporate rehabilitation that was filed before such court on July 9, 2004.

Status: PC and CBC have worked out a compromise agreement.

3. **Sotero Octobre vs. Pryce Corporation and China Banking Corporation**
HLURB Case No. LSS-X-REM 518-04-008, HLURB Cagayan de Oro and Board of Commissioners

Nature and Antecedents: This is a case for rescission of contract with damages instituted by Octobre due to the failure of PC to execute the deed of sale and transfer of title over the lots purchased at Puerto Heights Village. PC alleged that it was prevented due to the fact that receivables on the payment of the lot were assigned to CBC, with the transfer certificate of title on said lot being held by the CBC. The HLURB Regional Arbiter rendered a decision finding the Company liable and directing the payment of the total installment payments plus damages. The Company appealed the decision to the HLURB Board of Commissioners which rendered a new decision which, aside from requiring the refund of P4.2 million with legal interest in the event of failure or refusal within 30 days by the Company to deliver the title, required the Company to pay damages, attorney's fees and cost of suit. Ultimately, the SC rendered a decision denying the petition for review of PC.

Status: In July 2017, Octobre filed an urgent motion for execution. PC then filed a motion to set the hearing for the turnover of the title. On October 18, 2017, the HLURB Regional Arbiter issued an Order directing PC to pay Octobre the amount of P4.2 million plus legal interest. On November 9, 2017, PC filed an Appeal Memorandum with the HLURB Board of Commissioners to assail the Order, and thereafter received the counter-memorandum of CBC.

4. **Ponce vs. Pryce Corporation, et al.**
Case No. G.R. No. 206863, Supreme Court, Second Division

Nature and Antecedents: This is an action for quieting of title filed by Vicente Ponce, whose title overlaps with that of PC over a 4.8-ha. portion of its property in Iligan City, over which stands its Maria Cristina Gardens memorial park. Ponce obtained his title from Solosa, whose title was derived from an alleged Homestead Patent that was administratively reconstituted. PC meanwhile obtained its title from the Quidlat sisters, whose title was adjudged by a cadastral court. The RTC ruled in favor of Ponce, upholding his title over the contested portion. On appeal, the CA sustained the trial court's ruling. PC filed a Petition for Review on Certiorari with the SC, to which Ponce filed his Comment. In February 2014, PC filed a motion for leave to file its Reply to the Comment of Ponce. The SC granted PC's motion.

Status: PC is now awaiting the SC's further action on this case. Meanwhile, Vicente Ponce had passed away and his heirs had filed for substitution as party-litigants in the case.

5. **<u>Pryce Corp. vs. Solicitor General, et al</u>.**
Civil Case No. CV-ORD-2015-215, Branch 17, RTC of Cagayan de Oro City

Nature and Antecedents: PC is asking the Court to render an interpretation of Section 4 (a) 9 of the Senior Citizens' Act (Republic Act No. 7432, as amended R.A. No. 9257, and as further amended by R.A. No. 9994) to the effect that it does not include interment services as being covered by the 20% discount to be availed of by the deceased senior citizen or his/her heir(s). Considering the matter subject of this case is purely legal, the Court deemed that there is no need for trial on the merits and directed the parties to submit their respective memorandum and the case was thereafter submitted for resolution.

Status: The RTC ruled in favor of the Company effectively excluding interment services from the coverage of the discount.

6. **<u>National Grid Corporation of the Philippines vs. Pryce Corporation</u>**
Special Civil Action No. 769, Branch 14, RTC of Zamboanga City

Nature and Antecedents: This is an eminent domain case filed by National Grid Corporation of the Philippines pertaining to a portion of the Zamboanga Memorial Gardens.

Status: The case is currently undergoing pre-trial.

OPERATIONAL AND FINANCIAL INFORMATION

MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's shares are listed in the PSE. The table below shows the quarterly high and low prices PC's shares (stock symbol: "PPC") traded for the year 2017 and for the first quarter of 2018.

Year	High	Low
<u>2017</u>		
First Quarter	5.65	4.70
Second Quarter	7.07	4.86
Third Quarter	7.80	6.18
Fourth Quarter	7.07	6.00
<u>2018</u>		
First Quarter	6.75	5.80

Trading of PC's shares was suspended on two occasions, both of which pertain to the Company's corporate rehabilitation. The first was shortly after the Company filed its petition on July 9, 2004. This suspension was subsequently lifted on January 26, 2005 after the RTC-Makati approved the company's rehabilitation plan on January 17, 2005. The second suspension came on June 5, 2006 as a result of the ruling of the CA on the petitions for review filed by creditor-banks CBC and BPI. These cases have reached the SC and were resolved in favor of the Company, as discussed under the heading *Corporate Rehabilitation* herein. On March 16, 2015, following the SC's favorable decision, trading suspension of PPC shares was lifted by the PSE, resulting in the active trading of the shares thereafter.

As of June 4, 2018, the market price of the Company's shares closed at P6.00 per share.

Public Ownership of PC shares as of May 31, 2018

	% to Total Outstanding Shares	*Number of Shares*
Total Outstanding & Issued Shares	100%	2,024,500,000
Less:		
Directors	2.98%	60,329,016
Senior Officers	0.02%	312,820
Affiliates	25.32%	512,681,212
Sub-total	28.32%	573,323,048
Shares owned by the public	71.68%	1,451,176,952

On December 13, 2017, the SEC approved the Company's request for increase in authorized capital stock from Two Billion Pesos (P 2,000,000,000.00) divided into two billion (2,000,000,000) shares with par value of one peso (P 1.00) per share to Two Billion Ninety-Eight Million Pesos (P 2,098,000,000.00) divided into two billion ninety-eight million (2,098,000,000) shares with par value of P 1.00 per share.

This action also allowed for the subscription by an affiliate of the Company (Josefina Multi-Ventures Corporation) to 24,500,000 shares at the subscription price of P 5.00 per share under the placing and subscription transaction disclosed to the Philippine Stock Exchange on December 7, 2016, and, otherwise, to allow the company to expeditiously raise funds via stock subscriptions.

Holders

As of May 31, 2018, the company has 364 stockholders, with 94.94% of the outstanding shares being registered in the names of persons who are citizens of the Philippines or corporations or associations organized under the laws of the Philippines at least 60% of the capital of which is owned by Philippine citizens.

Top 20 Shareholders as of May 31, 2018

	Account Name	*Number of Shares*	*% to Total*
1st	Guild Securities, Inc.	1,017,140,468	50.242%
2nd	PCD Nominee Corporation	565,604,438	27.938%
3rd	Hinundayan Holdings Corp.	160,708,000	7.938%
4th	PCD Nominee Corp. (Non Filipino)	102,447,752	5.060%
5th	Pryce Development Corporation	61,800,000	3.053%
6th	Salvador P. Escaño	33,492,660	1.654%

7th	Sol F. Escaño	27,909,000	1.379%
8th	Josefina Multi Ventures Corporation	24,500,000	1.210%
9th	Four Treasures Development Corp.	4,808,616	0.238%
10th	CBC T/A #501-0091	4,528,720	0.224%
11th	JGF Holdings, Inc.	3,221,427	0.159%
12th	Notre Dame of Greater Manila	2,300,000	0.114%
13th	Pryce Plans, Inc.	1,830,000	0.090%
14th	Salvador P. Escaño ITF Pryce Development Corp.	1,684,450	0.083%
15th	Pryce Securities, Inc.	1,008,000	0.050%
16th	Jack &/or Frank Gaisano &/or Edward &/or Margaret Gaisano	575,000	0.028%
17th	Edna A. Torralba	490,000	0.024%
18th	CBC T/A #501-0091 FAO: PPI	450,000	0.022%
19th	Fernando L. Trinidad ITF Pryce Development Corp.	417,000	0.021%
20th	MBTC-TBG ATF T/A # LT-11-003-0894	405,000	0.020%

Dividend History

In 1994, the Company declared and paid cash dividends of P0.02 per share. In 1995, the Company declared cash dividends amounting to P0.04 per share to stockholders on record as of January 25, 1995 and P0.03 per share to stockholders on record as of September 10, 1995. These cash dividends were paid on February 8 and September 30, 1995, respectively.

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

On November 11, 2016, PC's Board of Directors approved the adoption of a dividend policy wherein 50% of the prior fiscal year's consolidated net income after tax will be distributed in cash to the shareholders as dividends. Dividend declaration and payout will be subject to the requirements of existing laws and rules and regulations and may be restricted by circumstances such as, but not limited to the need for substantial capital outlays for expansion programs or working capital, its earnings, cash flow, financial condition, capital investment requirements, and other factors. The Board may, at any time, revise this dividend policy depending on the results of operations and future projects and plans of the company.

The Company declared payment of cash dividends on December 21, 2017 (which it had not been able to do in more than 20 years) out of its unrestricted retained earnings as of June 30, 2017. The company sees this move as the start of regular cash dividends, which it intends to maintain on a regular basis in the coming years.

Key Performance Indicators (KPIs)

PC and Subsidiaries (consolidated) based on audited FS

	2017	***2016***
% Growth in Revenues: 37.26%	Php9.23 billion	Php6.72 billion
% Sales Volume Growth (LPG): 10.88%	210,166 MT	189,551 MT
Price movement (LPG):	Php39.93/kg.	Php31.48/kg.
% Growth in Gross Margin: 29.46%	Php2,218.8 million	Php1,713.8 million
% Increase in Income: 29.59%	Php1,251.9 million	Php966.1 million
Current ratio	2.30	2.01
Total Debt-to-Equity ratio	0.36	0.44

PGI & OOC

	2017	***2016***
% Growth in Revenues: 38.85%	Php9.048 billion	Php6.516 billion
% Sales Volume Growth (LPG): 10.88%	210,166 MT	189,551 MT
Price movement (LPG):	Php39.93/kg.	Php31.48/kg.
% Growth in Gross Margin: 30.01%	Php2,095.9 million	Php1,612.1 million
% Increase in Income: 32.32%	Php1,152.3 million	Php870.9 million
Current ratio	2.06	2.08
Total Debt-to-Equity ratio	0.30	0.31

PC (consolidated) for the interim period of 1stQtr – 2018

	1stQtr 2018	***1stQtr 2017***
% Growth in Revenues: 6.28%	Php2.353 billion	Php2.214 billion
% Sales Volume Growth (LPG): (0.50%)	49,312 MT	49,560 MT
Price movement (LPG):	Php43.43/kg.	Php40.69/kg.
% Growth in Gross Margin: 9.15%	Php545.2 million	Php499.5 million
% Increase in Income: 12.80%	Php340.33 million	Php301.71 million
Current ratio	2.39	2.62
Total Debt-to-Equity ratio	0.33	0.39

	Explanations/remarks
Revenue and Volume Growth	This is a measure of how the company is able to efficiently expand its operations and harness its resources (given its more-than-adequate storage and production capacities) to create more revenues and cash flows over time. It also reflects on the capability of management to grow the enterprise.
Price movement (LPG)	This is a major concern because over 90% of company revenues

	emanate from the sale of LPG, a product with volatile import cost and elastic demand with respect to price. This happens because the bulk of demand is driven by households buying LPG as cooking gas, households being a very price-sensitive market (although recent trends seem to go against this pattern). The business is also subject to political pressures, being part of the oil industry.
Profitability: Gross Margin and Net Income	The ability to control cost and realize profits are always of paramount importance to an enterprise. In the case of the Company, it has limited control over the import cost of its largest product line, LPG, because the international contract price (CP) is established in the Middle East, so retail pricing is the key to profitability. Its industrial gas operations are profitable but the Company has to temper the movement in selling price to prevent inroads from competitors. The Company's real estate division (memorial parks) is a very-high margin operation but accounts for only a small percentage of revenues.
Liquidity: Current ratio and Debt-to-equity ratio	The importance of having cash and liquid assets to fund operating requirements, to purchase supplies/inventories, and to service maturing debts cannot be overemphasized.

Results of Operations and Detailed Discussion on Performance Indicators

1Q 2018 compared to 2017

Net income grew by 12.8% from P 301.7 million to P 340.3 million for the first quarter ended March 31, 2018. Over the same period, consolidated revenues correspondingly grew from P 2.21 billion to P 2.35 billion, registering a modest 6.3% growth.

Revenue contribution and percentage of sales by product category for the first quarter of 2018 were as follows: LPG, including cylinders and accessories, P2.21 billion (94%); industrial gases, P106.5 million (4.5%); real estate sales, mainly from memorial parks, P24.7 million (1%); and pharmaceuticals, P11.3 million (0.5%).

Revenue and Volume Growth

First quarter consolidated revenues rose by a modest 6.3% growth, from P 2.21 billion to P 2.35 billion. The rise in consolidated revenue was mainly due to the 12.9% growth in sales volume of LPG in the Vis-Min regions. Likewise, revenues from industrial gases and pharmaceuticals increased by 4.1% and 53.7% respectively; however, revenue from real estate decreased by 2.8%.

First quarter volume sales of LPG in the Vis-Min regions increased to 21,992 MT from 19,487 MT of the same period in 2017, or a growth of 12.9%. Comparable sales volume in Luzon dropped by 2.1% as management gave more emphasis to margins than to volume sales. The anticipation of an increased LPG price due to the effectivity of the TRAIN Law (Republic Act No. 10963) on January 1, 2018, which would slap a P 1.00 per kilo excise tax on LPG, probably took away two to three days' worth of sales from January 2018 and instead added these to December 2017 sales. Thus, volume sales in January 2018 came out lower than they would have been otherwise.

Total revenue from industrial gases increased by 4.1%, from P 102.3 million in 2017 to P 106.5 million in 2018. Volume-wise, sales of oxygen barely grew, posting less than 0.01%, whereas that for acetylene dipped by 5.6%; other gases, on other hand, registered a 12.82% volume growth. Total volume of cylinder refills slightly increased from 264,516 cylinders to 265,163 cylinders.

Price Movement and Market Demand

Apart from those mentioned above, the comparatively lower LPG contract prices (CP) also contributed to the lower growth in peso sales during the first quarter. The average CP during the first quarter of 2018 was US$519 per MT, which is US$19 per MT lower than US$ 538 per MT, the average CP for the same period in 2017.

Market demand for LPG will continue to grow in the near term notwithstanding the inflationary pressures brought about mainly by the TRAIN Law. This view is supported by accelerating domestic consumption due to robust household incomes amid continued inward remittances from overseas Filipino workers, as well as the government's ambitious infrastructure development program that is expected to generate further employment.

On industrial gases, average refill price of oxygen increased slightly by 0.9% while those for acetylene and other gases also went up by 5.38% and 19.61%, respectively.

Competition and Market Aspects

The LPG market is a highly competitive environment, particularly in Luzon which accounts for about 80% of the country's total demand with Vis-Min accounting for the balance of 20%. Latest DOE statistics (as of December 31, 2017) puts PGI's share at 13% of total market, with 9.3% share in Luzon and 25% share of the combined Vis-Min market.

The company has set targets of 15% sales volume growth in Vis-Min and 20% net income growth for the company in 2018. It is confident that it will achieve these targets given its ongoing expansions in its marine-fed terminals and refilling plants across the country. Moreover, the effects of such expansions are expected to be gradually revealed in the coming quarters by yielding positive results and validating the company's growth expectations for volume and net income in 2018.

Profitability

Income from operations amounted to P 340.7 million, 9.47% higher than the previous quarter of P 311.2 million. Pre-tax net income for the quarter reached P 394.2 million, 9.57% higher than P 359.8 million a year ago. Although this quarter's pre-tax net income was higher, the provision for income tax of P 53.9 million was lower versus last year's P 58.1 million due to tax incentives granted by the BOI with respect to the marine terminals in San Fabian in Pangasinan, Albuera in Leyte, and Sta. Cruz in Davao del Sur. Net income after tax for the quarter was P 340.3 million, thereby resulting in a 12.8% growth from P 301.7 million of last year.

The above net income of P 340.3 million translated to earnings per share (EPS) of P 0.1550, which is 12.48% higher than the previous of P 0.1378. The percentage growth in EPS of 12.48% is numerically lower than the net income growth of 12.8% because of the increase in outstanding shares to 2,024,500,000 over the previous year's 2,000,000,000 shares as a result of Josefina Multi-Ventures Corporation's acquisition of 24,500,000 shares from Company's increase in authorized capital stock from P 2 billion to P 2.098 billion, which was approved by the SEC on December 13, 2017.

Liquidity

Total liquid assets of the company as of March 31, 2018 amounted to P 1.369 billion, a decrease of 11% compared to the P 1.539 billion recorded in the audited accounts of year-end 2017. This decrease is due to the initial payments made to contractors working on the aforementioned expansion projects of the company and the payment of the cash dividends amounting to Php 242.09 million paid on February 5, 2018. The liquid assets consisted of 'Cash' of P 500.5 million and 'Financial Assets at fair value' (marketable securities) of Php 868.4 million.

Current ratio as of the end of the first quarter of 2018 was at 2.39:1 while total debt-to-equity ratio stood at 0.33.

Balance Sheet Changes

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

Account Name	*% Increase or (Decrease)*	*Reason for Change*
Cash	(38.12%)	Payments on CAPEX for expansion projects and cash dividends
Financial assets at fair value	18.91%	Additional investments in marketable securities
Trade and other receivables	55.91%	Advances / downpayments to contractors for expansion projects in 2018
Inventories	5.39%	Increase in inventory for resale
Prepayments and other current assets	(16.18%)	Due to application of creditable withholding tax and amortization of prepayments
Goodwill	10.58%	Acquisition by parent company of the shares of a minority interest in subsidiary
Trade and other payables	9.35%	Increase in purchases and various accruals
Dividends payable	(99.65%)	Payments of cash dividends
Income tax payable	58.67%	Increase in net income
Customers' deposits	19.84%	Increase in collection of down payments on real estate sales
Short-term debts	14.29%	Additional availment of short term loan
Retirement benefit obligation	(11.87%)	Payment of benefit obligation to retirement fund

Retained earnings	20.29%	Due to net income of 2018

Numerical Performance Indicators

The measures of revenue and volume growth are presented below.

REVENUE GROWTH			
Pryce Corporation & Subsidiaries			
	2018 (March 31, 2018) (Php)	**2017 (March 31, 2017) (Php)**	Percent Growth/ (Decline)
REVENUE	2,352,985,970	2,213,983,883	6.3%

VOLUME GROWTH			
Principal Product – Liquefied Petroleum Gas			
	2018 (March 31, 2018)	**2017 (March 31, 2017)**	Percent Growth/ (Decline)
LPG (in MT)	49,312	49,560	(0.5)%

Measurements on profitability (before tax) are shown below.

	2018 (March 31, 2018)	**2017 (March 31, 2017)**
Return on Assets (%)	4.07 %	4.22%
Return on Equity (%)	5.69 %	6.19%
Net profit margin (%)	16.75 %	16.25%

The measurements on liquidity are shown below.

LIQUIDITY		
Pryce Corporation & Subsidiaries		
	2018 (March 31, 2018)	**2017 (March 31, 2017)**
Current ratio	2.39	2.62
Debt to equity ratio	0.33	0.39

2017 Compared to 2016

Higher revenue growth from LPG sales drove the net income of the Company to Php 1.252 Billion for the year ended December 31, 2017, or higher by 29.6% over 2016's net income. Consolidated revenues were up 37.3% to Php 9.226 Billion in 2017 from 2016's Php 6.722 Billion.

Contribution to revenues is broken down by product line, as follows: LPG, including cylinders and accessories, Php 8.656 billion (93.82%); industrial gases, Php 391.49 million (4.24%); real estate sales, Php 139.41 million (1.51%); and pharmaceutical products, Php 38.98 million (0.42%).

Revenue and Volume Growth

LPG sales volume registered an increase of 10.88% (210,166 MT in 2017 from 189,551 MT in 2016), primarily due to the Vis-Min market. Sales in the Vis-Min regions experienced a 22% year-on-year volume growth as compared to about 4% volume growth in Luzon. CP during the year likewise contributed to the revenue growth, being at an average of US$491/MT in 2017, or US$145/MT higher than 2016's US$ 346/MT.

Revenues from industrial gases registered a slight increase of 2.4% or Php391.50 million in 2017 from Php 382.50 million in 2016. Sales of medical and industrial oxygen accounted for a little over 70% of industrial gas revenues, the balance consisting of revenues from acetylene and other gases.

Revenues from real estate (memorial park) operations was up by 4.4% or Php 139.41 million in 2017 over Php 133.57 million for 2016. Revenue from pharmaceuticals meanwhile increased by 10.7%.

Price Movement and Market Demand

CP of LPG was on an uptrend in 2017. CP opened at US$477/MT in January 2017, fell to as low as US$359/MT in July 2017, then rose to as high as US$ 578.50/MT in October and November 2017 before slightly dropping to US$576/MT in December 2017. Average CP in 2017 was at US$491.42/MT, or 42% higher than the average US$346.08/MT in 2016.

Notwithstanding the sharp increases in LPG prices, LPG demand in 2017 grew by 9.5% from 1.485 million MT to 1.626 million MT as reported by the DOE. This growth in LPG demand was driven by buoyant domestic consumption due to strong household incomes.

On industrial gases, average refill price of oxygen declined by 3.68% and those for acetylene and other gases by 0.14% and 0.68%, respectively. Sales volume of oxygen grew by 3.55%, while that of acetylene shrank by 4.65%; other gases however posted a significant 50.39% increase in sales volume. Overall, industrial gases fared well in 2017 as the segment registered a 38.74% growth in gross profit compared to 2016.

Competition and Market Share

PGI remains a major industry player in the Philippine LPG market accounting for a market share of 13%. In Vis-Min as previously stated, PGI is one of only four competitors operating in the area who sell under their respective brands. Luzon, on the other hand, is a much more competitive area where there are many competitors – five terminal operators and more than a hundred independent small to medium size refillers selling generic products.

PGI's continuing infrastructure expansions, which started about two years ago consist of increasing the storage capacities of its marine terminals and the constructing and operating more strategically located refilling plants to bring its product closer and more accessible to the markets. Given that it already has the most complete and extensive LPG infrastructure nationwide, such additional expansions will enable it to further enlarge and solidify its market share.

Profitability

Gross profit of the company (earnings after cost of sales) reached Php 2.22 billion during the year. Selling and general/administrative expenses aggregated Php 845.3 million, resulting in net operating income of Php 1.37 billion. This represents a growth of 44.2% from the year-before figure. Other income and charges, consisting of finance costs, and other income sources, reached Php 164.26 million, to yield a pre-tax income of Php 1.54 billion.

The Company made provision for income tax in the amount of Php 285.78 million, resulting in a net income after tax of Php 1.25 billion, an improvement of 29.60% from the previous year's Php 966.1 million. This net income translates to earnings per share of Php 0.567.

The total comprehensive income amounted to Php 1.26 billion after taking into account a remeasurement gain on retirement benefit obligation (net of tax) of Php 14.88 million.

Liquidity

Total liquid assets at year-end 2017 amounted to P1.54 billion, representing a 45.30% growth over the Php 1.06 billion balance in 2016. Current ratio increased from 2.01 in 2016 to 2.30 in 2017.

Balance Sheet Changes

Compared to the December 31, 2016 audited financial statements, the significant movements in balance sheet accounts are as shown below.

Account Name	*% Increase or (Decrease)*	*Reason for Change*
Cash	28.78%	Increase in income
Financial assets at fair value	69.99%	Additional placement in securities
Trade and other receivables	(6.58%)	Collection of receivables
Inventories	29.03%	Increase in sales volume and increase in LPG importation
Prepayments and other current assets	(10.65%)	Application of creditable withholding tax and amortization of prepayments
Advances to related parties	448,716.47%	Granting of advances to related parties
Investment properties	5.04%	Due to buy-back of previously dacioned properties

Deferred tax assets	(41.53%)	Due to recognition of income and provision of deferred tax
Trade and other payables	49.13%	Due to increase in purchases and various accruals
Income tax payable	5.18%	Increase in net income
Customers' deposits	(22.45%)	Due to recognition of deposits to revenue
Short-term debts	(39.13%)	Payment of short term loan
Retirement benefit obligation	(41.53%)	Due to payment of benefit obligation to the retirement fund
Advances from related parties	(100.00%)	Payment of advances
Deposit for future stock subscription	(100.00%)	Due to issuance of shares of stocks
Additional paid-in capital	36.05%	Due to increase in capital stock
Retained earnings	153.39%	Due to net income of 2017
Non-controlling interest	10.75%	Increase in net income

Numerical Performance Indicators

The measures of revenue growth and sales performance are presented below.

REVENUE GROWTH			
Pryce Corporation & Subsidiaries			
	2017 (Php)	**2016 (Php)**	Percent Growth/ (Decline)
REVENUE	9,226,508,097	6,722,160,460	37.26%

VOLUME GROWTH			
Principal Product – Liquefied Petroleum Gas			
	2017 (kg)	**2016 (kg)**	Percent Growth/ (Decline)
LPG	210,166,193	189,551,484	10.88%

The measurements of profitability are shown below.

PROFITABILITY			
Pryce Corporation & Subsidiaries			
	2017	**2016**	Percent

			Growth/ (Decline)
Return on Assets (%)	17.18%	16.33%	5.18%
Return on Equity (%)	24.90%	25.68%	(3.05%)
Net profit margin (%)	16.67%	16.63%	0.23%

The liquidity and solvency measurements are shown below:

LIQUIDITY		
Pryce Corporation & Subsidiaries		
	2017	**2016**
Current ratio	2.30	2.01
Debt to equity ratio	0.36	0.44

<u>2016 Compared to 2015</u>

The Company turned in a robust performance for 2016. Consolidated revenue for the year ended December 31, 2016 posted a hefty increase of 16.4% to Php 6.7 billion from Php 5.8 billion in 2015 owing to a significant leap in LPG volume (despite further softening in price) and increased real estate sales. While consolidated gross profit rose to Php 1.7 billion in 2016 from Php 1.5 billion in 2015, gross profit margin slightly dipped to 25.5% from 25.9% in 2015 due to the dampening effect of the continued fall in LPG price. Net income after tax climbed by 64% to Php 966.1 million in 2016 from Php 589.1 million in 2015.

Revenue contribution by product line is as follows: LPG, Php 6.1 billion (91.2); industrial gas, Php382.5 million (5.7%); real estate sales, Php 133.6 million (2.0%); hotel operations, Php 37.1 million (0.5%); and pharmaceuticals, Php 35.2 million (0.5%).

<u>Revenue and Volume Growth</u>

Revenue growth of 16.4% in 2016 from Php 5.8 billion in 2015 to Php 6.7 billion was bolstered by an almost 30% increase in LPG volume and a 62.6% growth in real estate sales. While the further round of price falls in 2016 caused average LPG selling price to drop by 11.7% in 2016, sales volume growth from 146,188 MT in 2015 to 189,551 in 2016 more than made up for the slack in price. In terms of revenue, Vis-Min contributed 51.4% while Luzon only accounted for 48.6%.

Industrial gases for 2016 posted a 15.4% increase in revenues to Php 382.5 million in 2016 from Php 331.5 million in 2015 and a 14.2% increase in volume of cylinder refills.

The 62.6% increase in revenue from real estate sales to Php 133.6 million in 2016 from Php 82.1 million in 2015 was largely due to the sale of a parcel of raw land. Revenue from memorial lots slighty dropped by 2.4% from Php 54.5 million in 2015 to Php 52.9 million in 2016. Revenue from hotel operations and pharmaceuticals yielded increases of 5% and 18.1% respectively.

Price Movement and Market Demand

The CP continued its downtrend for the most part of 2016. For the first ten months of 2016, CP hovered around the range of US$300/MT to US$350/MT. Average annual CP slipped further by 24.4% to US$346.08 in 2016 from US$430.54 per MT in 2015. The continued softening of world prices, which in turn translated into cheaper price of LPG to consumers and industrial users caused countrywide demand to maintain its double digit growth of 14.1% in 2016, up from the 13.5% growth achieved in 2015.

Real estate operation which involves the sale of the company's inventory of raw land, developed properties and memorial lots will largely follow trends in the real estate industry, which is currently on the upswing. Pricing is negotiated between buyer and seller, except for memorial lots wherein price is determined by product positioning and already published prices, leaving not much room for price negotiations.

Competition and Market Share

There are currently six players in the LPG industry that operate marine terminals and refilling plants for the marketing and distribution of LPG in the country. Four (4) of the six terminal operators have nationwide operations while two only serve the Luzon market. Luzon is a highly competitive market with five terminal operators doing business alongside more than a hundred independent small- to medium-sized refillers who market branded or generic LPG sourced from the fiveterminal operators. The LPG market in Vis-Min, on the other hand, is served by only four terminal operators who only sell their own brands through their respective network of dealers and outlets.

As of 2016, DOE statistics showed that PGI has become the third largest player in the industry with an aggregate market share of 12.74% nationwide, slightly up from its 12.1% share in 2015. *PryceGas* market share in 2016 was 10% in Luzon, 22% in Visayas and 26% in Mindanao.

PGI strives to further increase its market share by building additional infrastructure and implementing strategic initiatives designed to widen its market reach.

Profitability

The Company has successfully managed to end 2016 with a 64% jump in net income to Php966.1 million from Php589.1 million in 2015. While the selling price of its main product, LPG, absorbed an average reduction of 11.7% in 2016, gross margins on LPG only dipped by 0.7% as management introduced product sourcing and payment terms that had a very significant impact on cost. While operating expenses rose from Php718.7 million in 2015 to Php761.5 in 2016, operating expenses as a percentage of sales registered an improvement to 11.3% in 2016 from 12.5% in 2015. The resulting income from operations grew by 22.9% from P774.8 million in 2015 to P952.4 million in 2016.

Other income and charges amounting to Php165.4 million consisting of fair value adjustments and other income further buoyed income from operations, resulting in an income before tax of Php1.1 billion which is 55% higher than Php717.4 million achieved in 2015.

A remeasurement loss on retirement benefit amounting to Php12.7 million taken up in 2016 resulted in a comprehensive income of P953.4 million.

EPS of Php 0.477 per share based on 2016 comprehensive income is a 57.9% improvement over the Php 0.302 per share recorded in 2015.

Liquidity

Total liquid assets as of yearend 2016 is Php 1.1 billion, consisting of Php 628.1 million in cash and Php 429.6 million in financial assets at fair value (equity securities), represents a 48.5% growth over the P712.2 million balance in 2015. Liquidity ratios exhibited a marked increase from 1.83x in 2015 to 2.21x in 2016.

Balance Sheet Changes

Compared to the December 31, 2015 audited financial statements, the significant movements in balance sheet accounts are as shown below.

Account Name	*% Increase or (Decrease)*	*Reason for Change*
Cash	90.33%	Due to the increase in revenue and availment of short-term loans
Financial assets at fair value	12.40%	Due to unrealized gain on marketable securities
Trade and other receivables	(7.7%)	Improved collection of Receivables
Inventories	13.75%	Due to increase in sales volume and increase in LPG importation
Prepayments and other current assets	27.16%	Increase in prepaid taxes and creditable withholding tax
Advances to related parties	(98.21%)	Collection of advances
Property, plant and equipment	101.87%	Recognition of appraisal increment and additional construction of LPG facilities
Deferred tax assets	309.65%	Recognition of deferred tax Assets
Trade and other payables	(58.93%)	Payments of accounts
Income tax payable	193.71%	Increase in net income

Installment contracts payable	(100.00%)	Full payments of accounts in 2016
Short-term debts	100.00%	Availment of short-term loan
Customers' deposits	16.58%	Due to increase in down payment for lots/services
Retirement benefit obligations	8.09%	Increase in accrual of benefit as a result of latest actuarial valuation
Advances from related parties	(82.48%)	Collection of advances
Deposit for future stock subscription	100%	Advance for subscription of shares of stocks
Deferred tax liabilities	1055.50%	Due to increase in revaluation increment in property and equipment
Other comprehensive income	1559.29%	Due to recognition of appraisal increment
Deficit	(392.48%)	Due to net income of 2016
Treasury stock	(100.00%)	Disposal of the shares
Non-controlling interest	30.85%	Due to share in net income

Numerical Performance Indicators

The measures of sales performance and revenue growth are presented below.

REVENUE GROWTH			
Pryce Corporation & Subsidiaries			
	2016 (in Php)	**2015 (in Php)**	Percent Growth/ (Decline)
REVENUE	6,722,160,460	5,773,112,991	16.44%

VOLUME GROWTH			
Principal Product – Liquefied Petroleum Gas			
	2016 (in kg)	**2015 (in kg)**	Percent Growth/ (Decline)
LPG (in kgs)	189,551,484	146,188,473	29.66%

The measurements of profitability are as shown below.

PROFITABILITY			
Pryce Corporation & Subsidiaries			
	2016 (Dec. 31, 2016)	**2015 (Dec. 31, 2015)**	Percent Growth/ (Decline)
Return on Assets (%)	14.19%	11.31%	25.55%
Return on Equity (%)	22.29%	20.98%	6.23%
Net profit margin (%)	14.37%	10.20%	40.85%

The liquidity and solvency measurements are shown below:

LIQUIDITY		
Pryce Corporation & Subsidiaries		
	2016	**2015**
Current ratio	2.21	1.83
Debt to equity ratio	0.44	0.63

2015 Compared to 2014

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

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

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

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

Revenue and Volume Growth

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

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

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

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

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

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

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

Price Movement and Market Demand

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

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

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

Competition and Market Share

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

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

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

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

Profitability

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

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

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

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

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

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

Liquidity

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

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

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

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

<u>Balance Sheet Changes</u>

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

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

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

Status of Rehabilitation Plan

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

Plans and Prospects

PC continues to focus in its memorial park business, while it seeks to dispose of its remaining non-memorial park inventories such as subdivision lots, office condominium units, and certain raw lands. It has an ongoing memorial park development in Brgy. Bit-os in Butuan City and has applied for the permits and clearances with the government agencies. It expects to complete Phase 1 of this memorial park by the fourth quarter of 2018, which will have a total saleable amount of at least Php 414 million approximately.

For the year 2018, PGI will continue its expansion projects, started about two years ago, that aim to increase the storage capacities of its marine terminals and to bring its product closer to the markets. All its seven Vis-Min import terminals have been or will be expanded to enable each one to accommodate at least one shipload of 2,500 MT cargo. The expansions of its terminals in Albuera, Leyte, and Sta. Cruz, Davao del Sur were completed in 2017. The expansions of the terminals in Sogod, Cebu and Balingasag, Misamis Oriental will be completed by July to August 2018. The ability to discharge one shipload in a single terminal will reduce PPC's import costs by US$10 to US$20 per MT. PGI is likewise continuing to build at least 15 refilling plants in the Vis-Min areas to make its product closer to the consumer markets. These expansions are expected to be completed by the end of 2019 and all are funded from internally generated funds.

The Company perceives the passage of the TRAIN Law (R.A. No. 10963) as having a positive impact on the LPG industry, as the law imposes relatively lower taxes on LPG as opposed to other fuels. This is seen to make market preferences gravitate gradually towards LPG over the other fuels in the next 2 to 5 years.

With the TRAIN Law's implementation and its current expansion of LPG projects, the company sees growth in 2018 of as much as 15% in sales volume and 20% in net income. It targets a net income of Php 1.55 Billion (plus or minus 10%) for the year 2018. On December 21, 2017, PPC declared payment of cash dividends (which it had not been able to do so in more than 20 years) out of its unrestricted retained earnings as of June 30, 2017. The company sees this move as the start of regular cash dividend declarations and pay-outs which it intends to maintain on a regular basis in the coming years.

Compliance with Corporate Governance

The Company has a Manual of Corporate Governance (the "Manual") to institutionalize sound corporate governance practices, enhance investor protection, and increase accountability. The Company has a Compliance Officer (as the Manual requires) who has direct reporting responsibilities to the Chairman of the Board of Directors and monitors compliance with corporate governance matters. The Manual was revised/updated in March 2011 and July 2014 pursuant to SEC circulars. The Company nevertheless continuously reviews and evaluates its corporate governance policies to ensure the observance of sound governance practices. Likewise, pursuant to the requirements of the Manual, different board committees had been constituted at the Board's Organizational Meeting in 2017 as follows:

Board Audit Committee

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

(i) Roland Joey R. de Lara – *Chair* (Independent Director)
(ii) Xerxes Emmanuel F. Escaño – Member
(iii) Arnold L. Barba – Member (Independent Director)

Board Nomination Committee

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

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

Board Compensation and Remuneration Committee

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

(i) Ramon R. Torralba, Jr. – *Chair*
(ii) Salvador P. Escaño – Member
(iii) Arnold L. Barba – Member (Independent Director)

The Company adopted the evaluation system proposed by the SEC in order to measure or determine the level of compliance of the Board of Directors and the Management with corporate governance practices. For the year 2017, the Company has substantially observed and complied with the provisions in the Manual and no culpable deviation from the Manual has been noted or observed.

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

The Company has submitted its Integrated Annual Corporate Governance Report in accordance with prevailing SEC regulations.

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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	6	8	0	6	3

COMPANY NAME

PRYCE CORPORATION AND
SUBSIDIARIES

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
THREE HUNDRED SIXTY FIVE (365)	FOURTH WEDNESDAY OF MAY	December/31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

Pryce Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2017 and 2016 and
for Each of the Three Years in the
Period Ended December 31, 2017

and

Independent Auditors' Report

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **PRYCE CORPORATION AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at and for the years ended December 31, 2017 and 2016, in accordance with Philippine Financial Reporting Standards (PFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

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

SALVADOR P. ESCAÑO
Chairman

EFREN A. PALMA
President

JOSE MA. C. ORDENES
Treasurer

Signed this 24th day of April 2018

SUBSCRIBED AND SWORN to me this APR 2 5 2018 day of April, 2018 in the City of ______________, Philippines, Affiant exhibited and personally appeared to me:

NAME	Driver's License No.	Date issued/Expiry
SALVADOR P. ESCAÑO	C10-75-021861	November 14, 2018
EFREN A. PALMA	M02-92-019608	June 20, 2019
JOSE MA. C. ORDENES	N26-08-001284	September 16, 2019

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2018
IBP No. 656155 Lifetime Member
MCLE Compliance No. V-0006934
Appointment No. M-104 (2017-2018)
PTR No. 6607579 Jan. 3, 2018
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

Doc. No. 37
Page No. 09
Book No. XXI
Series of 2018

PAZ A. TY-CABRERA
Certified Public Accountant
17th Floor Pryce Center
1179 Chino Roces Ave., Makati City
Telephone: (02) 9862411/0998-5908549
Email: pazcabrera@ymail.com

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity accordance with Philippine Financial Reporting Standards and reports as required by accounting and auditing standards for Pryce Corporation and Subsidiaries for the year ended December 31, 2017.

In discharging this responsibility, I hereby declare that I am the Comptroller of Pryce Corporation. Furthermore, in my compilation services for the preparation of the financial statements and notes to the financial statements, I was not assisted by or did not avail of the services of Diaz Murillo Dalupan and Company who is the external auditor who rendered the audit opinion for the said financial statements and notes to the financial statements.

I hereby declare, under penalties of perjury and violation of Republic Act No. 9298, that my statements are true and correct.

PAZ A. TY-CABRERA
CPA No. 41818
BoA CI Cert No. 2751, valid until August 13, 2020
BIR Accreditation No. 08-004641-001-2018, valid until April 3, 2021
Tax Identification No.110-082-148
PTR No. 6615485 issued in Makati on January 5, 2018

April 24, 2018

ATTY. GERVACIO B. ORTIZ JR.
NOTARY PUBLIC
Notary Public City of Makati
Until December 31, 2018
IBP No. 656155-Lifetime Member
MCLE Compliance No. V-0006934
Appointment No. M-104 (2017-2018)
PTR No. 6607879 Jan. 3, 2018
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

Doc. No. 138;
Page No. 29;
Book No. XXI;
Series of 2018.

Diaz Murillo Dalupan and Company
Certified Public Accountants

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of **Pryce Corporation and Subsidiaries** (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audits of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Head Office : 7th Floor, Don Jacinto Building, Dela Rosa corner Salcedo Sts., Legaspi Village, Makati City 1229 Philippines.
Telephone: +63(2) 894 5892 - 95 / 894 0273 / 844 9421 - 23 / Fax: +63(2) 818 1872
Cebu Office : Unit 504 Cebu Holdings Building, Cebu Business Park, Mabolo, Cebu City 6000 Phone: +63(32) 415 8108 - 10 / Fax: +63(32) 232 8029
Davao Office : 3rd Floor Building B Plaza De Luisa, Ramon Magsaysay Avenue, Davao City 8000 Phone/Fax: +63(82) 222 6636
Website : www.dmdcpa.com.ph

Valuation of real estate properties transferred by the Parent Company in exchange of the shares of stock of a Subsidiary

Pryce Corporation (PC) transferred real estate properties to Pryce Gases, Inc. (PGI), its subsidiary, in exchange for PGI's capital stock as capital contribution. The Parent Company and subsidiary are under rehabilitation at the time of transfer and the basis for the valuation of the real estate properties transferred was based on the decision of the Regional Trial Court. PC recognized the real estate properties transferred to PGI at cost instead of fair value of the asset given up. This result to the recognition of "Fair value gain on real estate properties" presented under Equity section of the consolidated financial statements.

Audit response:

We validated the valuation of the real estate properties through inspection of the contract to sell and published market prices of the real estate properties and compared it against the Regional Trial Court valuation.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Diaz Murillo Dalupan and Company
Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until August 11, 2020
SEC Accreditation No. 0192-FR-2, Group A, effective until May 1, 2019
BIR Accreditation No. 08-001911-000-2016, effective until March 17, 2019

By:

Jozel Francisco C. Santos, Jr.
Partner
CPA Certificate No. 89044
SEC Accreditation No. 1070-AR-2, Group A, effective until May 3, 2020
Tax Identification No. 170-035-673
PTR No. 6615254, January 4, 2018, Makati City
BIR Accreditation No. 08-001911-009-2016, effective until March 17, 2019

April 24, 2018

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Financial Position

	As at December 31	
	2017	2016
ASSETS		
Current assets		
Cash - note 5	**₱ 808,828,983**	₱ 628,063,041
Financial assets at fair value through profit or loss (FVPL) - note 6	**730,280,402**	429,594,914
Trade and other receivables (net) - note 7	**331,458,795**	354,815,056
Inventories - note 8	**787,570,966**	610,382,212
Real estate projects - note 9	**844,664,436**	822,603,805
Prepayments and other current assets - note 10	**68,212,104**	76,342,675
	3,571,015,686	2,921,801,703
Noncurrent assets		
Advances to related parties (net) - note 22	**131,444,881**	29,287
Property, plant and equipment (net) - notes 11 and 12	**5,716,962,400**	5,453,468,840
Investment properties - note 13	**115,497,888**	109,957,888
Deferred tax assets - note 31	**39,616,841**	67,755,352
Goodwill - note 14	**70,668,305**	70,668,305
	6,074,190,315	5,701,879,672
TOTAL ASSETS	**₱ 9,645,206,001**	₱ 8,623,681,375
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables - note 15	**₱ 729,839,796**	₱ 489,407,172
Short-term debts - note 18	**350,000,000**	575,000,000
Dividends payable	**242,940,000**	-
Customers' deposits - note 16	**140,109,299**	180,679,468
Income tax payable	**91,501,863**	86,999,021
Deposit for future stock subscription - note 19	**-**	122,500,000
	1,554,390,958	1,454,585,661
Noncurrent liabilities		
Retirement benefit obligation - note 29	**132,056,136**	225,851,172
Advances from related parties - note 22	**-**	60,470,817
Deferred tax liabilities - note 31	**751,376,471**	789,795,544
	883,432,607	1,076,117,533
TOTAL LIABILITIES	**₱ 2,437,823,565**	₱ 2,530,703,194
Equity		
Equity attributable to equity holders of the Parent Company		
Capital stock - note 20	**₱ 2,024,500,000**	₱ 2,000,000,000
Additional paid-in capital	**369,834,820**	271,834,820
Retained earnings	**1,692,745,178**	668,034,738
Fair value gain on real estate properties - note 33	**1,030,726,843**	1,030,726,843
Other comprehensive income - note 28	**1,723,058,695**	1,791,451,302
	6,840,865,536	5,762,047,703
Non-controlling interest	**366,516,900**	330,930,478
TOTAL EQUITY	**7,207,382,436**	6,092,978,181
TOTAL LIABILITIES AND EQUITY	**₱ 9,645,206,001**	₱ 8,623,681,375

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

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

	For the Years Ended December 31		
	2017	2016	2015
REVENUES - note 23			
Liquefied petroleum gases, industrial gases and fuels	**₱ 9,048,113,676**	₱ 6,516,302,298	₱ 5,625,892,743
Real estate	**139,414,929**	133,566,654	82,141,569
Hotel operations	**-**	37,078,534	35,255,568
Pharmaceutical products	**38,979,492**	35,212,974	29,823,111
	9,226,508,097	6,722,160,460	5,773,112,991
COST OF SALES - note 24			
Liquefied petroleum and industrial gases and fuels	**6,946,859,035**	4,899,947,898	4,207,695,344
Real estate	**33,809,725**	45,368,635	16,193,785
Hotel operations	**-**	38,498,003	33,476,174
Pharmaceutical products	**27,080,705**	24,506,724	22,246,370
	7,007,749,465	5,008,321,260	4,279,611,673
GROSS PROFIT	**2,218,758,632**	1,713,839,200	1,493,501,318
OPERATING EXPENSES - note 25			
Selling expenses	**374,691,340**	348,619,544	331,645,286
General and administrative expenses	**470,608,380**	412,860,692	387,013,450
	845,299,720	761,480,236	718,658,736
INCOME FROM OPERATIONS	**1,373,458,912**	952,358,964	774,842,582
OTHER INCOME (CHARGES)			
Finance cost - note 26	**(31,460,634)**	(29,539,476)	(21,071,191)
Fair value gain (loss) - note 6	**37,321,484**	60,220,249	(33,742,885)
Loss from petroleum exploration - note 30	**-**	-	(113,513,796)
Other income (net) - note 27	**158,403,895**	134,715,540	110,896,779
	164,264,745	165,396,313	(57,431,093)
INCOME BEFORE INCOME TAX	**1,537,723,657**	1,117,755,277	717,411,489
INCOME TAX EXPENSE - note 31	**(285,777,326)**	(151,663,971)	(128,350,847)
NET INCOME FOR THE YEAR	**₱ 1,251,946,331**	₱ 966,091,306	₱ 589,060,642
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement gain (loss) on retirement benefit obligation (net of tax) - note 29	**14,884,981**	(12,680,190)	-
Revaluation increase (net of tax) - note 11	**-**	1,702,028,074	-
	14,884,981	1,689,347,884	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**₱ 1,266,831,312**	₱ 2,655,439,190	₱ 589,060,642
Net income attributable to:			
Equity holders of the Parent Company	**₱ 1,148,682,457**	₱ 888,062,210	₱ 543,073,847
Non-controlling interests	**103,263,874**	78,029,096	45,986,795
	₱ 1,251,946,331	₱ 966,091,306	₱ 589,060,642
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱ 1,163,567,438**	₱ 2,577,410,094	₱ 543,073,847
Non-controlling interests	**103,263,874**	78,029,096	45,986,795
	₱ 1,266,831,312	₱ 2,655,439,190	₱ 589,060,642
EARNINGS PER SHARE - note 32	**₱ 0.567**	₱ 0.444	₱ 0.278

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

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Equity

	For the Years Ended December 31									
	Capital stock (Note 20)		Additional	Fair value gain on real estate properties (Note 33)	Other Comprehensive income (Note 28)		Retained earnings (deficit)	Treasury stock	Non-controlling interest	Total
	Issued	Subscribed	Paid-in Capital		Revaluation Reserves	Remeasurement Gain				
BALANCE AS AT JANUARY 1, 2015	₱ 1,998,750,000	₱ 1,250,000	₱ 271,834,820	₱ 1,030,726,843	₱ 99,750,402	₱ 18,643,586	(₱ 770,290,188)	₱ -	₱ 23,710,873	₱ 2,674,376,336
Comprehensive income										
Net income for the year	-	-	-	-	-	-	543,073,847	-	45,986,795	589,060,642
Transfer of revaluation reserve deduction from operations through additional depreciation charges	-	-	-	-	(14,898,811)	-	5,700,511	-	-	(9,198,300)
Deferred income tax effect on revaluation reserve charged to operations through additional depreciation	-	-	-	-	4,469,643	-	-	-	-	4,469,643
Non-controlling interest share due to dilution of Parent Company's equity ownership in PGI from 98.23% in 2014 to 91.04% in 2015	-	-	-	-	-	-	-	-	206,914,587	206,914,587
Non-controlling interest share due to PGI's increase in equity interest in OOC from 74.13% in 2014 to 89.73 in 2015	-	-	-	-	-	-	(6,885,073)	-	(23,710,873)	(30,595,946)
Total comprehensive income for the year	-	-	-	-	(10,429,168)	-	541,889,285	-	229,190,509	760,650,626
Transaction with owners										
Acquisition of treasury stock	-	-	-	-	-	-	-	(10,352,879)	-	(10,352,879)
BALANCE AS AT DECEMBER 31, 2015	**₱ 1,998,750,000**	**₱ 1,250,000**	**₱ 271,834,820**	**₱ 1,030,726,843**	**₱ 89,321,234**	**₱ 18,643,586**	**(₱ 228,400,903)**	**(₱ 10,352,879)**	**₱ 252,901,382**	**₱ 3,424,674,083**
BALANCE AS AT JANUARY 1, 2016	₱ 1,998,750,000	₱ 1,250,000	₱ 271,834,820	₱ 1,030,726,843	₱ 89,321,234	₱ 18,643,586	(₱ 228,400,903)	(₱ 10,352,879)	₱ 252,901,382	₱ 3,424,674,083
Comprehensive income										
Net income for the year	-	-	-	-	-	-	888,062,210	-	78,029,096	966,091,306
Appraisal increase	-	-	-	-	2,431,468,678	-	-	-	-	2,431,468,678
Deferred tax effect on revaluation reserve of the appraisal increase	-	-	-	-	(729,440,604)					(729,440,604)
Transfer of revaluation reserve deduction from operations through additional depreciation charges	-	-	-	-	(8,373,431)	-	8,373,431	-	-	-
Deferred income tax effect on revaluation reserve charged to operations through additional depreciation	-	-	-	-	2,512,029	-	-	-	-	2,512,029
Remeasurement loss on retirement benefit obligation	-	-	-	-	-	(18,114,557)	-	-	-	(18,114,557)
Deferred tax effect on remeasurement loss on retirement benefit obligation	-	-	-	-	-	5,434,367	-	-	-	5,434,367
Total comprehensive income for the year	-	-	-	-	1,696,166,672	(12,680,190)	896,435,641	-	78,029,096	2,657,951,219
Transactions with owners										
Reissuance of treasury stock	-	-	-	-	-	-	-	10,352,879	-	10,352,879
BALANCE AS AT DECEMBER 31, 2016	**₱ 1,998,750,000**	**₱ 1,250,000**	**₱ 271,834,820**	**₱ 1,030,726,843**	**₱ 1,785,487,906**	**₱ 5,963,396**	**₱ 668,034,738**	**₱ -**	**₱ 330,930,478**	**₱ 6,092,978,181**

(Forward)

(Continued)

	Capital stock (Note 20) Issued	Subscribed	Additional Paid-in Capital	Fair value gain on real estate properties (Note 33)	Other Comprehensive income (Note 28) Revaluation Reserves	Remeasurement Gain	Retained earnings (deficit)	Treasury stock	Non-controlling interest	Total
	For the Years Ended December 31									
BALANCE AS AT JANUARY 1, 2017	₱ 1,998,750,000	₱ 1,250,000	₱ 271,834,820	₱ 1,030,726,843	₱ 1,785,487,906	₱ 5,963,396	₱ 668,034,738	₱ -	₱ 330,930,478	₱ 6,092,978,181
Comprehensive income										
Net income for the year	-	-	-	-	-	-	1,148,682,457	-	103,263,874	1,251,946,331
Transfer of revaluation reserve deduction from operations through additional depreciation charges	-	-	-	-	(118,967,983)	-	118,967,983	-	-	-
Deferred income tax effect on revaluation reserve charged to operations through additional depreciation	-	-	-	-	35,690,395	-	-	-	-	35,690,395
Remeasurement gain on retirement benefit obligation	-	-	-	-	-	21,264,258	-	-	-	21,264,258
Deferred tax effect on remeasurement gain on retirement benefit obligation	-	-	-	-	-	(6,379,277)	-	-	-	(6,379,277)
Total comprehensive income for the year	-	-	-	-	(83,277,588)	14,884,981	1,267,650,440	-	103,263,874	1,302,521,707
Transactions with owners										
Declaration of cash dividend	-	-	-	-	-	-	(242,940,000)	-	(67,677,452)	(310,617,452)
Issuance of capital stock	25,750,000	(1,250,000)	98,000,000	-	-	-	-	-	-	122,500,000
	25,750,000	(1,250,000)	98,000,000	-	-	-	(242,940,000)	-	(67,677,452)	(188,117,452)
BALANCE AS AT DECEMBER 31, 2017	**₱ 2,024,500,000**	**₱ -**	**₱ 369,834,820**	**₱ 1,030,726,843**	**₱ 1,702,210,318**	**₱ 20,848,377**	**₱ 1,692,745,178**	**₱ -**	**₱ 366,516,900**	**₱ 7,207,382,436**

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

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	For the Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱ 1,537,723,657**	₱ 1,117,755,277	₱ 717,411,489
Adjustments for :			
Depreciation - notes 24 and 25	**319,757,627**	280,754,117	250,908,859
Retirement benefit expense - note 29	**14,487,168**	31,972,262	25,773,753
Finance costs - note 26	**31,460,634**	29,539,476	21,071,191
Unrealized loss (gain) on financial assets at FVPL - note 27	**(37,321,484)**	(60,220,249)	33,742,885
Gain on sale of financial assets at FVPL - note 6	**(71,166,680)**	(54,602,762)	(12,680,058)
Dividend income - note 27	**(8,610,501)**	(4,935,965)	(4,809,722)
Retirement benefit income - note 29	**(2,456,485)**	-	-
Interest income - note 27	**(1,043,506)**	(975,134)	(1,453,736)
Unrealized foreign exchange gain - note 27	**(1,459,337)**	(354,955)	(8,434,099)
Loss on petroleum exploration - note 30	**-**	-	113,513,796
Gain on sale of property, plant and equipment - note 27	**(2,636,014)**	-	(7,944)
Operating income before working capital changes	**1,778,735,079**	1,338,932,067	1,135,036,414
Decrease (increase) in assets:			
Trade and other receivables	**23,356,261**	38,200,101	(1,674,242)
Inventories	**(177,188,754)**	(73,796,487)	10,379,731
Prepayments and other current assets	**8,130,571**	(16,305,791)	11,169,014
Real estate projects	**(22,060,631)**	30,113,985	(11,186,767)
Increase (decrease) in liabilities:			
Trade and other payables	**241,575,435**	(674,216,252)	(232,354,882)
Customers' deposits	**(40,570,169)**	25,697,991	13,436,479
Net cash from operations	**1,811,977,792**	668,625,614	924,805,747
Additions to financial assets at FVTPL - note 6	**(713,531,925)**	(36,738,434)	(149,053,027)
Proceeds from sale of financial assets at FVTPL - note 6	**521,334,601**	104,172,336	94,856,195
Interest received - note 27	**1,043,506**	975,134	1,453,736
Income taxes paid	**(262,243,932)**	(145,550,665)	(108,623,390)
Contributions and retirement benefits paid - note 29	**(84,561,459)**	(33,176,211)	(7,214,908)
Net cash from operating activities	**1,274,018,583**	558,307,774	756,224,353
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment - notes 11	**8,737,454**	23,633,397	2,311,278
Dividends received - note 27	**8,610,501**	4,935,965	4,809,722
Collection of advances to related parties	**29,287**	1,636,663	1,116,617
Additions to property, plant and equipment - notes 11 and 12	**(589,352,628)**	(624,922,524)	(604,648,941)
Additional investment properties - note 13	**(5,540,000)**	-	-
Grant of advances to related parties	**(131,444,881)**	(26,487)	(300,000)
Investment in petroleum exploration	**-**	-	(113,513,796)
Net cash used in investing activities	**(708,960,267)**	(594,742,986)	(710,225,120)

(Forward)

(Continued)

	For the Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of short-term debts	**600,000,000**	600,000,000	220,000,000
Payment of short-term debts	**(825,000,000)**	(25,000,000)	(470,000,000)
Settlement of advances from related parties	**(60,470,817)**	(284,729,004)	(38,663,997)
Finance costs paid - note 26	**(31,460,634)**	(29,539,476)	(21,071,191)
Payment of dividends	**(67,677,447)**	-	-
Payment of installment contracts payable	**-**	(49,342,686)	(12,592,068)
Proceeds from deposit for future subscription	**-**	122,500,000	-
Payment of debts for dacion en pago covered by the rehabilitation plan	**-**	-	(6,877,226)
Payment of restructured debts covered by the rehabilitation plan	**-**	-	(118,690,186)
Acquisition of treasury stock	**-**	-	(10,352,879)
Proceeds from issuance of capital stock	**-**	-	206,500,000
Net cash from (used in) financing activities	**(384,608,898)**	333,888,834	(251,747,547)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**316,524**	618,655	737,588
NET INCREASE (DECREASE) IN CASH	**180,765,942**	298,072,277	(205,010,726)
CASH - note 5			
At beginning of year	**628,063,041**	329,990,764	535,001,490
At end of year	**₱ 808,828,983**	₱ 628,063,041	₱ 329,990,764

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

PRYCE CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements
As at and for the years ended December 31, 2017 and 2016
and for each of the three years in the period ended December 31, 2017
(Expressed in Philippine Peso)

1. CORPORATE INFORMATION

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

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

The Parent Company is primarily engaged in acquiring, purchasing, leasing, holding, selling or otherwise dealing in land and or real estate or any interest or right therein as well as real or personal property of every kind and description including but not limited to shares of stock in industrial, commercial, manufacturing and any other similar corporations. The Parent Company's shares are listed in the Philippine Stock Exchange (PSE). The Parent Company's stock price as at December 31, 2017 amounted to ₱6.80 per share.

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

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

Name of Subsidiary	Nature of Business	Year End	Ownership and Voting Interest 2017	Ownership and Voting Interest 2016
Pryce Gases, Inc. (PGI)	Manufacturer/Distributor of Industrial Gases and Liquefied Petroleum Gas (LPG)	December 31	91.04%	91.04%
Oro Oxygen Corporation (OOC)	Trading, and marketing in general merchandise, industrial, medical and other gases and Liquefied Petroleum Gas (LPG)	December 31	90.69%	90.69%
Pryce Pharmaceuticals, Inc. (PPhI)*	Trading of pharmaceutical products	December 31	88.61%	88.61%

** Includes indirect equity ownership of 13.61% in 2017 and 2016.*

Pryce Gases, Inc. (PGI)

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

On October 21, 2014, the Company was registered with the Board of Investments (BOI) under section 9 of Republic Act No. 8479 otherwise known as Oil Industry Deregulation Law. As a registered enterprise with the BOI, the Company is entitled to all benefits and incentives provided for under RA 8479. Under the income tax holiday period, the Company has three (3) tanks with 2,100 metric tons (MT) gross capacity for each tank located in San Fabian, Pangasinan. The incentive was availed of by the Company on January 1, 2014 for a period of five (5) years.

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

As at December 31, 2017, PGI has eight (8) liquefied petroleum gas (LPG) marine-fed terminals and thirty-eight (38) refilling plants of varying storage capacities.

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

The significant information on the audited financial statements of PGI as at and for the years ended December 31 is as follows:

Financial position

	2017	2016
Current assets	**₱ 1,795,158,575**	₱1,554,543,759
Noncurrent assets	**5,408,473,410**	5,145,315,419
Total assets	**7,203,631,985**	6,699,859,178
Current liabilities	**923,894,239**	860,301,920
Noncurrent liabilities	**683,177,598**	673,254,989
Total liabilities	**1,607,071,837**	1,533,556,909
Equity	**₱ 5,596,560,148**	₱5,166,302,269

Results of operations

	2017	2016
Revenue	**₱ 8,881,773,246**	₱6,533,117,618
Costs and expenses	**(7,735,489,564)**	(5,665,497,423)
Profit for the year	**1,146,283,682**	867,620,195
Total comprehensive income for the year	**₱ 1,153,313,552**	₱2,099,834,913

Cash flows

	2017	2016
Net cash inflow from operating activities	**₱ 1,715,460,715**	₱ 370,623,698
Net cash outflow from investing activities	**(537,035,962)**	(501,379,188)
Net cash inflow (outflow) from financing activities	**(902,401,828)**	363,382,455
Net cash inflow	**₱ 276,022,925**	₱ 232,626,965

Oro Oxygen Corporation (OOC)

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

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

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

As at December 31, 2017, OOC has three (3) liquefied petroleum gas (LPG) refilling plants of varying storage capacities.

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

The significant information on the audited financial statements of OOC as at and for the years ended December 31 is as follows:

Financial position

	2017	2016
Current assets	**₱ 317,728,756**	₱ 445,796,346
Noncurrent assets	**515,762,431**	485,878,172
Total assets	**833,491,187**	931,674,518
Current liabilities	**104,094,089**	102,597,126
Noncurrent liabilities	**195,725,582**	300,630,057
Total liabilities	**299,819,671**	403,227,183
Equity	**₱ 533,671,516**	₱ 528,447,335

Results of operations

	2017	2016
Revenue	₱ **357,641,795**	₱ 472,243,793
Costs and expenses	**(352,447,615)**	(469,743,788)
Profit for the year	**5,194,180**	2,500,005
Total comprehensive income for the year	₱ **5,194,180**	₱ 2,500,005

Cash flows

	2017	2016
Net cash inflow from operating activities	₱ **101,279,493**	₱ 132,157,361
Net cash outflow from investing activities	**(168,346,394)**	(573,084,152)
Net cash inflow from financing activities	**-**	467,500,000
Net cash inflow (outflow)	**(₱ 67,066,901)**	₱ 26,573,209

<u>Pryce Pharmaceuticals, Inc. (PPhI)</u>

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

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

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

The significant information on the audited financial statements of PPhI as at and for the years ended December 31 is as follows:

Financial position

	2017	2016
Current assets	₱ **14,523,906**	₱ 15,246,259
Noncurrent assets	**4,922,132**	4,039,782
Total assets	**19,446,038**	19,286,041
Current liabilities	**9,502,331**	10,145,328
Noncurrent liabilities	**-**	-
Total liabilities	**9,502,331**	10,145,328
Equity	₱ **9,943,707**	₱ 9,140,713

Results of operations

	2017	2016
Revenue	₱ **38,979,492**	₱ 35,212,974
Costs and expenses	**(38,176,498)**	(34,630,624)
Profit for the year	**802,994**	582,350
Total comprehensive income for the year	₱ **802,994**	₱ 582,350

Cash flows

	2017	2016
Net cash inflow (outflow) from operating activities	**(₱ 2,737,696)**	₱ 5,633,773
Net cash outflow from investing activities	**(1,600,000)**	(4,890,407)
Net cash inflow from financing activities	-	-
Net cash inflow	**(₱ 4,337,696)**	₱ 743,366

Authorization for issue of the consolidated financial statements

The consolidated financial statements of the Group as at and for the year ended December 31, 2017, including its comparatives as at and for the year ended December 31, 2016, and for each of the three years in the period ended December 31, 2017 were reviewed, approved and authorized for issue by the Board of Directors (BOD) on April 24, 2018.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

Statement of compliance

The consolidated financial statements of the Group have been prepared in conformity with Philippine Financial Reporting Standards (PFRS), except for the recognition of fair value gain on real estate properties transferred by the Parent Company to PGI as equity contribution, which have been taken up in the books and records of the Parent Company at cost instead of fair value as required under PFRS 3, *Business Combination*. This was a case of an extremely rare circumstance in which management concluded that compliance with a requirement in PFRS would so be misleading that it would conflict with the objectives of the consolidated financial statements set out in the Framework. Because of this circumstance, the management of the Parent Company reduced the perceived misleading aspects of compliance by complying with the disclosures stated in Note 33. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by the former Standing Interpretations Committee (SIC), the Philippine Interpretations Committee (PIC) and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

Basis of presentation and measurement

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

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

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

Changes in accounting policies and disclosures

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

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

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

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

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

Annual Improvements to PFRSs 2014-2016 Cycle

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

The annual improvements addressed the following issues:

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

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

New accounting standards, interpretations and amendments to existing standards effective subsequent to January 1, 2017

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

Annual Improvements to PFRSs 2014-2016 Cycle

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

The annual improvements addressed the following issues:

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

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

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

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

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

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

PFRS 9, Financial Instruments (2014). The standard requires all recognized financial assets that are within the scope of PAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or at fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely for payments of principal and interest on the outstanding balance are generally measured at amortized cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. For financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or increase an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. The standard is to be effective no earlier than the annual periods beginning January 1, 2018, with earlier application permitted.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and all subsidiaries it controls. Control is achieved when the Parent Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these three elements of control.

When the Parent Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Parent Company considers all relevant facts and circumstances in assessing whether or not the Parent Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Parent Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Parent Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Parent Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

The financial statements of the subsidiaries are prepared for the same reporting year, using accounting policies that are consistent with those of the Company. Intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions are eliminated in full in the consolidation.

Business Combinations and Goodwill

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

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

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

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

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

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

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

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

Non-controlling interests

Non-controlling interest represents the portion of the net assets of consolidated subsidiaries not held by the Group, and is presented separately in the consolidated statements of comprehensive income, consolidated statement of changes in equity and within the equity section of the consolidated statement of financial position, separate from the Group's equity. Non-controlling interest share in the losses even if the losses exceed the non-controlling equity interest in the subsidiary.

Non-controlling interest represents the 8.96% in 2017 and 2016 interest in PGI not owned by the Parent Company, 9.31% in 2017 and 2016 interest in OOC not owned by the Parent Company and 11.39% % in 2017 and 2016 interest in PPhI not owned by the Parent Company. The non-controlling stockholders' share in losses of PGI, OOC and PPhI are limited to the investment made. Any additional losses are for the account of the Group.

Changes in the ownership interests in existing subsidiaries

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

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

Disposal of subsidiaries

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

Segment reporting

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

Financial instruments

Initial recognition, measurement and classification of financial instruments

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

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

On initial recognition, the Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) financial assets and available-for-sale (AFS) financial assets. The Group also classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at the end of each reporting period. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

The Group does not hold financial assets at AFS or HTM financial assets and FVPL financial liabilities as at December 31, 2017 and 2016.

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

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

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

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

Financial assets at FVPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial assets and is included in the consolidated statements of comprehensive income.

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

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

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

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

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

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

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

“Day 1” Difference

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated, taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in consolidated statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. These financial assets are included in current assets if maturity is within twelve (12) months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

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

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

As at December 31, 2017 and 2016, included under loans and receivables are the Group’s cash, trade and other receivables, and advances to related parties (see Notes 5, 7, and 22).

Cash

Cash includes cash on hand and cash in banks.

Trade and other receivables

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

Other financial liabilities

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

As at December 31, 2017 and 2016, included in other financial liabilities are the Group's trade and other payables, dividends payable, installment contracts payable, short-term debts, and advances from related parties (see Notes 15, 17, 18 and 22).

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables include nontrade payables, deposits for park interment services, cylinder deposits, due to government agencies, accrued expenses and other payables.

Trade payable and accrued expenses are classified as current liabilities if payment is due within one (1) year or less or in the normal operating cycle of the business if longer, while nontrade payables are classified as current liabilities if payment is due within one (1) year or less. If not, these are presented as noncurrent liabilities.

Customers' deposits

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

Offsetting of financial assets and financial liabilities

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

Derecognition of financial assets and financial liabilities

(a) *Financial assets*

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

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

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(b) Financial liabilities

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

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

Impairment of financial assets

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

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

(a) Financial assets carried at cost

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

(b) Loans and receivables

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of loss is measured as a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of loss is recognized in the consolidated statements of comprehensive income.

If in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, and the increase or decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If a future write-off is later recovered, the recovery is recognized in the consolidated statements of comprehensive income under "Other income (charges)" account. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of comprehensive to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group.

Real estate projects

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

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

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

Inventories

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

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

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

Pharmaceutical products are composed of medicinal drugs.

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

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

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

- *Raw materials* – Cost is determined primarily on the basis of moving average cost. Raw materials maintained at year end pertain to calcium carbide to be used in the production of acetylene under industrial gases product line.

- *General supplies* – Cost is determined using the first-in, first-out (FIFO) method. General supplies include accountable forms, office supplies, cylinder maintenance, electrical and oxygen supplies used for production.

Net realizable value for finished goods is the estimated selling price in the ordinary course of business less the estimated cost of marketing and distribution. Net realizable value for raw materials and materials and supplies is the current replacement cost. In case of supplies, net realizable value is the estimated realizable value of the supplies when disposed of at their condition at the end of reporting period.

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

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

Prepayments and other current assets

Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account is mainly composed of prepaid maintenance, insurance, rent, taxes and licenses and other prepaid items. Prepaid rentals and insurance premiums and other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in the consolidated statements of comprehensive income when incurred. Creditable withholding tax is deducted from income tax payable on the same year the revenue was recognized.

Prepayments that are expected to be realized for no more than twelve (12) months after the reporting period are classified as current assets, otherwise, these are classified as other noncurrent assets.

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

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

Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment properties

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

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

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

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

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

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

As at December 31, 2017 and 2016, included in investment properties are the Group’s land and memorial lawn lots, which are held for lease and capital appreciation, respectively.

Impairment of non-financial assets other than goodwill

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Borrowings and borrowing costs

(a) Borrowings

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

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

(b) Borrowing costs

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

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

Leases

Group as a lessee

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

Income taxes

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

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

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each reporting date, the Group reassesses the need to recognize previously unrecognized deferred income tax asset.

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

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

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

Retirement benefit obligation

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

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

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

Retirement benefit expense comprises the following:

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

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

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

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

Related party relationships and transactions

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

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

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

Deposit for future stock subscription

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

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

Equity

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

Additional paid-in capital includes any premiums received on the issuance of capital stock. Incremental costs directly attributable to the issue of new shares are deducted from additional paid-in-capital, net of tax. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one (1) class of stock, a separate account is maintained for each class of stock and the number of shares issued.

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

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

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

Dividends payable

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

Revenue recognition

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

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

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

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

- *Revenues arising from hotel operations*

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

- *Sale of goods*

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

- *Rental income from operating lease*

  Rental income is recognized on straight-line basis over the lease term.

- *Interest income*

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

- *Dividend income*

  Dividend income is recognized when the Group's right to receive payment is established. The right to receive payment is usually established when the dividends is declared by the Board of Directors (BOD).

- *Other comprehensive income*

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

- *Other income*

  Other income is recognized when earned.

Cost and expense recognition

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

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

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

Foreign currency transactions

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

Provisions and contingencies

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

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and the amount can be estimated reliably. The expense relating to any provision is presented in the consolidated statements of comprehensive income, net of any reimbursement.

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

Earnings per share

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

Events after the reporting period

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

Significant accounting judgments in applying the Group's accounting policies

(a) Functional currency

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

(b) Revenue recognition on real estate transactions

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

(c) Operating lease

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

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

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

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

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

(e) Allowance for impairment of trade and other receivables

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

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

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

(f) Allowance for impairment on real estate projects

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

(g) Impairment of prepayments and other current assets

Prepayments and other current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized whenever there is existing evidence that the carrying amount is not recoverable. The Group's management evaluated that based on their review; there were no indicators of impairment as at December 31, 2017 and 2016.

(h) Impairment of non-financial assets

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

Management believes that there are no indications that the property and equipment and investment properties are impaired as at December 31, 2017 and 2016.

(i) Impairment of goodwill

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

Management believes that there are no indications that the goodwill is impaired as at December 31, 2017 and 2016.

(j) Income taxes

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

Significant accounting estimates and assumptions

(a) Useful lives of property, plant and equipment

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

As at December 31, 2017 and 2016 the carrying amounts of property, plant and equipment, net of accumulated depreciation of ₱4.09 billion and ₱3.82 billion, amounted to ₱5.72 billion and ₱5.45 billion, respectively (see Notes 11 and 12).

(b) *Retirement benefit obligation*

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

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

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

The carrying amount of the Group's retirement benefit obligation amounted to ₱132.06 million and ₱225.85 million as at December 31, 2017 and 2016, respectively (see Note 29).

(c) *Recognition and realizability of deferred tax assets*

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

As at December 31, 2017 and 2016, the estimates of future taxable income indicate that certain temporary differences will be realized in the future, to which the Group recognized deferred tax assets amounting to ₱39.62 million and ₱67.76 million, net of unrecognized deferred tax asset amounting to ₱9.18 million and ₱9.18 million (see Note 31).

5. CASH

This account consists of:

		2017		2016
Cash on hand	₱	**74,151,647**	₱	49,436,990
Cash in banks		**734,677,336**		578,626,051
	₱	**808,828,983**	₱	628,063,041

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from bank deposits is disclosed as part of the "Other income (net)" account in the consolidated statements of comprehensive income in the amount of ₱611,927 and ₱712,279 for the years ended December 31, 2017 and 2016, respectively (see Note 27).

There are no legal restrictions on the Group's cash as at December 31, 2017 and 2016.

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

The movement of the account is as follows:

	2017	2016
Cost		
Balance at beginning of year	**₱ 356,289,815**	₱ 369,120,955
Additions	**713,531,925**	36,738,434
Disposals	**(450,167,921)**	(49,569,574)
	619,653,819	356,289,815
Fair value gain	**110,626,583**	73,305,099
Balance at end of year	**₱ 730,280,402**	₱ 429,594,914

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

Proceeds from the sale of the Group's financial assets at FVPL for the years ended December 31, 2017 and 2016 amounted to ₱521.3 million and ₱104.17 million, respectively, which resulted to gain on sale of ₱71.2 million in 2017 and ₱54.6 million in 2016 and is presented under "Other income (net)" account in the consolidated statements of comprehensive income (see Note 27).

Dividend income earned from financial assets at FVPL is presented under "Other income (net)" account in the consolidated statements of comprehensive income amounting to ₱8.6 million and ₱4.9 million for the years ended December 31, 2017 and 2016, respectively (see Note 27).

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

	2017	2016
Balance at beginning of year	**₱ 73,305,099**	₱ 13,084,850
Fair value gain during the year	**37,321,484**	60,220,249
Balance at end of year	**₱ 110,626,583**	₱ 73,305,099

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

7. TRADE AND OTHER RECEIVABLES (NET)

This account consists of:

	2017	2016
Trade	₱ **218,874,047**	₱ 263,265,335
Receivable from memorial lot owners	**53,849,000**	19,679,000
Advances to contractors and suppliers	**16,966,654**	34,251,292
Advances to officers and employees	**23,636,583**	30,117,970
Refundable deposits	**8,824,148**	13,630,854
Cylinder deposits	**-**	1,903,304
Others	**39,898,105**	22,557,043
	362,048,537	385,404,798
Less: Allowance for impairment loss	**30,589,742**	30,589,742
Net	₱ **331,458,795**	₱ 354,815,056

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

Advances to contractors and suppliers pertain to advance payments made to suppliers and contractors for the development of real estate projects and acquisition of property and equipment which will be subsequently reclassified to property and equipment once the title has been transferred to the Company.

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

Refundable deposits mainly represent bonds paid to various suppliers.

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

	2017	2016
Balance at beginning of year	₱ **30,589,742**	₱ 30,589,742
Provision during the year	**-**	-
Balance at end of year	₱ **30,589,742**	₱ 30,589,742

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

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

8. INVENTORIES

This account consists of:

	2017	2016
Finished goods:		
LPG, cylinders, stoves and accessories	**₱ 647,705,282**	₱ 466,505,660
Industrial gases	**56,058,253**	7,649,389
Pharmaceutical products	**5,686,286**	2,743,015
	709,449,821	476,898,064
In-transit LPG	**-**	50,332,770
Material and supplies	**71,306,989**	73,657,763
Raw materials	**6,814,156**	9,493,615
	₱ 787,570,966	₱ 610,382,212

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

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

There are no inventories pledged as security for liabilities as at December 31, 2017 and 2016.

Inventories charged to cost of sales amounted to ₱6,314,617,275 and ₱4,400,733,197 for the years ended December 31, 2017 and 2016, respectively (see Note 24).

9. REAL ESTATE PROJECTS

Real estate projects consist of:

	2017	2016
Memorial park lots:		
Zamboanga Memorial Gardens	**₱ 69,376,475**	₱ 71,312,390
Mt. Apo Gardens	**63,155,006**	63,431,444
Cagayan de Oro Gardens	**59,765,773**	71,220,811
Pryce Gardens – Manolo Fortich	**51,997,516**	38,957,765
Pryce Gardens – Pagadian	**49,772,015**	49,706,942
Pryce Gardens – Butuan	**29,733,029**	-
Pryce Gardens – Alabel	**23,530,075**	23,544,096
North Zamboanga Gardens	**20,403,917**	18,391,581
Pryce Gardens – Bislig	**15,682,776**	15,686,595
Ma. Cristina Gardens	**15,570,995**	17,278,344
Ozamis Memorial Gardens	**15,117,043**	15,513,666
Pryce Gardens – Malita	**13,401,594**	13,409,232
Pryce Gardens – Malaybalay	**10,395,135**	11,114,860
	437,901,349	409,567,726
Subdivision lots:		
Villa Josefina Resort Village	**68,538,020**	68,538,020
Puerto Heights Village	**24,865,064**	30,770,005
Saint Joseph Homes	**11,612,448**	11,980,499
	105,015,532	111,288,524
Condominium units:		
Pryce Tower	**98,768,412**	98,768,412
Land held for development:		
Cagayan de Oro	**127,866,927**	127,866,927
Davao	**47,133,094**	47,133,094
Misamis Oriental	**27,979,122**	27,979,122
	202,979,143	202,979,143
	₱ 844,664,436	₱ 822,603,805

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

10. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

	2017	2016
Prepaid taxes and licenses	**₱ 12,138,966**	₱ 12,713,304
Input tax	**7,497,157**	1,275,918
Prepaid insurance	**6,550,820**	8,174,126
Prepaid rent	**4,111,704**	29,677,485
Deferred charges	**1,061,629**	1,643,392
Prepaid maintenance	**834,246**	6,865,608
Creditable withholding tax	**-**	5,292,524
Inventory materials	**-**	2,994,913
Foods and materials inventory	**-**	593,446
Others	**36,017,582**	7,111,959
	₱ 68,212,104	₱ 76,342,675

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

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

Deferred charges represent project development cost in progress.

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

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

Details of property, plant and equipment are as follow:

As at December 31, 2017

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

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

As at December 31, 2016

	Net carrying amounts, January 1, 2016	Appraisal increase (decrease)	Additions	Depreciation	Reclassification	Disposals	Net carrying amounts, December 31, 2016
Land and improvements	₱488,102,652	₱829,719,465	₱57,962,165	(₱ 1,019,549)	₱ -	₱ -	₱1,374,764,733
Buildings and structures	160,215,795	650,999,953	20,125,084	(31,558,984)	-	(2,094,759)	797,687,089
Machinery and equipment	9,977,485	713,032,094	464,286	(22,919,028)	956,313,337	-	1,656,868,174
Oxygen and acetylene cylinders	88,934,886	237,888,139	-	(23,360,857)	-	(6,861,149)	296,601,019
Hotel and office equipment	9,922,905	(170,974)	159,746	(1,681,838)	-	-	8,229,839
	₱757,153,723	₱2,431,468,677	₱78,711,281	(₱80,540,256)	₱ 956,313,337	(₱ 8,955,908)	₱ 4,134,150,854

	Cost	Accumulated depreciation	Net carrying amounts, December 31, 2016
Land and improvements	₱ 1,389,505,085	(₱ 14,740,352)	₱ 1,374,764,733
Buildings and structures	1,236,650,786	(438,963,697)	797,687,089
Machinery and equipment	3,736,234,920	(2,079,366,746)	1,656,868,174
Oxygen and acetylene cylinders	942,829,585	(646,228,566)	296,601,019
Hotel and office equipment	73,278,235	(65,048,396)	8,229,839
	₱ 7,378,498,611	(₱ 3,244,347,757)	₱ 4,134,150,854

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

As at December 31, 2017

	Cost	**Accumulated depreciation**	**Net carrying amounts, December 31, 2017**
Land and improvements	₱ 503,077,020	(₱ 12,973,885)	₱ 490,103,135
Buildings and structures	561,787,683	(369,030,588)	192,757,095
Machinery and equipment	3,271,579,084	(1,993,092,757)	1,278,486,327
Oxygen and acetylene cylinders	555,615,739	(489,849,259)	65,766,480
Hotel and office equipment	55,145,308	(49,375,188)	5,770,120
	₱ 4,947,204,834	**(2,914,321,677)**	**₱ 2,032,883,157**

As at December 31, 2016

	Cost	Accumulated depreciation	Net carrying amounts, December 31, 2016
Land and improvements	₱ 468,498,617	(₱ 12,505,976)	₱ 455,992,641
Buildings and structures	457,545,578	(333,506,564)	124,039,014
Machinery and equipment	2,919,142,322	(1,959,671,876)	959,470,446
Oxygen and acetylene cylinders	544,559,101	(488,907,147)	55,651,954
Hotel and office equipment	55,145,308	(48,033,544)	7,111,764
	₱ 4,444,890,926	(₱ 2,842,625,107)	₱ 1,602,265,819

Depreciation charged to operations was allocated as follows:

	2017	2016
Cost of sales:		
LPG, cylinders, stoves and accessories – note 24	**₱ 150,754,457**	₱ -
Industrial gases – note 24	**23,309,847**	42,963,711
Hotel operations - note 24	**-**	6,449,673
Operating expenses:		
Selling – note 25	**18,391,132**	8,029,845
General and administrative – note 25	**55,190,119**	23,097,027
	₱ 247,645,555	₱ 80,540,256

In 2017, certain property and equipment was disposed for a total consideration of ₱7,834,000 resulting into a gain of ₱2,363,450. The gain on disposal was included in Other income in the consolidated statements of comprehensive income (see Note 27).

In 2016, certain fully depreciated property and equipment was disposed for a total consideration of ₱8,955,909. No gain or loss was recognized for this transaction.

The above depreciation includes depreciation on appraisal increase amounting to ₱119.0 million in 2017 and ₱8.4 million in 2016, which also represents transfer of realized portion of revaluation reserve to retained earnings (deficit).

The fair market value of the properties was determined by an independent appraiser in June 29, 2016 and September 11, 2016. The valuation, which conforms to International Valuation Standards, was determined by reference to recent market transactions between market participants at the measurement date. The revaluation reserves, net of applicable deferred income taxes, were credited to "Revaluation reserves" and are shown in "Other comprehensive income" in the stockholders equity.

As at December 31, 2017 and 2016, there are no property and equipment pledged as security for liabilities and no restrictions on title had been imposed. No contractual commitments have been entered into by the Company for acquisition of any property and equipment.

As at December 31, 2017 and 2016, there are no restrictions on the distribution of the balance to shareholders.

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

Details of property, plant and equipment are as follow:

As at December 31, 2017

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

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

As at December 31, 2016

	Net carrying amounts, January 1, 2016	Additions	Reclassification	Disposals	Depreciation	Net carrying amounts, December 31, 2016
LPG plant machinery and equipment	₱ 1,029,615,384	₱ 155,450,360	(₱ 956,313,337)	(₱ 938,740)	(₱ 149,645,743)	₱ 78,167,924
Machinery and equipment	353,804,125	2,386,786	-	(2,354,013)	(22,353,355)	331,483,543
Transportation equipment	77,717,280	27,556,802	-	(9,214,359)	(19,830,091)	76,229,632
Leasehold improvement	3,833,407	297,255	-	-	(1,301,774)	2,828,888
Furniture, fixtures and equipment	19,059,857	10,036,586	-	(460,613)	(6,620,924)	22,014,906
Construction in progress	453,133,402	350,483,454	-	(1,709,763)	-	801,907,093
Building and structures	7,147,974	-	-	-	(461,974)	6,686,000
	₱ 1,944,311,429	₱ 546,211,243	(₱ 956,313,337)	(₱ 14,677,488)	(₱ 200,213,861)	₱ 1,319,317,986

		Cost	Accumulated depreciation		Net carrying amounts, December 31, 2016
LPG plant machinery and equipment	₱	138,986,623	(₱ 60,818,699)	₱	78,167,924
Machinery and equipment		464,597,859	(133,114,316)		331,483,543
Transportation equipment		346,378,539	(270,148,907)		76,229,632
Leasehold improvement		17,244,551	(14,415,663)		2,828,888
Furniture, fixtures and equipment		118,206,069	(96,191,163)		22,014,906
Construction in progress		801,907,093	-		801,907,093
Building and structures		9,239,474	(2,553,474)		6,686,000
	₱	1,896,560,208	(₱ 577,242,222)	₱	1,319,317,986

Depreciation charged to operations was allocated as follows:

	2017	2016
Cost of sales:		
LPG, cylinders, stoves and accessories - note 24	**₱ 24,471,280**	₱ 125,593,429
Industrial gases – note 24	**11,222,340**	7,553,402
Operating expenses:		
Selling – note 25	**10,335,083**	19,410,340
General and administrative - note 25	**26,083,369**	47,656,690
	₱ 72,112,072	₱ 200,213,861

Construction in progress pertains mainly to LPG and refilling plants.

In 2017, certain property and equipment was disposed for a total consideration of ₱903,454 resulting into a gain of ₱272,564. The gain on disposal was included in Other income in the statements of comprehensive income (see Note 27).

In 2016, certain fully depreciated property and equipment was disposed for a total consideration of ₱14,677,488. No gain or loss was recognized for this transaction.

As at December 31, 2017 and 2016, there are no property and equipment pledged as security for liabilities and no restrictions on title had been imposed. No contractual commitments have been entered into by the Company for acquisition of any property and equipment.

As at December 31, 2017 and 2016, there are no restrictions on the distribution of the balance to shareholders.

13. INVESTMENT PROPERTIES

This account consists of:

	2017	2016
Memorial lawn lots	**₱ 78,470,747**	₱ 72,930,747
Land	**37,027,141**	37,027,141
	₱ 115,497,888	₱ 109,957,888

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

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

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

The movements of the investment properties as at December 31 are as follows:

	2017	2016
Balance at beginning of year	**₱ 109,957,888**	₱ 109,957,888
Additions for the year	**5,540,000**	-
Balance at end of year	**₱ 115,497,888**	₱ 109,957,888

As at December 31, 2017 and 2016, there are no investment properties pledged as security for liabilities and no restrictions on title had been imposed. No contractual commitments have been entered into by the Group for acquisition of any investment properties.

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

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

14. GOODWILL

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

	2017	2016
Attributable to:		
Investment in subsidiaries by Parent Company		
Pryce Gases, Inc. (PGI)	**₱ 68,897,066**	₱ 68,897,066
Pryce Pharmaceuticals, Inc. (PPhI)	**1,771,239**	1,771,239
	₱ 70,668,305	₱ 70,668,305

Acquisition of PGI

The recoverable amount of PGI's cash generating units (CGUs) was based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to cash flow projections of 8.0%. Cash flows beyond the five-year period are extrapolated using the steady growth rate of 1.0%. The carrying value of goodwill amounted to ₱68,897,066 as at December 31, 2017 and 2016. No impairment loss was recognized for goodwill arising from the acquisition of PGI.

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

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

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

Acquisition of PPhI

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

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

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

15. TRADE AND OTHER PAYABLES

	2017	2016
Accounts payable:		
Trade	**₱ 485,250,574**	₱ 256,720,946
Nontrade	**6,383,809**	3,211,285
Accrued expenses:		
Salaries, wages and benefits	**10,277,725**	12,097,549
Others	**4,139,378**	17,669,723
Deposits for park internment services	**98,821,755**	77,727,264
Due to park maintenance fund	**17,245,826**	28,387,691
Cylinder deposits	**56,000,100**	59,506,705
Due to government agencies	**42,374,975**	22,095,047
Reserve fund liability	**6,643,777**	9,427,036
Deferred income	**2,701,877**	2,563,926
	₱ 729,839,796	₱ 489,407,172

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

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

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

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

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

16. CUSTOMERS' DEPOSITS

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

The customers' deposits amounted to ₱140,109,299 and ₱180,679,468 as at December 31, 2017 and 2016, respectively.

17. INSTALLMENT CONTRACTS PAYABLE

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

On December 20, 2016, the Parent Company has settled all its remaining balance on the principal of the installment contract. This settlement has terminated or ceased all future amortizations or quarterly payment transactions.

The outstanding balance of the installment contract payable amounted to NIL as at December 31, 2017 and 2016, respectively.

Total finance costs charged to operations amounted to NIL and ₱1,728,081 for the years ended December 31, 2017 and 2016, respectively (see Note 26).

18. SHORT-TERM DEBTS

Short-term debts consist of:

PGI

In 2017 and 2016, PGI obtained various short-term debts from local banks with an aggregate amount of ₱600 million and ₱500 million, respectively, at an average interest rate of 4.50% to 5.26% per annum. These are generally termed for ninety (90) days to one (1) year. The outstanding balance of the short term loan amounted to ₱250 million and ₱475 million as at December 31, 2017 and 2016, respectively.

OOC

In 2017 and 2016, OOC obtained various short-term debts from local banks with an aggregate amount of ₱100 million, respectively, at an average interest rate of 4.50% to 5.0% per annum. The outstanding balance of the short term loan amounted to ₱100 million as at December 31, 2017 and 2016.

Total interest incurred charged to operations amounted to ₱19.6 million and ₱4 million for the years ended December 31, 2017 and 2016, respectively (see Note 26).

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

19. DEPOSIT FOR FUTURE STOCK SUBSCRIPTION

On November 25, 2016, the Board of Directors (BOD) of the Parent Company approved a resolution authorizing the increase of authorized capital stock from ₱2 billion to ₱2.24 billion or an increase of ₱240 million with par value of ₱1 per share.

On December 7, 2016, the BOD approved a resolution for the placing and subscription transaction of 24,500,000 shares of the Parent Company for a total subscription value of ₱122,500,000. The Parent Company received the ₱122,500,000 subscription value on December 13, 2016 and it was taken up as “Deposit for future stock subscription” in the consolidated statements of financial position. The Parent Company has agreed to issue such number of shares upon approval of the increase in its capital stock by the Securities and Exchange Commission and it will eventually be applied for listing with the Philippine Stock Exchange (PSE).

On December 21, 2016, the BOD approved a resolution authorizing the increase in authorized capital stock by ₱98 million, amending its previous resolution increasing by ₱240 million dated November 25, 2016.

On February 2, 2017, the stockholders approved and ratified the resolution of the BOD dated December 7, 2016 (a) the amendment of article seventh of the articles of incorporation to increase the Parent Company's authorized capital stock from ₱2 billion divided into 2 billion shares with par value of ₱1 per share to ₱2.098 billion divided into 2.098 billion shares with par value of ₱1 per share (b) approving the placing and subscription transaction where: (i) Josefina Multi-Ventures Corporation sold 24,500,000 shares at the selling price of ₱5 per share through the facilities of PSE, (ii) the proceeds of the sale will be used to subscribe to 24,500,000 shares out of the increase in the capital stock of the Parent Company, (iii) the subscription price is ₱5 per share or a total subscription price of ₱122,500,000, and, (iv) the shares issued will eventually be applied for listing with the PSE.

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

The deposit for future stock subscription amounting to ₱122,500,000 was used to subscribe the 24,500,000 shares with the par value of ₱1 per share which resulted to an additional paid-in capital of ₱98,000,000.

20. CAPITAL STOCK

Details of this account are as follows:

	2017	2016
Common stock – ₱1 par value		
Authorized – 2,000,000,000 common shares in 2016		
2,098,000,000 common shares in 2017	**₱2,098,000,000**	₱ 2,000,000,000
Issued – 1,998,750,000 common shares in 2016		
2,024,500,000 common shares in 2017	**₱2,024,500,000**	₱ 1,998,750,000
Subscribed – 1,250,000 common shares in 2016	**-**	1,250,000
Total	**₱2,024,500,000**	₱ 2,000,000,000

Track record of the Parent Company

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

On March 21, 1994, the SEC approved the declassification of the Parent Company's capital stock made through an amendment of the Articles of Incorporation. Thus, the Parent Company's capital stock stood at ₱1,000,000,000 divided into 1,000,000,000 common shares with the par value of ₱1.00 per share.

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

The Parent Company's shares are listed in the PSE. As at December 31, 2017 and 2016, the Parent Company's stock price amounted to ₱6.80 and ₱5.00 per share, respectively.

As at December 31, 2017 and 2016, the Parent Company has three hundred sixty-five (365) and three hundred sixty-nine (369) equity holders, respectively.

Treasury stock

In 2015, PGI acquired 47,058,543 of the Parent Company shares through acquisition with the Philippine Stock Exchange (PSE). The total amount paid to acquire the shares, net of income tax, was ₱10,352,879 and is presented as a deduction in the consolidated statements of changes in equity as "Treasury stock". In 2016, PGI reissued the shares of the Parent Company.

21. RETAINED EARNINGS

In a special meeting held on December 21, 2017, the BOD declared cash dividends amounting to ₱242,940,000 equivalent to ₱0.12 per share to stockholders of record as at January 12, 2018 payable on February 5, 2018. Outstanding dividends payable amounted to ₱242,940,000 as at December 31, 2017. The dividends were paid on February 5, 2018.

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

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

The dividend income received by the Parent Company from PGI amounted to ₱688,322,548 in 2017 and nil in 2016 which were eliminated during consolidation.

22. RELATED PARTY TRANSACTIONS

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

Relationships

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

Transactions

a) The Group has unsecured non-interest bearing advances to its other related parties with no definite repayment terms and no guarantee.

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

Related parties	Amount of transactions		Outstanding balances	
	2017	2016	**2017**	2016
PFRI	**₱ 67,660,704**	₱ -	**₱ 67,660,704**	₱ -
JMVC	**(26,487)**	26,487	**-**	26,487
PPI	**(2,800)**	(1,336,663)	**-**	2,800
PDC	**-**	(300,000)	**-**	-
Stockholders	**63,784,177**	-	**63,784,177**	-
	₱ 131,415,594	(₱ 1,610,176)	**₱ 131,444,881**	₱ 29,287

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

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

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

Related parties	Amount of transactions		Outstanding balances	
	2017	2016	**2017**	2016
JMVC	**₱ -**	₱ -	**₱ -**	₱ 60,470,817

Josefina Multi-Ventures Corporation (JMVC)

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

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

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

	2017	2016	2015
Short-term benefits	**₱ 19,885,239**	₱ 19,503,572	₱ 21,273,241
Other benefits	**1,539,314**	8,383,553	4,804,982
	₱ 21,424,553	₱ 27,887,125	₱ 26,078,223

23. REVENUES

The details of this account are as follows:

a) Liquefied petroleum gases, industrial gases and fuels

	2017	2016	2015
LPG, cylinders, stoves and accessories:			
Content	**₱ 8,392,827,737**	₱ 5,669,699,432	₱ 4,981,554,236
Autogas	**-**	297,774,945	263,633,816
Cylinders	**253,925,046**	160,555,227	44,932,909
Stove and accessories	**9,865,831**	5,766,664	2,115,958
	8,656,618,614	6,133,796,268	5,292,236,919
Industrial gases:			
Oxygen	**281,454,148**	282,182,066	257,790,013
Acetylene	**70,019,774**	73,530,605	63,863,151
Other gases	**40,021,140**	26,793,359	9,816,272
	391,495,062	382,506,030	331,469,436
Fuel	**-**	-	2,186,388
	₱9,048,113,676	₱ 6,516,302,298	₱ 5,625,892,743

b) Real estate

Revenue from real estate amounted to ₱139,414,929, ₱133,566,654 and ₱82,141,569 for the years ended December 31, 2017, 2016 and 2015, respectively.

24. COST OF SALES

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

	2017	2016	2015
LPG, cylinders, stoves and accessories:			
Direct materials	**₱ 6,180,389,254**	₱ 4,236,352,198	₱ 3,707,136,579
Depreciation – notes 11 and 12	**175,225,737**	125,593,429	133,118,291
Freight and handling	**170,390,924**	166,419,123	48,072,404
Direct labor	**93,810,494**	32,553,144	31,998,491
Repairs and maintenance	**32,975,526**	17,642,190	13,151,984
Outside services	**32,472,162**	23,128,240	25,162,483
Rent and utilities	**22,014,133**	17,962,069	14,704,896
Taxes and licenses	**10,016,675**	9,788,898	6,837,051
Fuel and oil	**7,899,475**	6,942,608	3,408,790
Insurance	**4,371,262**	5,374,143	3,826,138
Others	**22,275,068**	17,298,907	10,640,160
	6,751,840,710	4,659,054,949	3,998,057,267
Industrial gases:			
Direct materials	**107,147,316**	139,874,275	132,787,326
Depreciation – notes 11 and 12	**34,532,187**	50,517,113	29,675,022
Direct labor	**12,513,702**	10,694,858	9,699,342
Rent and utilities	**8,599,129**	7,411,327	7,932,938
Repairs and maintenance	**6,158,756**	6,208,758	4,842,919
Outside services	**5,544,665**	4,728,232	5,868,021
Freight and handling	**4,699,653**	10,281,743	6,958,740
Taxes and licenses	**1,629,913**	1,723,545	1,691,633
Insurance	**1,247,672**	977,096	971,885
Others	**12,945,332**	8,476,002	7,385,690
	195,018,325	240,892,949	207,813,516
Fuels:			
Direct materials	**-**	-	1,824,561
	₱ 6,946,859,035	₱ 4,899,947,898	₱ 4,207,695,344

b) Cost of real estate amounted to ₱33,809,725, ₱45,368,635 and ₱16,193,785 for the years ended December 31, 2017, 2016 and 2015 respectively. The cost of real estate recognized in the consolidated statements of comprehensive income on disposal is determined with reference to the specific costs incurred on the property sold.

c) Cost of sales on hotel operations consists of:

	2017	2016	2015
Salaries, wages and benefits	₱ -	₱ 9,895,128	₱ 10,446,994
Supplies	-	9,192,255	6,811,729
Depreciation – note 11	-	6,449,673	5,944,074
Outside services	-	5,819,411	4,656,252
Utilities	-	4,232,543	2,915,646
Taxes and licenses	-	1,957,163	1,954,213
Repairs and maintenance	-	492,721	466,210
Insurance	-	33,247	27,831
Travel and transportation	-	30,991	38,305
Others	-	394,871	214,920
	₱ -	₱ 38,498,003	₱ 33,476,174

d) Cost of sales on pharmaceutical products

	2017	2016	2015
Beginning inventory – note 8	**₱ 2,743,015**	₱ 4,868,563	₱ 3,909,781
Add: Purchases	**30,023,976**	22,381,176	23,205,152
Total good available for sale	**32,766,991**	27,249,739	27,114,933
Less: Ending inventory – note 8	**5,686,286**	2,743,015	4,868,563
	₱ 27,080,705	₱ 24,506,724	₱ 22,246,370

25. OPERATING EXPENSES

This account consists of:

	2017	2016	2015
Selling expenses:			
Salaries, wages and benefits	**₱ 102,482,230**	₱ 70,736,511	₱ 68,715,389
Freight and handling	**47,636,290**	50,800,170	49,370,505
Repairs and maintenance	**39,101,007**	40,305,895	38,775,830
Outside services	**31,787,961**	33,294,903	33,028,618
Fuel and oil	**29,257,700**	27,854,901	23,208,006
Depreciation – notes 11 and 12	**28,726,215**	27,440,185	24,192,136
Rent and utilities	**15,782,471**	20,368,227	20,761,814
Commissions	**16,725,769**	16,590,701	10,410,558
Materials and supplies	**14,888,170**	16,392,144	18,031,372
Travel and transportation	**13,264,938**	13,629,170	13,521,501
Taxes and licenses	**6,619,084**	4,993,598	8,594,682
Advertisements	**4,236,855**	4,870,264	3,091,598
Representation and entertainment	**5,277,123**	3,289,669	4,369,424
Insurance	**1,797,231**	3,097,565	2,500,044
Training and seminars	**1,334,824**	1,241,701	662,603
Professional fees	**777,479**	922,568	803,527
Dues and subscriptions	**1,022,687**	905,022	277,751
Others	**13,973,306**	11,886,350	11,329,928
	374,691,340	348,619,544	331,645,286

Forwarded

Continued	**2017**	2016	2015
General and administrative expenses:			
Salaries, wages and benefits	₱ **108,418,417**	₱ 76,116,791	₱ 75,711,511
Depreciation – notes 11 and 12	**81,273,488**	70,753,717	57,979,336
Repairs and maintenance	**49,852,695**	43,437,157	44,602,357
Travel and transportation	**25,095,673**	24,177,356	22,824,590
Rent and utilities	**19,976,898**	16,475,045	17,049,976
Fuel and oil	**18,405,844**	18,275,924	18,141,364
Outside services	**16,791,041**	16,557,991	17,607,494
Materials and supplies	**15,832,300**	14,388,770	13,868,830
Dues and subscriptions	**14,829,547**	5,759,252	6,182,038
Provision for retirement benefits	**14,487,168**	31,972,262	25,773,753
Freight and handling	**12,084,385**	11,306,653	10,191,965
Advertisements	**12,010,102**	10,297,763	8,467,966
Representation and entertainment	**10,923,319**	7,444,111	8,366,441
Taxes and licenses	**8,947,629**	24,402,939	19,964,008
Insurance	**6,306,432**	7,519,669	7,208,174
Professional fees	**5,876,457**	5,605,781	5,776,632
Meetings and conferences	**5,166,589**	4,854,851	3,854,155
Training and seminars	**2,389,326**	547,208	850,104
Donation	**2,050,125**	4,121,073	4,431,586
Others	**39,890,945**	18,846,379	18,161,170
	470,608,380	412,860,692	387,013,450
	₱ **845,299,720**	₱ 761,480,236	₱ 718,658,736

26. FINANCE COSTS

This account consists of:

	2017	2016	2015
Importations	₱ **11,879,042**	₱ 23,776,306	₱ 14,755,030
Debts			
Short-term – note 18	**19,581,592**	4,035,089	4,396,939
Debts covered by rehabilitation plan	**-**	-	1,628,495
Installment contract payable – note 17	**-**	1,728,081	290,727
	₱ **31,460,634**	₱ 29,539,476	₱ 21,071,191

27. OTHER INCOME (NET)

This account consists of:

	2017	2016	2015
Other income:			
Gain on sale of financial assets at FVPL – note 6	₱ 71,166,680	₱ 54,602,762	₱ 12,680,058
Gain on settlement of debts covered by rehabilitation plan	60,470,818	60,835,283	60,835,283
Dividends - note 6	8,610,501	4,935,965	4,809,722
Rental income	4,226,901	5,932,365	2,403,770
Gain on sale of property – notes 11 and 12	2,636,014	-	7,944
Retirement benefit income – note 29	2,456,485	-	-
Interment fees	2,230,565	2,564,846	3,276,301
Sale of scrap and junked materials	1,951,936	2,255,779	2,284,884
Unrealized foreign exchange gain – note 36	1,459,337	354,955	8,434,099
Interest income from banks – note 5	611,927	712,279	271,762
Interest income from real estate sales	431,579	262,855	1,181,974
Others	2,151,152	2,258,451	14,710,982
	₱158,403,895	₱ 134,715,540	₱ 110,896,779

28. OTHER COMPREHENSIVE INCOME

	2017	2016
Remeasurement gains on retirement benefit obligation		
At beginning of year	₱ 5,963,396	₱ 18,643,586
Remeasurement gain (loss) during the year	21,264,258	(18,114,557)
Effect of deferred income tax	(6,379,277)	5,434,367
At end of year	20,848,377	5,963,396
Revaluation reserve		
At beginning of year	1,785,487,906	89,321,234
Appraisal increase	-	2,431,468,678
Deferred tax effect on revaluation reserve of the appraisal increase	-	(729,440,604)
Transfer of revaluation reserve deducted from operations through additional depreciation charges – note 11	(118,967,983)	(8,373,431)
Deferred income tax effect on revaluation reserve charged to operations through additional depreciation	35,690,395	2,512,029
At end of year	1,702,210,318	1,785,487,906
Total other comprehensive income	₱ 1,723,058,695	₱ 1,791,451,302

29. RETIREMENT BENEFIT OBLIGATION

The Group maintains a retirement benefit plan covering all employees on regular employment status. The plan is a funded noncontributory defined benefit plan that provides retirement benefits equal to the following: (a) 150% of monthly final salary for every year of service rendered for the first 20 years; (b) 175% of monthly final salary for every year of service rendered in excess of 20 years but not more than 25 years; and, (c) 200% of monthly final salary for every year of service rendered in excess of 25 years. The plans use the projected unit credit method of actuarial valuation in its retirement benefit cost computation.

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

The Group maintains a funded noncontributory retirement benefit and unfunded defined benefit obligation as at December 31, 2017 and 2016, respectively.

The amounts recognized in the consolidated statements of financial position arising from the Group's obligation in respect of its defined benefit plan as at December 31 are as follow:

	2017	2016
Present value of defined benefit obligation	**₱ 195,369,927**	₱ 225,851,172
Fair value of plan assets	**(63,313,791)**	-
Net retirement benefit obligation	**₱ 132,056,136**	₱ 225,851,172

Movements in the present value of defined benefit obligation for the years ended December 31 are as follow:

	2017	2016
Balance at beginning of year	**₱ 225,851,172**	₱ 208,940,564
Current service cost	**16,508,464**	22,014,036
Interest expense	**11,446,626**	9,958,226
Actuarial loss (gain) – experience	**(7,358,704)**	33,561,518
Benefits paid	**(27,538,232)**	(33,176,211)
Settlement gain	**(14,453,208)**	-
Actuarial gain – changes in financial assumptions	**(9,086,191)**	(15,446,961)
	(30,481,245)	16,910,608
Balance at end of year	**₱ 195,369,927**	₱ 225,851,172

Movements in the fair value of plan assets for the years ended December 31 are as follow:

	2017	2016
Balance at beginning of year	**₱ -**	₱ -
Contributions to the fund	**71,567,681**	-
Interest income	**1,471,199**	-
Return on plan assets, excluding amounts included in net interest cost	**4,819,364**	-
	77,858,244	-
Benefits paid	**(14,544,453)**	-
Balance at end of year	**₱ 63,313,791**	₱ -

The retirement benefit expense recognized in the consolidated statements of comprehensive income for the years ended December 31 are as follow:

	2017	2016
Current service cost	**₱ 16,508,464**	₱ 22,014,036
Net interest costs		
Interest expense	**11,446,626**	9,958,226
Interest income	**(1,471,199)**	-
	9,975,427	9,958,226
Settlement gain	**(14,453,208)**	-
Retirement benefit expense - profit or loss	**12,030,683**	31,972,262
Remeasurement on net retirement benefit liability:		
Return on plan assets, excluding amounts included in net interest cost	**(4,819,364)**	-
Actuarial gain arising from change in financial assumptions	**(9,086,191)**	(15,446,961)
Actuarial loss (gain) arising from change in experience assumptions	**(7,358,704)**	33,561,518
Effect of deferred income tax	**6,379,278**	(5,434,367)
Retirement benefit expense (income) - other comprehensive income	**(14,884,981)**	12,680,190
	(₱ 2,854,298)	₱ 44,652,452

The retirement benefit expense (income) is included in “Provision for retirement benefits” and “Retirement benefit income” accounts under general and administrative expenses and other income (charges) in the consolidated statements of comprehensive income.

The actual return on plan assets for the years ended December 31 is as follows:

	2017	2016
Interest income	**₱ 1,471,199**	₱ -
Actual gain on plan assets, excluding amounts included in net interest cost	**4,819,364**	-
	₱ 6,290,563	₱ -

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

Parent Company

	2017	2016
Discount rate	**5.70%**	4.95%
Expected salary increase rate	**7%**	7%

PGI

	2017	2016
Discount rate	**5.70%**	5.16%
Expected salary increase rate	**7.0%**	8%

The discount rate as at December 31, 2017 and 2016, also called the zero yield curve was derived by applying the procedure of bootstrapping on the bonds included in the PDST-R2 Index, projected as of the valuation date. Assumptions regarding mortality experience are based on 100% of the adjusted 1985 Unisex Annuity Table and 100% of the adjusted 1952 Disability Table reflecting experience improvement and Philippine experience.

Maturity profile of undiscounted benefit payments

The maturity analysis on the Group's undiscounted benefit payments:

December 31, 2017

	1 to 2 Years	3 to 5 Years	6 to 9 Years
Normal retirement	₱ 80,753,197	₱ 31,354,117	₱ 97,196,949

December 31, 2016

	1 to 2 Years	3 to 5 Years	6 to 9 Years
Normal retirement	₱ 35,440,638	₱ 24,745,141	₱ 90,613,633

Discount rate sensitivity

Parent Company

	Change in assumptions	**Increase in assumptions**	**Amount**	**Decrease in assumptions**	**Amount**
Discount rate	1%	Decrease by 9.0%	(₱6,507,339)	Increase by 7.7%	₱ 5,531,901
Salary increase rate	1%	Increase by 7.8%	5,632642	Decrease by 6.8%	(4,891,283)

PGI

	Change in assumptions	**Increase in assumptions**	**Amount**	**Decrease in assumptions**	**Amount**
Discount rate	1%	Decrease by 7.2%	(₱ 8,847,839)	Increase by 6.3%	₱ 7,739,058
Salary increase rate	1%	Increase by 6.0%	7,443,055	Decrease by 5.4%	(6,646,830)

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

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

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

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

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

The weighted average duration of the defined benefit obligation for the Parent Company is 8.4 years in 2017 and 8.7 in 2016.

The weighted average duration of the defined benefit obligation for PGI is 6.7 years in 2017 and 21.9 years in 2016.

30. LOSS FROM PETROLEUM EXPLORATION

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

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

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

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

31. INCOME TAX

a) The components of income tax expense for the years ended December 31, 2017, 2016 and 2015 are as follows:

	2017	2016	2015
Current tax expense:	₱ **266,746,774**	₱ 202,928,993	₱ 128,901,834
Deferred tax benefit on the origination and reversal of temporary differences	**19,030,552**	(51,265,022)	(550,987)
	₱ **285,777,326**	₱ 151,663,971	₱ 128,350,847

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

	2017	2016	2015
Income before tax	₱ **1,537,723,657**	₱ 1,117,755,277	₱ 717,411,489
Income tax expense at 30%	₱ **461,317,097**	₱ 335,326,583	₱ 215,223,447
Add (deduct) tax effect of the following:			
Nontaxable income	**(27,091,363)**	(36,320,699)	(35,855,420)
Gain on sale of financial assets at FVPL	**(2,234,997)**	(29,810)	-
Unrealized fair value loss (gain) on financial assets at FVPL	**(6,001,464)**	236,532	-
Amortization of deferred tax liability on interest expense capitalized to real estate projects	**(3,059,995)**	(3,059,995)	-
Income on BOI-registered activities enjoying ITH	**(175,835,967)**	(101,178,623)	(93,735,610)
Difference in income tax method used	**-**	243,550	-
Nondeductible expenses	**2,993,620**	7,325,457	48,227,559
Depreciation on appraisal increase	**35,690,395**	2,512,029	1,710,153
Reversal and change in temporary Difference	**-**	(26,550,588)	(9,131,401)
Change on unrecognized deferred tax assets	**-**	(26,840,465)	1,912,119
Reported income tax expense	₱ **285,777,326**	₱ 151,663,971	₱ 128,350,847

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

	2017	2016
Deferred tax assets:		
Retirement benefit obligation	₱ **39,616,841**	₱ 67,755,352
Allowance for impairment losses	**9,176,923**	9,176,923
	48,793,764	76,932,275
Unrecognized deferred tax assets	**(9,176,923)**	(9,176,923)
	₱ **39,616,841**	₱ 67,755,352

	2017	2016
Deferred tax liabilities:		
Revaluation increment in property, plant and equipment	**₱ 729,518,710**	₱ 765,209,101
Interest expense capitalized to property, plant and equipment and real estate projects	**21,419,960**	24,479,956
Unrealized foreign exchange gain	**437,801**	106,487
	₱ 751,376,471	₱ 789,795,544

The components of income tax expense recognized in other comprehensive income are as follow:

	2017	2016
Remeasurements on retirement benefit obligation	**₱ 6,379,277**	₱ 5,434,367
Transfer of revaluation reserve charged to operations through additional depreciation	**21,264,258**	2,512,029
Revaluation reserve	**-**	729,440,604
	₱ 27,643,535	₱ 737,387,000

As at end of the reporting period, one of the LPG terminals and refilling plant operation is enjoying ITH (see Note 1). While, income on other LPG terminal and refilling plant operations, upon which ITH has expired, is subject to MCIT of 2% based on gross profit when it is greater than the regular corporate income tax (RCIT) of 30% or when the Group has zero or negative taxable income. The excess of MCIT over RCIT shall be carried forward and credited against RCIT for the three immediately succeeding taxable years. The current income tax expense in 2017 and 2016 as shown in the consolidated statements of comprehensive income both represent the RCIT.

32. EARNINGS PER SHARE

Earnings per share are computed based on the weighted average number of common shares outstanding during the year. The number of shares used to compute basic earnings per share were 2,024,500,000 in 2017 and 2,000,000,000 in 2016.

	2017	2016	2015
Net income attributable to the owners of the Parent Company	**₱ 1,148,682,457**	₱ 888,062,210	₱ 543,073,847
Weighted average number of common shares	**2,024,500,000**	2,000,000,000	1,952,941,457
	₱ 0.567	₱ 0.444	₱ 0.278

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

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

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

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

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

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

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

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

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

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

In 2005 and 2004, PGI transferred significant portion of the above real estate properties to its creditors by way of dacion en pago based on fair values as determined in the Court Order issued by the Regional Trial Court on the rehabilitation plan of PGI. The difference between the fair value and cost (as reported in the books and records by the parent company) of these transferred properties amounted to ₱129 million in 2005 and ₱902 million in 2004 or an aggregate amount of ₱1.03 billion. Subsequent to 2005, there was no real estate properties of PGI transferred to creditors by way of dacion en pago.

The ₱1.03 billion as at December 31, 2017 and 2016 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.

Effect of Parent Company's recognition of real estate properties transferred to PGI at cost

Had the Parent Company applied the fair value method of accounting on the recognition of its transferred real estate properties to PGI, the fair value gain on real estate properties should have been recognized as income and reduces the consolidated retained earnings (deficit) as at December 31, 2017 and 2016 by ₱1.03 billion.

34. OPERATING BUSINESS SEGMENTS

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

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

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

The Group's segment information is as follows:

	Real estate			LPG, Industrial gases and Fuels			Pharmaceutical products	
	2017	2016	2015	**2017**	2016	2015	**2017**	2016
				(amounts in millions)				
Revenue from external customers	**₱ 139**	₱ 171	₱ 117	**₱9,048**	₱ 6,516	₱ 5,626	**₱ 38**	₱ 35
Results								
Income before tax	**₱ 815**	₱ 95	₱ 92	**₱1,409**	₱ 1,022	₱ 624	**₱ 1.1**	₱ 0.8
Income tax expense	**(29)**	(0.4)	(28)	**(257)**	(151)	(100)	**(.3)**	(0.2)
Net income for the year	**786**	95	65	**1,152**	871	524	**0.8**	0.6
Other information:								
Segment assets	**₱ 1,552**	₱ 1,512	₱ 730	**₱7,343**	₱ 6,837	₱ 4,054	**₱ 19**	₱ 19
Segment liabilities	**449**	547	344	**1,711**	1,641	981	**10**	10
Capital expenditures	**.1**	2	5	**589**	623	599	**-**	-
Depreciation	**26**	24	18	**293**	257	233	**.2**	0.3

35. OPERATING LEASE AGREEMENTS

PGI has entered in various operating lease agreements for its Visayas and Mindanao sales offices with various local companies for a period of one (1) year renewable thereafter upon mutual agreement of both parties.

Total rent charged to operations in 2017 and 2016 amounted to ₱11.73 million and ₱11.38 million included as part of “Cost of sales” and “Operating expenses” accounts, in the consolidated statements of comprehensive income.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and financing activities. The Group’s risk management is in the Board of Directors (BOD), and focuses on actively securing the Group’s short-to medium-term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below:

- *Foreign currency risk*

  The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in US dollars. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company’s functional currency. Significant fluctuation in the exchange rates could significantly affect the Group’s financial position.

  The Group monitors the movement of foreign exchange rates to avoid significant effect on its operations.

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

	2017		2016	
	US dollar	**PH peso**	US dollar	PH peso
Asset				
Cash	**21,831**	**1,089,869**	102,040	4,812,836
Liability				
Trade payables	**4,461,215**	**222,717,236**	6,421,158	302,860,340
Net amount	**(4,439,384)**	**(221,627,367)**	(6,319,118)	(298,047,504)

The foreign currency exchange rates used for US dollar (US$) to Peso were ₱49.923 in 2017 and ₱49.813 in 2016. As a result of translating these foreign currency denominated balances, the Group reported a net unrealized foreign currency exchange gain of ₱1.5 million in 2017 and ₱0.3 million in 2016, presented as part of "Other income (net)" account in the consolidated statements of comprehensive income (see Note 27).

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

Foreign currency risk sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in US dollar to Philippine peso exchange rate, with all other variables held constant, of the Group's cash and trade payables before income tax as at December 31, 2017 and 2016 (due to the changes in the fair value of monetary assets and liabilities).

	Appreciation (Depreciation) of PHP	Effect in Income Before Tax	Effect in Equity After Tax
2017	**1.50**	**(₱ 6,659,076)**	**(₱ 4,661,353)**
	1.00	**(4,439,384)**	**(3,107,569)**
	(1.50)	**6,659,076**	**4,661,353**
	(1.00)	**4,439,384**	**3,107,569**
2016	1.50	(₱ 1,330,495)	(₱ 931,347)
	1.00	(886,997)	(620,898)
	(1.50)	1,330,495	931,347
	(1.00)	886,997	620,898

- *Credit risk*

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

Credit risk exposure

The Group's financial assets are actively monitored to avoid significant concentration of credit risk. The maximum amount of exposure to credit risk as at December 31, 2017 and 2016 are as follows:

	2017	2016
Cash in banks (excluding cash on hand)	**₱ 734,677,336**	₱ 578,626,051
Trade and other receivables	**272,723,047**	282,944,335
Advances to related parties	**131,444,881**	29,287
	₱ 1,138,845,264	₱ 861,599,673

*Excluding cash on hand in the amount of ₱74,151,647 and ₱49,436,990 as at December 31, 2017 and 2016, respectively.

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

Credit quality information

As at December 31, 2017 and 2016, the credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and areas.

Based on historical information about customer default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good. The Group classifies advances to related parties as neither past due nor impaired. Advances to related parties generally have no specific credit terms. The Group does not hold any collateral as security on these receivables.

The management continues to review advances to related parties for any legally enforceable right to offset with liabilities with the expressed intention of the borrower related parties to settle on a net basis.

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

As at December 31, 2017

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Cash in banks	₱ 734,677,336	₱ -	₱ -	₱ 734,677,336
Trade and other receivables	144,606,733	120,700,696	7,415,618	272,723,047
Advances to a related party	131,444,881	-	-	131,444,881
	₱1,010,728,950	**₱120,700,696**	**₱ 7,415,618**	**₱1,138,845,264**

As at December 31, 2016

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Cash in banks	₱ 578,626,051	₱ -	₱ -	₱ 578,626,051
Trade and other receivables	230,430,386	45,098,331	7,415,618	282,944,335
Advances to a related party	29,287	-	-	29,287
	₱ 809,085,724	₱ 45,098,331	₱ 7,415,618	₱861,599,673

Impaired accounts represents account of customers that have not paid after sending three (3) demand letters and for which the Group believes that a portion of the receivables may not be collected. The allowance is estimated based on the Parent Company's estimate for accounts which it believes may no longer be collected.

Credit quality information for financial assets that are neither past due nor impaired

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

As at December 31, 2017

	Neither past due nor impaired		
	High	Moderate	Total
Cash in banks	₱ 734,677,336	₱ -	₱ 734,677,336
Trade and other receivables	-	144,606,733	144,606,733
Advances to a related party	131,444,881	-	131,444,881
	₱ 866,122,217	**₱144,606,733**	**₱ 1,010,728,950**

As at December 31, 2016

	Neither past due nor impaired		
	High	Moderate	Total
Cash in banks	₱ 578,626,051	₱ -	₱ 578,626,051
Trade and other receivables	-	230,430,386	230,430,386
Advances to a related party	29,287	-	29,287
	₱ 578,655,338	₱230,430,386	₱ 809,085,724

The credit quality of the financial assets was determined as follows:

High Credit Quality

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

Moderate Credit Quality

For receivables, this covers accounts of paying customers, but paid normally beyond the credit term. This also includes receivables from customers with delayed payment, although paid after continuous follow up or after demand letter was sent out.

Low Credit Quality

For receivables, this covers accounts of slow paying customers and those whose payments are received upon sending a second demand letter as at financial reporting date.

Liquidity risk

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

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

As at December 31, 2017

	Within 1 year	Later than 1 year but not more than 5 years	Total
Trade and other payables*	₱ 687,464,821	₱ -	₱ 687,464,821
Short-term debts	350,000,000	-	350,000,000
Dividends payable	242,940,000	-	242,940,000
Advances from related parties	-	-	-
Total	**₱ 1,280,404,821**	**₱ -**	**₱ 1,280,404,821**

As at December 31, 2016

	Within 1 year	Later than 1 year but not more than 5 years	Total
Trade and other payables*	₱ 467,312,125	₱ -	₱ 467,312,125
Short-term debts	575,000,000		575,000,000
Dividends payable	-	-	-
Advances from related parties	-	60,470,817	60,470,817
Total	₱ 1,042,312,125	₱ 60,470,817	₱ 1,102,782,942

**Trade and other payables exclude amount payable to government agencies amounting to ₱42,374,975 and ₱22,095,047 as at December 31, 2017 and 2016s, respectively.*

- *Price risk*

This is a risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market.

The Group is exposed to such risk because of its equity securities classified as financial assets at FVPL. The Group is continuously monitoring the market prices of these securities.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

	Increase (Decrease) in Basis Points	Effect in Income Before Tax	Effect in Equity After Tax
2017	**100**	**(₱73,028,040)**	**(₱51,119,628)**
	50	**(36,514,020)**	**(25,559,814)**
	(100)	**73,028,040**	**51,119,628**
	(50)	**36,514,020**	**25,559,814**
2016	100	(₱ 42,959,491)	(₱30,071,644)
	50	(21,479,746)	(15,035,822)
	(100)	42,959,491	30,071,644
	(50)	21,479,746	15,035,822

- *Interest rate risk*

The Group's exposure to interest rate risk relates primarily to the Parent Company and PGI's financial instruments with floating interest rate. Floating rate of financial instruments are subject to cash flow interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the PGI and OOC's short-term debts in 2017 and Parent Company's installment contracts payable in 2016.The impact on the Group's equity is immaterial.

	Increase (Decrease) in Basis Points	Effect in Income Before Tax	Effect in Equity After Tax
2017	**100**	**(₱ 35,000,000)**	**(₱ 24,500,000)**
	50	**(17,500,000)**	**(12,250,000)**
	(100)	**35,000,000**	**24,500,000**
	(50)	**17,500,000**	**12,250,000**
2016	100	(₱ 57,500,000)	(₱ 40,250,000)
	50	(28,750,000)	(20,125,000)
	(100)	57,500,000	40,250,000
	(50)	28,750,000	20,125,000

The following table sets out the carrying amounts, by maturity, of the Company's financial instruments as at December 31, 2017 that are exposed to interest rate risks:

	Interest rates	Within 1 Year	Within 1-2 Years	Within 2-5 Years	More than 5 years	Total
Year 2017 Variable rate Borrowings	**4.5% to 5.26 %**	**₱ 350,000,000**	**₱ -**	**₱ -**	**₱ -**	**₱ 350,000,000**
Year 2016 Variable rate Borrowings	5.00% to 5.26%	₱ 575,000,000	₱ -	₱ -	₱ -	₱ 575,000,000

37. CAPITAL RISK OBJECTIVE AND MANAGEMENT

The primary objective of the Group's management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The capital that the Group manages includes all components of its equity as shown in the consolidated statements of financial position.

The Group monitors its capital gearing by measuring the ratio of interest-bearing debt to total capital and net interest-bearing debt to total capital. Interest-bearing debt includes all short term and long term debt while net interest-bearing debt includes all short term and long term debt net of cash and financial assets at FVPL.

The equity ratios as at December 31 are as follows:

	2017	2016
Total equity (a)	**₱ 7,207,382,436**	₱ 6,092,978,181
Total assets (b)	**9,645,206,001**	8,623,681,374
Equity ratio (a/b)	**75%**	71%

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

38. FAIR VALUE INFORMATION

Assets measured at fair value

The following table gives information about how the fair values of the Group's assets, which are measured at fair value at the end of each reporting period, are determined (in particular, the valuation technique(s) and inputs used).

	Fair value as at December 31		Fair value	Valuation
	2017	2016	hierarchy	techniques
Financial assets at FVPL	**₱ 730,280,402**	₱ 429,594,914	Level 1	Quoted prices in an active market

Assets and liabilities not measured at fair value but fair values are disclosed

The following gives information about how the fair values of the Group's assets and liabilities, which are not measured at fair value but the fair values are disclosed at the end of each reporting.

i. Due to the short-term maturities of cash, trade and other receivables, trade and other payables, dividends payable, short-term debts, and advances from related parties, their carrying amounts approximate their fair values.

ii. The carrying amount and fair value of the categories of noncurrent financial and non-financial assets and financial liabilities presented in the consolidated statements of financial position are shown on the as follows:

	2017		2016			
	Carrying Value	**Fair Value**	Carrying Value	Fair Value	Fair value hierarchy	Input used
Financial asset						
Advances to related parties	**₱ 131,444,881**	**₱ 111,059,988**	₱ 29,287	₱ 24,820	Level 3	(b)
Nonfinancial asset						
Investment properties	**115,497,888**	**115,497,888**	109,957,888	109,957,888	Level 2	(a)
	246,942,769	**226,557,876**	109,987,175	109,982,708		
Liability						
Advances from related parties	**₱ -**	**₱ -**	₱ 60,470,817	₱ 51,248,173	Level 3	(b)

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

(a) The fair value is determined by applying the market comparison approach. The valuation model is based on the market price of comparable real estate properties in the area in which the Group's investment properties are located.

(b) Advances to and from related parties

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

Significant unobservable input	Relationship of unfavorable inputs
Discounted cash flows of zero-rated liabilities from related parties determined by reference to prevailing market lending rate of 5.778% in 2017 and 5.671% in 2016	The higher the discount rate, the lower the fair value.

The table below shows the sensitivity analysis of the above unobservable inputs to the valuation model to the carrying amount of the due to and from related parties as at December 31, 2017 and 2016:

		Increase (Decrease) in carrying amount	
	Change in Unobservable Input to Valuation Model	Advances from related party	Advances to related parties
2017	**0.05%**	**₱ -**	**(₱ 157,341)**
	-0.05%	**-**	**157,639**
2016	0.05%	(₱ 72,678)	(₱ 35)
	-0.05%	72,816	35

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

39. NON-CASH TRANSACTIONS

Non-cash activities consist of:

	2017	2016	2015
Investing activity:			
Additions to property, plant and equipment	₱ -	₱ -	₱ 1,143,382
Financing activity:			
Settlement of debts for dacion en pago covered by the Rehabilitation Plan	-	-	124,731,801
	₱ -	₱ -	₱ 125,875,183

* * *

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

To the Board of Directors and Stockholders of
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17th Floor Pryce Center, 1179 Don Chino Roces Avenue
cor. Bagtikan Street, Makati City

We have audited the accompanying financial statements of **Pryce Corporation and Subsidiaries** as at and for the year ended December 31, 2017, on which we have rendered the attached report dated April 24, 2018 The supplementary information shown in **Annexes "A" to "D"** and **Schedules "A" to "H"**, as additional component required by Rule 68, Part I, Section 4 of the Securities Regulation Code, is presented for purposes of filing with the Securities and Exchange Commission and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and has been subjected to auditing procedures applied in the audits of basic financial statements. In our opinion, the information has been prepared in accordance with Rule 68 of the Securities Regulation Code.

Diaz Murillo Dalupan and Company
Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until August 11, 2020
SEC Accreditation No. 0192-FR-2, Group A, effective until May 1, 2019
BIR Accreditation No. 08-001911-000-2016, effective until March 17, 2019

By:

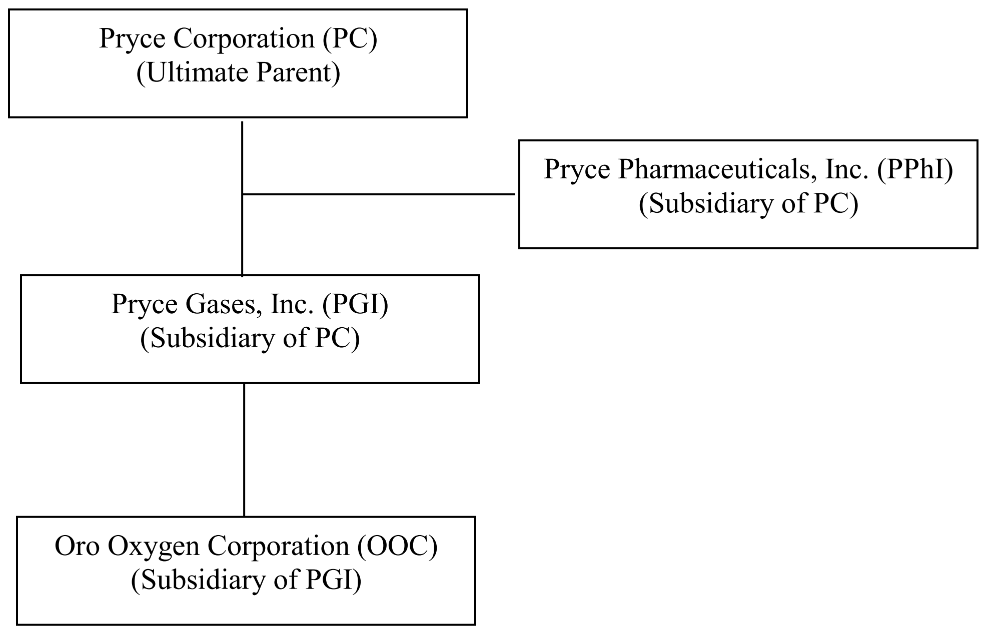
Jozel Francisco C. Santos, Jr.
Partner
CPA Certificate No. 89044
SEC Accreditation No. 1070-AR-2, Group A, effective until May 3, 2020
Tax Identification No. 170-035-673
PTR No. 6615254, January 4, 2018, Makati City
BIR Accreditation No. 08-001911-009-2016, effective until March 17, 2019

April 24, 2018

PRYCE CORPORATION AND SUBSIDIARIES
ANNEX "A" - FINANCIAL SOUNDNESS
DECEMBER 31, 2017

	2017	2016
Profitability ratios:		
Return on assets	**17.179%**	16.333%
Return on equity	**24.902%**	25.684%
Net profit margin	**16.666%**	16.628%
Solvency and liquidity ratios:		
Current ratio	**2.297**	2.009
Debt to equity ratio	**0.356**	0.439
Financial leverage ratio:		
Asset to equity ratio	**1.410**	1.497
Debt to asset ratio	**0.253**	0.294
Interest rate coverage ratio	**49.878**	38.839

PRYCE CORPORATION AND SUBSIDIARIES
ANNEX "B" – MAP OF CONGLOMERATE OR GROUP OF COMPANIES WITHIN WHICH THE COMPANY BELONGS
DECEMBER 31, 2017



PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE A – FINANCIAL ASSETS
DECEMBER 31, 2017

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Valued based on market quotation at end of reporting period	Income received and accrued
Global-Estate Resorts, Inc.	143,900,000	₱ 205,777,000	₱ 205,777,000	₱ -
San Miguel Corp. Series 2-C Preference	2,374,800	189,984,000	189,984,000	-
Ginebra San Miguel	3,263,360	87,621,215	87,621,215	-
First Philippine Holdings	1,363,775	84,554,050	84,554,050	-
Top Frontier	264,651	75,690,186	75,690,186	-
San Miguel Corp. Series 2-B Preference	271,570	20,775,105	20,775,105	-
San Miguel Corp. Sub Series 2-E Preference	261,250	19,985,625	19,985,625	-
Energy Development Corp.	2,854,744	16,386,230	16,386,230	-
San Miguel Corp. Sub Series 2-F Preference	159,970	13,109,542	13,109,542	-
San Miguel Corp. Sub Series 2-D Preference	124,650	9,429,773	9,429,773	-
San Miguel Corporation	61,666	6,881,926	6,881,926	-
Century Properties Group, Inc.	175,000	85,750	85,750	-
Total	155,075,436	₱ 730,280,402	₱ 730,280,402	₱ -

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE B - ACCOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS AND EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
FOR THE PERIOD ENDED DECEMBER 31, 2017

Name of Debtor	Debtor designation	Balance at beginning of the period	Additions	Amount Collected	Amount Written off	Current	Non current	Balance at end of the period
1 . Deguit, Ethelbert	Officer	₱ 1,000,566	₱ 1,567,700	₱ 691,266	₱ -	₱ 877,000	₱ 1,000,000	₱ 1,877,000
2 . Eco, Servillano Jr.	Officer	-	1,563,553	875,082	-	155,347	533,125	688,472
3 Salcedo, Bernard	Officer	-	1,423,338	823,000	-	120,346	479,992	600,338
4 . Sumillano, Jeremy	Officer	-	1,716,957	1,118,250	-	155,347	443,360	598,707
5 Paasa, Christy Ann	Officer	505,036	2,161,641	2,096,746	-	155,347	414,584	569,931
6 . Veloso, Rolando	Officer	-	630,444	64,843	-	122,574	443,027	565,601
7 . Magallano, Joedim	Officer	599,552	957,123	1,025,800	-	262,063	268,812	530,875
8 . Villegas, Franz Jonas	Officer	712,007	947,618	1,138,457	-	214,313	306,855	521,168
9 Ascaño, Mark Alf	Officer	-	937,809	427,265	-	109,109	401,435	510,544
10 . Competente, Roque	Officer	556,660	396,062	527,158	-	187,929	237,635	425,564
11 . Dy, Carlitos	Officer	928,526	416,488	921,221	-	423,793		423,793
12 . Aguadera, Jonax	Officer	354,185	577,495	550,153	-	381,527		381,527
13 . Sulatre, Alexis	Officer	524,027	1,010,833	1,186,175	-	273,438	75,247	348,684
14 . Gubalani, Concepcion	Officer	342,339	815,886	841,631	-	213,906	102,688	316,594
15 . Escano, Rafael	Officer	581,588	584,943	851,880	-	314,651		314,651
16 . Encabo Erica	Officer	453,095	16,307	163,799	-	163,202	142,401	305,603
17 . Defeles, Maricel	Staff	-	656,000	406,000	-	250,000		250,000
18 . Villanueva, Raul	Officer	418,094	-	180,000	-	180,000	58,094	238,094
19 . Gomez, Roger	Officer	342,339	253,545	358,989	-	136,207	100,688	236,895
20 . Gaid, Carmeli	Officer	307,342	71,144	156,779	-	98,710	122,997	221,707
21 . Mosquera, Leo	Officer	342,339	110,037	243,518	-	125,913	82,944	208,857
22 . Villalobos, Randy	Officer	-	1,717,959	1,537,569	-	180,390		180,390
23 . Lacson,Zaide	Staff	-	213,861	47,681	-	166,180		166,180
24 . Trazo, Benjie	Staff	174,831	29,334	55,242	-	148,922		148,922
25 . Martin, Emiliano	Officer	264,121	30,980	151,549	-	121,082	22,470	143,552
26 . Sangalang, Alexander	Staff	-	377,102	235,245	-	141,857		141,857
27 . Lagunay, Jose Jr.	Staff	-	223,971	117,535	-	106,437		106,437
28 . Palma, Efren	Officer	674,283	-	674,283	-	-	-	-
29 . Abuyog, Rudy	Officer	521,200	-	521,200	-	-	-	-
30 . Lim, Jose Angelo	Officer	494,657	-	494,657	-	-	-	-
31 . Hatud, Feliciano	Officer	427,204	-	427,204	-	-	-	-

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE B - ACCOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS AND EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
FOR THE PERIOD ENDED DECEMBER 31, 2017

Name of Debtor	Debtor designation	Balance at beginning of the period	Additions	Amount Collected	Amount Written off	Current	Non current	Balance at end of the period
32 . Angcos, Agnes	Officer	383,231	-	383,231	-	-	-	-
33 . Ramis, Frecil	Officer	352,048	-	352,048	-	-	-	-
34 . Delima, Robin	Officer	225,436	-	225,436	-	-	-	-
35 . Isog, Reynante	Staff	222,117	-	222,117	-	-	-	-
36 . Logronio, Lucito	Staff	184,393	-	184,393	-	-	-	-
37 . Melendez, Archie	Staff	181,480	-	181,480	-	-	-	-
38 . Sarraga, Darwin	Officer	144,647	-	144,647	-	-	-	-
39 . Narido, Lean	Staff	144,638	-	144,638	-	-	-	-
40 . Lumahang, Jimmy	Staff	135,553	-	135,553	-	-	-	-
41 . Pacheco, Ariel	Staff	125,664	-	125,664	-	-	-	-
42 . Arevalo, Junnifer	Staff	115,304	-	115,304	-	-	-	-
43 . Pagunsan, Ernesto	Staff	113,305	-	113,305	-	-	-	-
44 . Various Employees	below 100k balances	17,266,163	6,529,861	11,181,384	-	10,305,754	2,308,886	12,614,640
TOTAL		**₱ 30,117,970**	**₱ 25,937,991**	**₱ 32,419,378**	**₱ -**	**₱ 16,091,343**	**₱ 7,545,240**	**₱ 23,636,583**

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

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2017

Name and designation of creditor	Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
Pryce Gases, Inc.	Oro Oxygen Corporation	₱ 300,630,057	₱ -	₱ 104,904,475	₱ -	₱ -	₱195,725,582	₱ 195,725,582
Oro Oxygen Corporation	Pryce Corporation	85,400,000	-	4,800,000	-	-	80,600,000	80,600,000
Pryce Corporation	Pryce Gases, Inc.	-	500,000,000	390,476,675	-	-	109,523,325	109,523,325
Pryce Gases, Inc.	Pryce Corporation	8,502,454	-	8,502,454	-	-	-	-
Pryce Pharmaceuticals, Inc.	Pryce Gases, Inc.	374,073	135,481	-	-	-	509,554	509,554
		₱ 394,906,584	₱500,135,481	₱ 508,683,604	₱ -	₱ -	₱ 386,358,461	₱ 386,358,461

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE D – INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2017

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending balance
Goodwill	₱ 70,668,305	₱ -	₱ -	₱ -	₱ -	₱ 70,668,305

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE E – LONG TERM DEBT
DECEMBER 31, 2017

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long term debt" in related statement of financial position	Amount shown under caption "Long-term debt" in related statement of financial position

Not Applicable

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2017

Name of related parties	Balance at beginning of period	Balance at end of period
Josefina Multi-Ventures Corporation	₱ 60,470,817	₱ -

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE G – GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2017

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

Not Applicable

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE H – CAPITAL STOCK
DECEMBER 31, 2017

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	2,098,000,000	2,024,500,000	-	512,681,212	60,641,836	1,451,176,952

“Annex C”

PRYCE CORPORATION AND SUBSIDIARIES
DECEMBER 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
PFRS 9 (2014)	Financial Instruments		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2017		Adopted	Not Adopted	Not Applicable
	Instruments and Obligations Arising on Liquidation			
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2017		Adopted	Not Adopted	Not Applicable
	Financial Assets - Effective Date and Transition			
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2017		Adopted	Not Adopted	Not Applicable
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

Not Applicable – Standards and interpretations that are effective as at January 1, 2017 but will never be applicable to the Group due to the nature of its operations or not relevant to the Group because there are currently no related transactions.

Not Adopted – Standards and interpretations that are already issued but are not effective for the year ended December 31, 2017 and were not early adopted by the Group.

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

ANNEX "D"

RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As at December 31, 2017

PRYCE CORPORATION

17th Floor Pryce Center, 1179 Don Chino Roces Avenue cor. Bagtikan Street, Makati City.

Retained earnings available for declaration of dividend as at December 31, 2017 is computed as follows:

Unappropriated retained earnings, as adjusted to available for dividend declaration at beginning of year		**(₱113,695,056)**
Net income during the year closed to Retained Earnings	**₱ 787,277,356**	
Less: Non-actual/unrealized income, net of tax		
Equity in net income of associate/joint venture	-	
Gain on change in fair value of financial asset	**(20,004,880)**	
Add: Non-actual losses		
Depreciation on revaluation increment	**9,153,559**	
Net income actually earned during the year		**776,426,035**
Add: Dividend declarations during the year		**(242,940,000)**
Total retained earnings as at December 31, 2017 available for dividend declaration		**₱ 419,790,979**

PRYCE CORPORATION (Parent Company)
Aging of Accounts Receivable
As of December 31, 2017

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	**2,163,136**	454,467	505,577	584,079	619,013				
2. Low-cost housing	**2,939,901**	238,209	388,954	518,646	580,093	541,855	672,144		
3. Memorial Parks	**92,655,652**	10,844,196	12,761,987	14,379,361	15,479,070	14,596,588	15,510,425		9,084,025
4. Hotel									
5. Head Office	**106,064**	106,064							
Totals	**97,864,753**	**11,642,936**	**13,656,518**	**15,482,086**	**16,678,176**	**15,138,443**	**16,182,569**	**-**	**9,084,025**
Less: Allow. For Doubtful Acct.	**7,415,618**								7,415,618
Sub Total	***90,449,135***	***11,642,936***	***13,656,518***	***15,482,086***	***16,678,176***	***15,138,443***	***16,182,569***	**-**	***1,668,407***
b. Non-trade Receivables									
Advances to Officers & Employees	**4,215,971**	851,972	722,053						2,641,946
Advances to Suppliers & Contractors	**1,181,651**	421,347	405,648						354,656
Others	**2,788,926**	476,960	616,038						1,695,928
Totals	**8,186,548**	**1,750,279**	**1,743,739**	**-**	**-**	**-**	**-**	**-**	**4,692,530**
Less: Allow. For Doubtful Acct.	**4,612,551**								4,612,551
Sub Total	***3,573,997***	***1,750,279***	***1,743,739***	**-**	**-**	**-**	**-**	**-**	***79,979***
Grand Total	***94,023,132***	***13,393,215***	***15,400,257***	***15,482,086***	***16,678,176***	***15,138,443***	***16,182,569***	**-**	***1,748,386***

Accounts Receivable Description

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

SEC Number 168063
File Number ________

PRYCE CORPORATION
(formerly PRYCE PROPERTIES CORPORATION)

Company's Full Name

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

Company's Address

899-44-01 (trunkline)

Telephone Number

December 31

Fiscal Year Ending (Month & Day)

SEC Form 17-Q

Form Type

N/A

Amendment Designation (if applicable)

March 31, 2018

Period Ended Date

N/A

Secondary License Type and File Number

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended March 31, 2018
2. Commission identification number 168063
3. BIR Tax Identification No. 000-065-142-000
4. PRYCE CORPORATION (formerly Pryce Properties Corporation)
5. Metro Manila, Philippines
6. Industry Classification Code: ☐
7. 17th Floor Pryce Center, 1179 Chino Roces Avenue cor. Bagtikan St. Makati City 1203
8. (0632) 899-44-01 (Trunkline)
9. N. A.

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

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

Title of Each Class	No. of Outstanding shares
Common Shares	2,024,500,000

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

    Yes { / } No { }

    Philippine Stock Exchange Common Stock

12. Indicate by check mark whether the registrant:

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

    Yes { / } No { }

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

    Yes { / } No { }

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements.

Please see attached.

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

Net income grew by 12.8% from Php 301.7 million to Php 340.3 million for the first quarter ended March 31, 2018. Over the same period, consolidated revenues correspondingly grew from Php 2.21 billion to Php 2.35 billion, registering a modest 6.3% growth.

Revenue contribution and percentage of sales by product category for the first quarter of 2018 were as follows: liquefied petroleum gas (LPG) under the Prycegas brand, including cylinders and accessories, P2.21 billion (94%); industrial gases, P106.5 million (4.5%); real estate sales, mainly from memorial parks, P24.7 million (1%); and pharmaceuticals, P11.3 million (0.5%).

LPG and industrial gases, the Pryce group's principal source of revenue, are the products of Pryce Gases, Inc. (or PGI). Sales of real estate, including memorial parks, are under the mother company, Pryce Corporation, while sales of vitamins and supplements and other pharmaceutical products are handled by Pryce Pharmaceuticals, Inc. Oro Oxygen Corporation, a fully-owned subsidiary of PGI, distributes LPG and industrial gases only in Luzon.

<u>Revenue and Volume Growth</u>

First quarter consolidated revenues rose by a modest 6.3% growth, from Php 2.21 billion to Php 2.35 billion. The rise in consolidated revenue was mainly due to the 12.9% growth in sales volume of LPG in the Vis-Min regions. Likewise, revenues from industrial gases and pharmaceuticals increased by 4.1% and 53.7% respectively; however, revenue from real estate decreased by 2.8%.

First quarter volume sales of LPG in the Vis-Min regions increased to 21,992 metric tons (MT) from 19,487 MT of the same period in 2017, a growth of 12.9%. Comparable sales volume in Luzon dropped by 2.1% as management gave more emphasis to margins than to volume sales. The anticipation of an increased LPG price due to the January 1, 2018 effectivity of the TRAIN Law, which would slap a P1 per kilo excise tax on LPG, probably took away 2 to 3 days worth of sales from January 2018 and instead added these to December 2017 sales. Thus, volume sales in January 2018 came out lower than they would have been otherwise.

Total revenue from industrial gases increased by 4.1%, from Php 102.3 million in 2017 to Php 106.5 million in 2018. Volume wise, sales of oxygen barely grew, posting less than 0.01%, whereas that for acetylene dipped by 5.6%; other gases, on other hand, registered a 12.82% volume growth. Total volume of cylinder refills slightly increased from 264,516 cylinders to 265,163 cylinders.

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

Apart from those mentioned above, the comparatively lower LPG contract prices (CP) also contributed to the lower growth in peso sales during the first quarter. The average CP during the first quarter of 2018 was US$519 per MT, which is US$19 per MT lower than US$ 538 per MT, the average CP for the same period in 2017.

Market demand for LPG will continue to grow in the near term notwithstanding the inflationary pressures brought about mainly by the TRAIN Law. This view is supported by accelerating domestic consumption due to robust household incomes amid continued inward remittances from overseas

Filipino workers as well as the government's ambitious infrastructure development program that is expected to generate further employment.

On industrial gases, average refill price of oxygen increased slightly by 0.9% while those for acetylene and other gases also went up by 5.38% and 19.61%, respectively.

Competition and Market Aspects

The LPG market is a highly competitive environment, particularly in Luzon which accounts for about 80% of the country's total demand whereas Vis-Min accounts for the balance of 20%. Latest DOE statistics (as of Dec. 31, 2017) put PGI's share at 13% of total market, with 9.3% share in Luzon and 25% share of the combined Vis-Min market.

The company has set targets of 15% sales volume growth in Vis-Min and 20% net income growth for the company in 2018. It is confident that it will achieve these targets given its ongoing expansions in its marine-fed terminals and refilling plants across the country. Moreover, the effects of such expansions are expected to gradually show its effects in the coming quarters, yield positive results and validate the company's growth expectations for volume and net income in 2018.

Profitability

Income from operations amounted to Php 340.7 million, 9.47% higher than the previous quarter of Php 311.2 million. Pre-tax net income for the quarter reached Php 394.2 million, 9.57% higher than Php 359.8 million a year ago. Although this quarter's pre-tax net income was higher, the provision for income tax of Php 53.9 million was lower versus last year's Php 58.1 million due to tax incentives granted by the BOI with respect to the marine terminals in San Fabian, Pangasinan, Albuera, Leyte, and Sta. Cruz, Davao del Sur. Net income after tax for the quarter was Php 340.3 million, thereby resulting in a 12.8% growth from Php 301.7 million of last year.

The above net income of Php 340.3 million translated to an earnings per share (EPS) of Php 0.1550, which is 12.48% higher than the previous of 0.1378. The percentage growth in EPS of 12.48% is numerically lower than the net income growth of 12.8% because of the increase in outstanding shares to 2,024,500,000 over the previous year of 2,000,000,000 shares. The increase in outstanding shares is on account of a company affiliate's acquisition of 24,500,000 shares from the Parent Company's increase in authorized capital stock from 2,000,000,000 to 2,098,000,000, which was approved by the SEC on December 13, 2017.

Liquidity

Total liquid assets of the company as of March 31, 2018 amounted to Php 1.369 billion, which decreased by 11% compared to Php 1.539 billion recorded as of yearend 2017 based on audited accounts. This decrease is due to the initial payments made to contractors working on the aforementioned expansion projects of the company and the payment of the cash dividends amounting to Php 242.09 million that was paid on February 5, 2018. The liquid assets consisted of Cash of Php 500.5 million and Financial Assets at fair value (marketable securities) of Php 868.4 million.

Current ratio as of the end of the first quarter of 2018 was at 2.39:1 while total debt-to-equity ratio stood at 0.33.

Balance Sheet Changes

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

Account Name	% Increase or (Decrease)	Reason for Change
Cash	(38.12%)	Payments on CAPEX for expansion projects and cash dividends
Financial assets at fair value	18.91%	Additional investments in marketable securities
Trade and other receivables	55.91%	Advances / downpayments to contractors for expansion projects in 2018
Inventories	5.39%	Increase in inventory for resale
Prepayments and other current assets	(16.18%)	Due to application of creditable withholding tax and amortization of prepayments
Goodwill	10.58%	Acquisition by parent company of the shares of a minority interest in subsidiary
Trade and other payables	9.35%	Increase in purchases and various accruals
Dividends payable	(99.65%)	Payments of cash dividends
Income tax payable	58.67%	Increase in net income
Customers' deposits	19.84%	Increase in collection of downpayments on real estate sales
Short-term debts	14.29%	Additional availment of short term loan
Retirement benefit obligation	(11.87%)	Payment of benefit obligation to retirement fund
Retained earnings	20.29%	Due to net income of 2018

Numerical Performance Indicators

The measures of revenue growth are presented below.

REVENUE GROWTH			
Pryce Corporation & Subsidiaries			
	2018 (March 31, 2018)	**2017 (March 31, 2017)**	Percent Growth/ (Decline)
REVENUE	Php 2,352,985,970	Php 2,213,983,883	6.3%

VOLUME GROWTH			
Principal Product – Liquefied Petroleum Gas			
	2018 (March 31, 2018)	**2017 (March 31, 2017)**	Percent Growth/ (Decline)
LPG (in MT)	49,312	49,560	(0.5)%

Measurements on profitability (before tax) are shown below.

	2018 (March 31, 2018)	**2017 (March 31, 2017)**
Return on Assets (%)	4.07 %	4.22%
Return on Equity (%)	5.69 %	6.19%
Net profit margin (%)	16.75 %	16.25%

The measurements on liquidity are shown below.

LIQUIDITY		
Pryce Corporation & Subsidiaries		
	2018 (March 31, 2018)	**2017 (March 31, 2017)**
Current ratio	2.39	2.62
Debt to equity ratio	0.33	0.39

* * * * * * * * * * * *

PART II – OTHER INFORMATION

In the period under review, a report was filed on April 4, 2018 with the SEC, by way of SEC 17-C, pertaining to the postponement of the annual stockholders' meeting. (A notice of the annual stockholders' meeting was filed with the PSE and SEC on May 9, 2018 and May 10, 2018, respectively and which meeting will be held on June 28, 2018.)

SIGNATURES

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

PRYCE CORPORATION
By:

JOSE MA. C. ORDENES
SVP - Treasurer

SALVADOR P. ESCAÑO
Chairman & CEO

May 15, 2018

PRYCE CORPORATION and SUBSIDIARIES

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

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

	2018	Audited 2017
ASSETS		
Current assets		
Cash - note 5	**500,477,557**	808,828,983
Financial assets at fair value through profit or loss (FVPL) - note 6	**868,398,073**	730,280,402
Trade and other receivables (net) - note 7	**516,779,927**	331,458,795
Inventories - note 8	**830,002,382**	787,570,966
Real estate projects - note 9	**845,958,691**	844,664,436
Prepayments and other current assets - note 10	**57,177,637**	68,212,104
	3,618,794,267	3,571,015,686
Noncurrent assets		
Advances to related parties - note 20	**131,553,549**	131,444,881
Property, plant and equipment (net) - notes 11 and 12	**5,935,414,060**	5,716,962,400
Investment properties - note 13	**115,497,888**	115,497,888
Deferred tax assets	**39,616,841**	39,616,841
Goodwill - note 14	**78,148,305**	70,668,305
	6,300,230,643	6,074,190,315
TOTAL ASSETS	**9,919,024,910**	9,645,206,001
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables - note 15	**798,111,363**	729,839,796
Income tax payable	**145,189,847**	91,501,863
Customers' deposits - note 16	**167,906,924**	140,109,299
Short-term debts - note 17	**400,000,000**	350,000,000
Dividends payable	**846,914**	242,940,000
	1,512,055,048	1,554,390,958
Noncurrent liabilities		
Retirement benefit obligation - note 27	**116,379,469**	132,056,136
Deferred tax liabilities	**742,453,873**	751,376,471
	858,833,342	883,432,607
TOTAL LIABILITIES	**2,370,888,390**	2,437,823,565
Equity		
Equity attributable to equity holders of the Parent Company		
Capital stock - note 18	**2,024,500,000**	2,024,500,000
Additional paid-in capital	**369,834,820**	369,834,820
Retained earnings	**2,036,215,533**	1,692,745,178
Fair value gain on real estate properties - note 29	**1,030,726,843**	1,030,726,843
Other comprehensive income - note 26	**1,702,239,298**	1,723,058,695
	7,163,516,494	6,840,865,536
Non-controlling interest	**384,620,026**	366,516,900
TOTAL EQUITY	**7,548,136,520**	7,207,382,436
TOTAL LIABILITIES AND EQUITY	**9,919,024,910**	9,645,206,001

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

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the Period Ended March 31, 2018 and 2017

	2018	2017
REVENUES - note 21		
Liquefied petroleum and industrial gases	**2,316,918,881**	2,181,152,015
Real estate	**24,740,128**	25,462,741
Pharmaceutical products	**11,326,962**	7,369,127
	2,352,985,970	2,213,983,883
COST OF SALES - note 22		
Liquefied petroleum and industrial gases	**1,795,856,876**	1,704,671,808
Real estate	**4,503,464**	5,048,479
Pharmaceutical products	**7,441,526**	4,789,933
	1,807,801,866	1,714,510,220
GROSS INCOME	**545,184,104**	499,473,663
OPERATING EXPENSES - note 23	**204,474,724**	188,239,893
INCOME FROM OPERATIONS	**340,709,380**	311,233,770
OTHER INCOME (CHARGES) - Net		
Finance costs - note 24	**(3,967,182)**	(5,663,053)
Fair value gain (loss) on financial assets at FVPL	**21,373,934**	30,689,517
Other income (net) - note 25	**36,096,762**	23,533,781
	53,503,513	48,560,246
NET INCOME BEFORE TAX	**394,212,894**	359,794,016
Provision for Income Tax	**(53,881,394)**	(58,084,306)
NET INCOME	**340,331,500**	301,709,710
Total comprehensive income attributable to:		
Equity holders of the Parent Company	**313,728,374**	275,666,115
Non-controlling interests	**26,603,126**	26,043,594
	340,331,500	301,709,710
EARNINGS PER SHARE - note 28	**0.1550**	0.1378

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

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the Period Ended March 31, 2018 and 2017 and December 31, 2017

	March 31 2018	March 31 2017	December 31 2017 Audited
CAPITAL STOCK	**2,024,500,000**	2,000,000,000	2,024,500,000
ADDITIONAL PAID-IN CAPITAL	**369,834,820**	271,834,820	369,834,820
FAIR VALUE GAIN ON REAL ESTATE PROPERTIES	**1,030,726,843**	1,030,726,843	1,030,726,843
OTHER COMPREHENSIVE INCOME	**1,702,239,298**	1,791,451,302	1,723,058,695
RETAINED EARNINGS (DEFICIT)			
At beginning of period	**1,692,745,178**	668,034,738	668,034,738
Net income for the period	**313,728,374**	275,666,115	1,148,682,457
Transfer of revaluation reserve deducted from operations through additional depreciation charges	**29,741,981**	-	118,967,983
Declaration of cash dividends	**-**	-	(242,940,000)
At end of period	**2,036,215,533**	943,700,854	1,692,745,178
TREASURY STOCK	**-**	-	-
	7,163,516,494	6,037,713,820	6,840,865,536
NON-CONTROLLING INTEREST			
At beginning of period	**366,516,900**	330,930,478	330,930,478
Net income for the period	**26,603,126**	26,043,594	103,263,874
Declaration of cash dividends	**-**	-	(67,677,452)
Acquisition of 8.5 million PGI common shares of non-controlling interest	**(8,500,000)**	-	-
At end of period	**384,620,026**	356,974,073	366,516,900
TOTAL EQUITY	**7,548,136,520**	6,394,687,893	7,207,382,436

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

	March 31 2018	March 31 2017	December 31 2017 Audited
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**394,212,894**	359,794,016	1,537,723,657
Adjustments for :			
Depreciation - notes 11 and 12	**89,239,379**	88,493,621	319,757,627
Retirement benefit expense	**9,323,332**	6,427,465	14,487,168
Finance costs - note 24	**3,967,182**	5,663,053	31,460,634
Unrealized gain on financial assets at FVPL - note 6	**(21,373,934)**	(30,689,517)	(37,321,484)
Gain on sale of financial assets at FVPL - note 25	**(12,023,900)**	(2,417,727)	(71,166,680)
Dividend income - note 25	**(11,237,618)**	(799,992)	(8,610,501)
Retirement benefit income	**-**	-	(2,456,485)
Interest income - note 25	**(146,589)**	(51,461)	(1,043,506)
Unrealized foreign exchange gain	**-**	-	(1,459,337)
Gain on sale of property, plant and equipment	**-**	-	(2,636,014)
Operating income before working capital changes	**451,960,745**	426,419,457	1,778,735,079
Decrease (increase) in assets:			
Trade and other receivables	**(185,321,132)**	145,625,636	23,356,261
Inventories	**(42,431,416)**	(78,686,227)	(177,188,754)
Prepayments and other current assets	**11,034,467**	11,677,412	8,130,571
Real estate projects	**(1,294,255)**	4,102,078	(22,060,631)
Increase (decrease) in liabilities:			
Trade and other payables	**68,271,554**	65,666,938	241,575,435
Customers' deposits	**27,797,625**	(8,364,110)	(40,570,169)
Net cash from operations	**330,017,588**	566,441,184	1,811,977,792
Additions to financial assets at FVPL - note 6	**(179,609,435)**	(42,817,032)	(713,531,925)
Proceeds from sale of financial assets at FVPL	**74,889,598**	59,908,533	521,334,601
Interest received	**146,589**	51,461	1,043,506
Income taxes paid	**(193,410)**	(93,659,992)	(262,243,932)
Contributions and retirement benefits paid	**(25,000,000)**	(11,602,464)	(84,561,459)
Net cash from operating activities	**200,250,931**	478,321,690	1,274,018,583
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment - notes 11 and 12	**(307,691,039)**	(72,210,854)	(589,352,628)
Additional investment in shares of stock	**(15,980,000)**	-	-
Additional investment properties - note 13	**-**	(3,870,000)	(5,540,000)
Proceeds from sale of property, plant and equipment	**-**	-	8,737,454
Dividends received - note 25	**11,237,618**	799,992	8,610,501
Collection of advances to related parties	**-**	9,926	29,287
Grant of advances to related parties	**(108,668)**	-	(131,444,881)
Net cash used in investing activities	**(312,542,089)**	(75,270,936)	(708,960,267)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of short-term debts	**350,000,000**	200,000,000	600,000,000
Settlement of advances from related parties	**-**	(15,117,704)	(60,470,817)
Finance costs paid	**(3,967,182)**	(5,663,053)	(31,460,634)
Payment of short-term debts	**(300,000,000)**	(375,000,000)	(825,000,000)
Payment of dividends	**(242,093,086)**	-	(67,677,447)
Net cash used in financing activities	**(196,060,268)**	(195,780,757)	(384,608,898)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**-**	-	316,524
NET INCREASE (DECREASE) IN CASH	**(308,351,426)**	207,269,998	180,765,942
CASH - note 5			
AT BEGINNING OF PERIOD	**808,828,983**	628,063,041	628,063,041
AT END OF PERIOD	**500,477,557**	835,333,039	808,828,983

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

(Expressed in Philippine Peso)

1. CORPORATE INFORMATION

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

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

The Parent Company is primarily engaged in acquiring, purchasing, leasing, holding, selling or otherwise dealing in land and or real estate or any interest or right therein as well as real or personal property of every kind and description including but not limited to shares of stock in industrial, commercial, manufacturing and any other similar corporations. The Parent Company's shares are listed in the Philippine Stock Exchange (PSE). The Parent Company's stock price as at March 31, 2018 amounted to ₱6.00 per share.

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

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries, and the corresponding percentages of ownership of the Parent Company as at March 31, 2018 and December 31, 2017:

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

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

Pryce Gases, Inc. (PGI)

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

On October 21, 2014, the Company was registered with the Board of Investments (BOI) under section 9 of Republic Act No. 8479 otherwise known as Oil Industry Deregulation Law. As a registered enterprise with the BOI, the Company is entitled to all benefits and incentives provided for under RA 8479. Under the income tax holiday period, the Company has three (3) tanks with 2,100 metric tons (MT) gross capacity for each tank located in San Fabian, Pangasinan. The incentive was availed of by the Company on January 1, 2014 for a period of five (5) years.

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

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

As at March 31, 2018, PGI has eight (8) liquefied petroleum gas (LPG) marine-fed terminals and fifty (50) refilling plants of varying storage capacities.

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

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

Financial position

	2018	2017
Current assets	**₱ 1,929,225,541**	₱ 1,795,158,575
Noncurrent assets	**5,585,067,640**	5,408,473,410
Total assets	**7,514,293,181**	7,203,631,985
Current liabilities	**1,057,167,182**	923,894,239
Noncurrent liabilities	**546,812,898**	683,177,598
Total liabilities	**1,603,980,080**	1,607,071,837
Equity	**₱ 5,910,313,101**	₱ 5,596,560,148

The significant information on the unaudited statements of comprehensive income of PGI for the periods ended March 31, 2018 and 2017 is as follows:

Results of operations

	2018	2017
Revenues	**₱ 2,314,124,547**	₱2,188,928,182
Costs and expenses	**(2,008,607,663)**	(1,899,112,055)
Profit for the year	**305,516,884**	289,816,127
Total comprehensive income for the year	**₱ 305,516,884**	₱289,816,127

Oro Oxygen Corporation (OOC)

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

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

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

As at March 31, 2018, OOC has three (3) liquefied petroleum gas (LPG) refilling plants of varying storage capacities.

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

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

Financial position

	2018	2017
Current assets	**₱ 236,702,173**	₱ 317,698,756
Noncurrent assets	**518,280,311**	515,762,431
Total assets	**754,982,484**	833,461,187
Current liabilities	**88,987,567**	104,094,089
Noncurrent liabilities	**130,596,819**	195,725,582
Total liabilities	**219,584,386**	299,819,671
Equity	**₱ 535,398,098**	₱ 533,641,516

The significant information on the unaudited statements of comprehensive income of OOC for the periods ended March 31, 2018 and 2017 is as follows:

Results of operations

	2018	2017
Revenue	₱ **61,614,514**	₱ 88,290,862
Costs and expenses	(**59,857,931)**	(87,610,601)
Profit for the year	**1,756,583**	680,261
Total comprehensive income for the year	₱ **1,756,583**	₱ 680,261

Pryce Pharmaceuticals, Inc. (PPhI)

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

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

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

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

Financial position

	2018	2017
Current assets	₱ **21,309,451**	₱ 14,523,906
Noncurrent assets	**1,492,279**	4,922,132
Total assets	**22,801,730**	19,446,038
Current liabilities	**12,646,697**	9,502,331
Noncurrent liabilities	**-**	-
Total liabilities	**12,646,697**	9,502,331
Equity	₱ **10,155,033**	₱ 9,943,707

The significant information on the unaudited statements of comprehensive income of PPhI for the periods ended March 31, 2018 and 2017 is as follows:

Results of operations

	2018	2017
Revenue	₱ **11,326,962**	₱ 7,369,127
Costs and expenses	(**11,115,636)**	(7,236,397)
Profit for the year	**211,326**	132,730
Total comprehensive income for the year	₱ **211,326**	₱ 132,730

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

Statement of compliance

The consolidated financial statements of the Group have been prepared in conformity with Philippine Financial Reporting Standards (PFRS), except for the recognition of fair value gain on real estate properties transferred by the Parent Company to PGI as equity contribution, which have been taken up in the books and records of the Parent Company at cost instead of fair value as required under PFRS 3, *Business Combination*. This was a case of an extremely rare circumstance in which management concluded that compliance with a requirement in PFRS would so be misleading that it would conflict with the objectives of the consolidated financial statements set out in the Framework. Because of this circumstance, the management of the Parent Company reduced the perceived misleading aspects of compliance by complying with the disclosures stated in Note 29. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by the former Standing Interpretations Committee (SIC), the Philippine Interpretations Committee (PIC) and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

Basis of presentation and measurement

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

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

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

Changes in accounting policies and disclosures

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

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

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

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

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

Annual Improvements to PFRSs 2014-2016 Cycle

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

The annual improvements addressed the following issues:

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

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

New accounting standards, interpretations and amendments to existing standards effective subsequent to January 1, 2017

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

Annual Improvements to PFRSs 2014-2016 Cycle

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

The annual improvements addressed the following issues:

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

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

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

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

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

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

PFRS 9, Financial Instruments (2014). The standard requires all recognized financial assets that are within the scope of PAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or at fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely for payments of principal and interest on the outstanding balance are generally measured at amortized cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. For financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or increase an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. The standard is to be effective no earlier than the annual periods beginning January 1, 2018, with earlier application permitted.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and all subsidiaries it controls. Control is achieved when the Parent Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these three elements of control.

When the Parent Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Parent Company considers all relevant facts and circumstances in assessing whether or not the Parent Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Parent Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Parent Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Parent Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

The financial statements of the subsidiaries are prepared for the same reporting year, using accounting policies that are consistent with those of the Company. Intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions are eliminated in full in the consolidation.

Business Combinations and Goodwill

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

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

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

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

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

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

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

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

Non-controlling interests

Non-controlling interest represents the portion of the net assets of consolidated subsidiaries not held by the Group, and is presented separately in the consolidated statements of comprehensive income, consolidated statement of changes in equity and within the equity section of the consolidated statement of financial position, separate from the Group's equity. Non-controlling interest share in the losses even if the losses exceed the non-controlling equity interest in the subsidiary.

Non-controlling interest represents the 8.65% in 2018 and 8.96% in 2017 interest in PGI not owned by the Parent Company, 9% in 2018 and 9.31% in 2017 interest in OOC not owned by the Parent Company, and 11.34% in 2018 and 11.39% in 2017 interest in PPhI not owned by the Parent Company. The non-controlling stockholders' share in losses of PGI, OOC and PPhI are limited to the investment made. Any additional losses are for the account of the Group.

Changes in the ownership interests in existing subsidiaries

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

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

Disposal of subsidiaries

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

Segment reporting

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

Financial instruments

Initial recognition, measurement and classification of financial instruments

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

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

On initial recognition, the Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) financial assets and available-for-sale (AFS) financial assets. The Group also classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at the end of each reporting period. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

The Group does not hold financial assets at AFS or HTM financial assets and FVPL financial liabilities as at March 31, 2018 and December 31, 2017.

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

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

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

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

Financial assets at FVPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial assets and is included in the consolidated statements of comprehensive income.

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

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

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

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

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

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

Fair value measurement disclosures of financial and non-financial assets are presented in Note 33 to the consolidated financial statements.

“Day 1” Difference

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated, taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in consolidated statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. These financial assets are included in current assets if maturity is within twelve (12) months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

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

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

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

Cash

Cash includes cash on hand and cash in banks.

Trade and other receivables

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

Other financial liabilities

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

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

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables include nontrade payables, deposits for park interment services, cylinder deposits, due to government agencies, accrued expenses and other payables.

Trade payable and accrued expenses are classified as current liabilities if payment is due within one (1) year or less or in the normal operating cycle of the business if longer, while nontrade payables are classified as current liabilities if payment is due within one (1) year or less. If not, these are presented as noncurrent liabilities.

Customers' deposits

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

Offsetting of financial assets and financial liabilities

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

Derecognition of financial assets and financial liabilities

(a) Financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(b) Financial liabilities

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

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

Impairment of financial assets

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

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

(a) Financial assets carried at cost

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

(b) Loans and receivables

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of loss is measured as a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of loss is recognized in the consolidated statements of comprehensive income.

If in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, and the increase or decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If a future write-off is later recovered, the recovery is recognized in the consolidated statements of comprehensive income under "Other income (charges)" account. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of comprehensive to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group.

Real estate projects

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

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

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

Inventories

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

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

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

Pharmaceutical products are composed of medicinal drugs.

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

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

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

- *Raw materials* – Cost is determined primarily on the basis of moving average cost. Raw materials maintained at year end pertain to calcium carbide to be used in the production of acetylene under industrial gases product line.

- *General supplies* – Cost is determined using the first-in, first-out (FIFO) method. General supplies include accountable forms, office supplies, cylinder maintenance, electrical and oxygen supplies used for production.

Net realizable value for finished goods is the estimated selling price in the ordinary course of business less the estimated cost of marketing and distribution. Net realizable value for raw materials and materials and supplies is the current replacement cost. In case of supplies, net realizable value is the estimated realizable value of the supplies when disposed of at their condition at the end of reporting period.

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

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

Prepayments and other current assets

Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account is mainly composed of prepaid maintenance, insurance, rent, taxes and licenses and other prepaid items. Prepaid rentals and insurance premiums and other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in the consolidated statements of comprehensive income when incurred. Creditable withholding tax is deducted from income tax payable on the same year the revenue was recognized.

Prepayments that are expected to be realized for no more than twelve (12) months after the reporting period are classified as current assets, otherwise, these are classified as other noncurrent assets.

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

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

Property, plant and equipment

Property, plant and equipment are initially measured at cost. Subsequent to initial recognition, they are stated at cost less accumulated depreciation and any impairment in value, except for land

and land improvements, buildings and structures, machineries and equipment, oxygen and acetylene cylinders, and hotel and office equipment, which are carried at revalued amounts, as determined by an independent appraiser, less any accumulated depreciation and any impairment in value. Additions subsequent to the date of appraisal are stated at cost.

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

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

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

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

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

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

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

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

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

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

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

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

Investment properties

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

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

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

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

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

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

As at March 31, 2018 and December 31, 2017, included in investment properties are the Group's land and memorial lawn lots, which are held for lease and capital appreciation, respectively.

Impairment of non-financial assets other than goodwill

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Borrowings and borrowing costs

(a) Borrowings

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

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

(b) Borrowing costs

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

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

Leases

Group as a lessee

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

Income taxes

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

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

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each reporting date, the Group reassesses the need to recognize previously unrecognized deferred income tax asset.

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

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

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

Retirement benefit obligation

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

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

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

Retirement benefit expense comprises the following:

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

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

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

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

Related party relationships and transactions

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

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

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

Deposit for future stock subscription

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

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

Equity

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

Additional paid-in capital includes any premiums received on the issuance of capital stock. Incremental costs directly attributable to the issue of new shares are deducted from additional paid-in-capital, net of tax. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one (1) class of stock, a separate account is maintained for each class of stock and the number of shares issued.

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

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

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

Dividends payable

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

Revenue recognition

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

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

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

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

- *Revenues arising from hotel operations*

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

- *Sale of goods*

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

- *Rental income from operating lease*

  Rental income is recognized on straight-line basis over the lease term.

- *Interest income*

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

- *Dividend income*

  Dividend income is recognized when the Group's right to receive payment is established. The right to receive payment is usually established when the dividends is declared by the Board of Directors (BOD).

- *Other comprehensive income*

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

- *Other income*

  Other income is recognized when earned.

Cost and expense recognition

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

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

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

Foreign currency transactions

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Provisions and contingencies

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

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and the amount can be estimated reliably. The expense relating to any provision is presented in the consolidated statements of comprehensive income, net of any reimbursement.

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

Earnings per share

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

Events after the reporting period

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

Significant accounting judgments in applying the Group's accounting policies

(a) Functional currency

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

(b) Revenue recognition on real estate transactions

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

(c) Operating lease

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

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

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

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

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

(e) Allowance for impairment of trade and other receivables

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

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

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

(f) Allowance for impairment on real estate projects

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

(g) Impairment of prepayments and other current assets

Prepayments and other current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized whenever there is existing evidence that the carrying amount is not recoverable. The Group's management evaluated that based on their review, there were no indicators of impairment as at March 31, 2018 and December 31, 2017.

(h) Impairment of non-financial assets

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

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

(i) Impairment of goodwill

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

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

(j) Income taxes

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

Significant accounting estimates and assumptions

(a) Useful lives of property, plant and equipment

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

As at March 31, 2018 and December 31, 2017, the carrying amounts of property, plant and equipment, net of accumulated depreciation of ₱4.18 billion and ₱4.09 billion, amounted to ₱5.94 billion and ₱5.72 billion, respectively (see Notes 11 and 12).

(b) Retirement benefit obligation

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

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

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

The carrying amount of the Group's retirement benefit obligation amounted to ₱116.38 million and ₱132.06 million as at March 31, 2018 and December 31, 2017, respectively (see Note 27).

(c) *Recognition and realizability of deferred tax assets*

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

As at March 31, 2018 and December 31, 2017, the estimates of future taxable income indicate that certain temporary differences will be realized in the future, to which the Group recognized deferred tax assets amounting to ₱39.62 million, net of unrecognized deferred tax asset amounting to ₱9.18 million.

5. CASH

This account consists of:

	2018	2017
Cash on hand	**₱ 3,237,633**	₱ 74,151,647
Cash in banks	**497,239,924**	734,677,336
	₱ 500,477,557	₱ 808,828,983

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from bank deposits is disclosed as part of the "Other income (net)" account in the consolidated statements of comprehensive income in the amount of ₱146,589 and ₱51,461 for the periods ended March 31, 2018 and 2017, respectively (see Note 25).

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

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

The movement of the account is as follows:

	2018	2017
Cost		
Balance at beginning of period	**₱ 619,653,819**	₱ 356,289,815
Additions	**179,609,435**	713,531,925
Disposals	**(62,865,698)**	(450,167,921)
	736,397,556	619,653,819
Fair value gain	**132,000,517**	110,626,583
Balance at end of period	**₱ 868,398,073**	₱ 730,280,402

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

Dividend income earned from financial assets at FVPL is presented under "Other income (net)" account in the consolidated statements of comprehensive income amounting to ₱11.2 million and ₱800 thousand for the periods ended March 31, 2018 and 2017, respectively (see Note 25).

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

	2018	2017
Balance at beginning of period	₱ 110,626,583	₱ 73,305,099
Fair value gain during the period	21,373,934	37,321,484
Balance at end of period	₱ 132,000,517	₱ 110,626,583

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

7. TRADE AND OTHER RECEIVABLES (NET)

This account consists of:

	2018	2017
Trade	₱ 181,964,346	₱ 218,874,047
Receivable from memorial lot owners	54,308,928	53,849,000
Advances to contractors and suppliers	240,027,778	16,966,654
Advances to officers and employees	21,685,521	23,636,583
Refundable deposits	13,212,856	8,824,148
Cylinder deposits	-	-
Others	36,170,240	39,898,105
	547,369,669	362,048,537
Less: Allowance for impairment loss	30,589,742	30,589,742
Net	₱ 516,779,927	₱ 331,458,795

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

Advances to contractors and suppliers pertain to advance payments made to suppliers and contractors for the development of real estate projects and acquisition of property and equipment which will be subsequently reclassified to property and equipment once the title has been transferred to the Company.

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

Refundable deposits mainly represent bonds paid to various suppliers.

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

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

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

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

8. INVENTORIES

This account consists of:

	2018	2017
Finished goods:		
LPG, cylinders, stoves and accessories	**₱ 728,261,620**	₱ 647,705,282
Industrial gases	**11,446,864**	56,058,253
Pharmaceutical products	**4,849,958**	5,686,286
	744,558,442	709,449,821
In-transit LPG	**-**	-
Material and supplies	**76,684,130**	71,306,989
Raw materials	**8,759,810**	6,814,156
	₱ 830,002,382	₱ 787,570,966

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

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

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

9. REAL ESTATE PROJECTS

Real estate projects consist of:

	2018	2017
Memorial park lots:		
Zamboanga Memorial Gardens	**₱ 69,294,017**	₱ 69,376,475
Mt. Apo Gardens	**62,935,862**	63,155,006
Cagayan de Oro Gardens	**58,566,973**	59,765,773
Pryce Gardens – Manolo Fortich	**51,418,958**	51,997,516
Pryce Gardens – Pagadian	**49,645,460**	49,772,015
Pryce Gardens – Butuan	**31,953,173**	29,733,029
Pryce Gardens – Alabel	**23,522,437**	23,530,075
North Zamboanga Gardens	**19,821,242**	20,403,917
Pryce Gardens – Bislig	**15,675,138**	15,682,776
Ma. Cristina Gardens	**14,651,776**	15,570,995
Ozamis Memorial Gardens	**14,867,797**	15,117,043
Pryce Gardens – Malita	**13,393,956**	13,401,594
Pryce Gardens – Malaybalay	**10,365,200**	10,395,135
	436,111,989	437,901,349
Subdivision lots:		
Villa Josefina Resort Village	**68,538,020**	68,538,020
Puerto Heights Village	**24,865,064**	24,865,064
Saint Joseph Homes	**11,244,397**	11,612,448
	104,647,481	105,015,532
Condominium units:		
Pryce Tower	**98,768,412**	98,768,412
Land held for development:		
Cagayan de Oro	**129,401,302**	127,866,927
Davao	**47,133,094**	47,133,094
Misamis Oriental	**29,896,413**	27,979,122
	206,430,809	202,979,143
	₱ 845,958,691	₱ 844,664,436

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

10. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

	2018	2017
Prepaid taxes and licenses	₱ 14,860,103	₱ 12,138,966
Input tax	-	7,497,157
Prepaid insurance	4,803,303	6,550,820
Prepaid rent	21,634,120	4,111,704
Deferred charges	1,989,707	1,061,629
Prepaid maintenance	-	834,246
Creditable withholding tax	-	-
Inventory materials	-	-
Foods and materials inventory	-	-
Others	13,890,404	36,017,582
	₱ 57,177,637	₱ 68,212,104

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

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

Deferred charges represent project development cost in progress.

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

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

Details of property, plant and equipment are as follow:

As at March 31, 2018

	Net carrying amounts, January 1, 2018	Appraisal increase (decrease)	Additions	Depreciation	Reclassification	Disposals	Net carrying amounts, March 31, 2018
Land and improvements	₱1,475,127,433	₱ -	₱163,515	(₱ 303,403)	₱ -	₱ -	₱1,474,987,545
Buildings and structures	852,641,430	-	12,872,729	(18,593,234)	-	-	846,920,925
Machinery and equipment	2,121,536,019	-		(34,633,506)	-	-	2,086,902,513
Oxygen and acetylene cylinders	278,500,848	-	14,668,693	(14,774,929)	-	-	278,394,612
Hotel and office equipment	7,411,339	-	-	(409,250)	-	-	7,002,089
	₱4,735,217,069	₱ -	₱27,704,937	(₱68,714,322)	₱ -	₱ -	₱4,694,207,684

	Cost	Accumulated depreciation	Net carrying amounts, March 31, 2018
Land and improvements	₱ 1,492,215,800	(₱ 17,228,255)	₱ 1,474,987,545
Buildings and structures	1,386,146,224	(539,225,299)	846,920,925
Machinery and equipment	4,290,219,814	(2,203,317,301)	2,086,902,513
Oxygen and acetylene cylinders	968,554,918	(690,160,306)	278,394,612
Hotel and office equipment	73,278,235	(66,276,146)	7,002,089
	₱ 8,210,414,991	**(₱ 3,516,207,307)**	**₱ 4,694,207,684**

As at December 31, 2017

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

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

Depreciation charged to operations was allocated as follows:

	March 31, 2018	March 31, 2017
Cost of sales	**₱ 53,210,612**	₱59,612,564
Operating expenses	**15,503,710**	16,981,605
	₱ 68,714,322	₱ 76,594,169

The fair market value of the properties was determined by an independent appraiser on June 29, 2016 and September 11, 2016. The valuation, which conforms to International Valuation Standards, was determined by reference to recent market transactions between market participants at the measurement date. The revaluation reserves, net of applicable deferred income taxes, were credited to "Revaluation reserves" and are shown in "Other comprehensive income" in the stockholders' equity.

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

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

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

Details of property, plant and equipment are as follow:

As at March 31, 2018

	Net carrying amounts, January 1, 2018	Additions	Reclassification	Disposals	Depreciation	Net carrying amounts, March 31, 2018
LPG plant, machinery and equipment	₱ 104,708,398	₱ 6,563,544	₱ -	₱ -	(₱ 4,553,887)	₱ 106,718,055
Machinery and equipment	468,928,321	22,121,611	-	-	(7,575,109)	483,474,823
Transportation equipment	78,076,797	10,397,754	-	-	(5,650,214)	82,824,337
Leasehold improvements	1,527,114	-	-	-	(492,449)	1,034,665
Furniture, fixtures and equipment	26,405,906	417,390	-	-	(2,042,228)	24,781,068
Construction in progress	295,874,769	240,485,803	-	-	-	536,360,572
Buildings and structures	6,224,026	-	-	-	(211,170)	6,012,856
	₱ 981,745,331	**₱ 279,986,102**	**₱ -**	**₱ -**	**(₱ 20,525,057)**	**₱ 1,241,206,376**

	Cost	Accumulated depreciation	Net carrying amounts, March 31, 2018
LPG plant machinery and equipment	₱ 188,805,447	(₱ 82,087,392)	₱ 106,718,055
Machinery and equipment	645,368,555	(161,893,732)	483,474,823
Transportation equipment	379,332,104	(296,507,767)	82,824,337
Leasehold improvements	17,244,552	(16,209,887)	1,034,665
Furniture, fixtures and equipment	132,128,451	(107,347,383)	24,781,068
Construction in progress	536,360,572	-	536,360,572
Buildings and structures	9,239,473	(3,226,617)	6,012,856
	₱ 1,908,479,154	**(₱ 667,272,778)**	**₱ 1,241,206,376**

As at December 31, 2017

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

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

Depreciation charged to operations was allocated as follows:

	March 31, 2018	March 31, 2017
Cost of sales	**₱ 12,641,600**	₱ 7,913,410
Operating expenses	**7,883,457**	3,986,042
	₱ 20,525,057	₱ 11,899,452

Construction in progress pertains mainly to LPG and refilling plants.

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

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

13. INVESTMENT PROPERTIES

This account consists of:

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

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

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

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

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

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

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

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

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

14. GOODWILL

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

	2018	2017
Attributable to:		
Investment in subsidiaries by Parent Company		
Pryce Gases, Inc. (PGI)	**₱ 76,377,066**	₱ 68,897,066
Pryce Pharmaceuticals, Inc. (PPhI)	**1,771,239**	1,771,239
	₱ 78,148,305	₱ 70,668,305

Acquisition of PGI

The recoverable amount of PGI's cash generating units (CGUs) was based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to cash flow projections of 8.0%. Cash flows beyond the five-year period are extrapolated using the steady growth rate of 1.0%. The carrying value of goodwill amounted to ₱76,377,066 and ₱68,897,066 as at March 31, 2018 and December 31, 2017, respectively. No impairment loss was recognized for goodwill arising from the acquisition of PGI.

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

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

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

Acquisition of PPhI

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

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

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

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

15. TRADE AND OTHER PAYABLES

	2018	2017
Accounts payable:		
Trade	**₱ 553,075,654**	₱ 485,250,574
Nontrade	**1,365,223**	6,383,809
Accrued expenses:		
Salaries, wages and benefits	**10,407,590**	10,277,725
Others	**4,096,762**	4,139,378
Deposits for park internment services	**109,292,761**	98,821,755
Due to park maintenance fund	**21,047,568**	17,245,826
Cylinder deposits	**88,790,819**	56,000,100
Due to government agencies	**3,080,255**	42,374,975
Reserve fund liability	**6,954,731**	6,643,777
Deferred income	**-**	2,701,877
	₱ 798,111,363	₱ 729,839,796

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

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

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

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

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

16. CUSTOMERS' DEPOSITS

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

The customers' deposits amounted to ₱167,906,924 and ₱140,109,299 as at March 31, 2018 and December 31, 2017, respectively.

17. SHORT-TERM DEBTS

Short-term debts consist of:

PGI

In 2018 and 2017, PGI obtained various short-term debts from local banks with an aggregate amount of ₱300 million and ₱600 million, respectively, at an average interest rate of 4.50% to 5.00% per annum. These are generally termed for ninety (90) days to one (1) year. The outstanding balance of the short term loan amounted to ₱325 million and ₱250 million as at March 31, 2018 and December 31, 2017, respectively.

OOC

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

Total interest incurred charged to operations amounted to ₱3.9 million and ₱5.4 million for the periods ended March 31, 2018 and 2017, respectively (see Note 24).

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

18. CAPITAL STOCK

Details of this account are as follows:

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

Track record of the Parent Company

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

On March 21, 1994, the SEC approved the declassification of the Parent Company's capital stock made through an amendment of the Articles of Incorporation. Thus, the Parent Company's capital stock stood at ₱1,000,000,000 divided into 1,000,000,000 common shares with the par value of ₱1.00 per share.

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

The Parent Company's shares are listed in the PSE. As at March 31, 2018 and December 31, 2017, the Parent Company's stock price amounted to ₱6.00 and ₱6.80 per share, respectively.

As at March 31, 2018 and December 31, 2017, the Parent Company has three hundred sixty-three (363) and three hundred sixty-five (365) equity holders, respectively.

Treasury stock

In 2015, PGI acquired 47,058,543 of the Parent Company shares through acquisition with the Philippine Stock Exchange (PSE). The total amount paid to acquire the shares, net of income tax, was ₱10,352,879 and is presented as a deduction in the consolidated statements of changes in equity as "Treasury stock". In 2016, PGI reissued the shares of the Parent Company.

19. RETAINED EARNINGS

In a special meeting held on December 21, 2017, the BOD declared cash dividends amounting to ₱242,940,000 equivalent to ₱0.12 per share to stockholders of record as at January 12, 2018 payable on February 5, 2018. Outstanding dividends payable amounted to ₱846,914 and ₱242,940,000 as at March 31, 2018 and December 31, 2017, respectively. The dividends were paid on February 5, 2018.

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

On September 12, 2017, the BOD of PGI, in a special meeting held for the purpose thereof, approved the declaration of cash dividend at ₱0.10 per share on the present paid up and outstanding capital stock of the Company amounting to ₱280 million to be taken out of the

Company's earned surplus as of December 31, 2016 and to be issued to stockholders of record as of September 14, 2017, which was paid on September 21, 2017.

The dividend income received by the Parent Company from PGI amounted to NIL for the periods ended March 31, 2018 and 2017.

20. RELATED PARTY TRANSACTIONS

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

Relationships

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

Transactions

The Group has unsecured non-interest bearing advances to its other related parties with no definite repayment terms and no guarantee.

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

	Amount of transactions		Outstanding balances	
Related parties	**2018**	2017	**2018**	2017
PRFI	**₱ 76,522**	₱ 67,660,704	**₱ 67,737,226**	₱ 67,660,704
JMVC	**-**	(26,487)	**-**	-
PPI	**-**	(2,800)	**-**	-
HHC	**18,091**	-	**18,091**	-
DMTI	**14,055**	-	**14,055**	-
Stockholders	**-**	63,784,177	**63,784,177**	63,784,177
	₱ 108,668	₱ 131,415,594	**₱ 131,553,549**	₱ 131,444,881

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

21. REVENUES

The details of this account are as follows:

a) Liquefied petroleum and industrial gases

	2018	2017
LPG, cylinders, stoves and accessories:		
Content	**₱ 2,141,454,674**	₱ 2,016,429,624
Cylinders	**65,433,935**	60,297,560
Stove and accessories	**3,517,483**	2,099,182
	2,210,406,092	2,078,826,366
Industrial gases:		
Oxygen	**76,377,290**	75,679,377
Acetylene	**16,970,253**	17,053,461
Other gases	**13,165,246**	9,592,811
	106,512,789	102,325,649
	₱ 2,316,918,881	₱ 2,181,152,015

b) Real estate

Revenues from real estate amounted to ₱24,740,128 and ₱25,462,741 for the periods ended March 31, 2018 and 2017, respectively.

c) Pharmaceutical products

Revenues from pharmaceutical products amounted to ₱11,326,962 and ₱7,369,127 for the periods ended March 31, 2018 and 2017, respectively.

22. COST OF SALES

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

	2018	2017
LPG, cylinders, stoves and accessories:		
Content	**₱ 1,680,588,851**	₱ 1,602,644,327
Cylinders	**58,537,047**	56,433,899
Stoves and accessories	**3,183,255**	1,688,975
	1,742,309,153	1,660,767,201
Industrial gases:		
Oxygen	**37,218,462**	32,419,970
Acetylene	**11,231,076**	8,362,571
Other gases	**5,098,185**	3,122,066
	53,547,723	43,904,607
	₱ 1,795,856,876	₱ 1,704,671,808

b) Cost of real estate amounted to ₱4,503,464 and ₱5,048,479 for the periods ended March 31, 2018 and 2017, respectively. The cost of real estate recognized in the consolidated statements of comprehensive income on disposal is determined with reference to the specific costs incurred on the property sold.

c) Cost of sales on pharmaceutical products

	2018	2017
Beginning inventory – note 8	₱ **5,686,286**	₱ 2,743,015
Add: Purchases	**6,605,198**	6,972,138
Total good available for sale	**12,291,484**	9,715,153
Less: Ending inventory – note 8	**4,849,958**	4,925,220
	₱ **7,441,526**	₱ 4,789,933

23. OPERATING EXPENSES

This account consists of:

	2018	2017
Selling expenses:		
Salaries, wages and benefits	₱ **28,019,225**	₱ 27,676,712
Freight and handling	**1,139,157**	6,209,452
Repairs and maintenance	**15,638,645**	8,747,365
Outside services	**6,917,727**	4,982,342
Fuel and oil	**7,140,483**	5,538,221
Depreciation – notes 11 and 12	**5,229,040**	4,124,090
Rent and utilities	**9,168,786**	5,518,116
Commissions	**3,333,059**	3,130,689
Materials and supplies	**2,211,490**	2,139,943
Travel and transportation	**4,086,673**	2,468,715
Taxes and licenses	**5,407,443**	1,784,233
Advertisements	**614,688**	401,891
Representation and entertainment	**1,345,127**	379,078
Insurance	**592,884**	449,032
Training and seminars	**281,326**	172,911
Professional fees	**195,092**	73,567
Dues and subscriptions	**228,089**	60,386
Others	**4,109,694**	3,964,373
	95,658,628	77,821,116

Forwarded

Continued		**2018**		2017
General and administrative expenses:				
Salaries, wages and benefits	**₱**	**34,167,405**	₱	33,107,725
Depreciation – notes 11 and 12		**18,158,127**		16,843,557
Repairs and maintenance		**3,059,282**		13,532,475
Travel and transportation		**5,058,906**		4,081,656
Rent and utilities		**4,761,645**		3,499,412
Fuel and oil		**3,055,735**		2,164,506
Outside services		**9,712,085**		2,486,361
Materials and supplies		**2,799,247**		3,484,219
Dues and subscriptions		**1,192,478**		2,836,495
Provision for retirement benefits		**9,323,332**		6,427,465
Freight and handling		**2,799,711**		896,912
Advertisements		**226,269**		301,465
Representation and entertainment		**586,505**		2,902,294
Taxes and licenses		**3,002,983**		2,789,981
Insurance		**3,319,973**		3,357,997
Professional fees		**1,873,620**		1,077,505
Meetings and conferences		**108,710**		558,521
Training and seminars		**34,430**		214,441
Donation		**327,018**		-
Others		**5,248,635**		9,855,790
		108,816,096		110,418,777
	₱	**204,474,724**	₱	188,239,893

24. FINANCE COSTS

This account consists of:

			2018		2017
Importations		**₱**	**21,711**	₱	221,051
Short-term debts – note 17			**3,924,208**		5,442,002
Others	-		**21,263**		-
		₱	**3,967,182**	₱	5,663,053

25. OTHER INCOME (NET)

This account consists of:

	2018	2017
Other income:		
Gain on sale of financial assets at FVPL – note 6	₱ 12,023,900	₱ 2,417,727
Gain on settlement of debts covered by rehabilitation plan	-	15,117,705
Dividends - note 6	11,237,618	799,992
Sale of scrap and junked materials	10,600,576	5,146,896
Interest income from banks – note 5	146,589	51,461
Others	2,088,079	-
	₱ 36,096,762	₱ 23,533,781

26. OTHER COMPREHENSIVE INCOME

	2018	2017
Remeasurement gains on retirement benefit obligation		
At beginning of period	₱ 20,848,377	₱ 5,963,396
Remeasurement gain (loss) during the period	-	21,264,258
Effect of deferred income tax	-	(6,379,277)
At end of period	20,848,377	20,848,377
Revaluation reserve		
At beginning of period	1,702,210,318	1,785,487,906
Appraisal increase	-	-
Deferred tax effect on revaluation reserve of the appraisal increase	-	-
Transfer of revaluation reserve deducted from operations through additional depreciation charges	(29,741,981)	(118,967,983)
Deferred income tax effect on revaluation reserve charged to operations through additional depreciation	8,922,584	35,690,395
At end of period	1,681,390,921	1,702,210,318
Total other comprehensive income	₱ 1,702,239,298	₱ 1,723,058,695

27. RETIREMENT BENEFIT OBLIGATION

The Group maintains a retirement benefit plan covering all employees on regular employment status. The plan is a funded noncontributory defined benefit plan that provides retirement benefits equal to the following: (a) 150% of monthly final salary for every year of service rendered for the first 20 years; (b) 175% of monthly final salary for every year of service rendered in excess of 20 years but not more than 25 years; and, (c) 200% of monthly final salary for every year of service rendered in excess of 25 years. The plans use the projected unit credit method of actuarial valuation in its retirement benefit cost computation.

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

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

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

Parent Company

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

PGI

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

The discount rate as at March 31, 2018 and December 31, 2017, also called the zero yield curve was derived by applying the procedure of bootstrapping on the bonds included in the PDST-R2 Index, projected as of the valuation date. Assumptions regarding mortality experience are based on 100% of the adjusted 1985 Unisex Annuity Table and 100% of the adjusted 1952 Disability Table reflecting experience improvement and Philippine experience.

28. EARNINGS PER SHARE

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

	2018	2017
Net income attributable to the owners of the Parent Company	**₱ 313,728,374**	₱ 275,666,115
Weighted average number of common shares	**2,024,500,000**	2,000,000,000
	₱ 0.155	₱ 0.138

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

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

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

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

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

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

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

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

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

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

In 2005 and 2004, PGI transferred significant portion of the above real estate properties to its creditors by way of dacion en pago based on fair values as determined in the Court Order issued by the Regional Trial Court on the rehabilitation plan of PGI. The difference between the fair value and cost (as reported in the books and records by the parent company) of these transferred properties amounted to ₱129 million in 2005 and ₱902 million in 2004 or an aggregate amount of ₱1.03 billion. Subsequent to 2005, there was no real estate properties of PGI transferred to creditors by way of dacion en pago.

The ₱1.03 billion as at March 31, 2018 and December 31, 2017 represents the net difference between the fair value and the related cost the parent company's real estate properties transferred to PGI creditors in settlement of its debts covered by the rehabilitation plan. This amount was arrived at in the elimination process of intercompany account balances and such difference was accounted for as "Fair value gain on real estate properties" account and presented under equity section in the consolidated statements of financial position.

Effect of Parent Company's recognition of real estate properties transferred to PGI at cost

Had the Parent Company applied the fair value method of accounting on the recognition of its transferred real estate properties to PGI, the fair value gain on real estate properties should have been recognized as income and increases the consolidated retained earnings as at March 31, 2018 and December 31, 2017 by ₱1.03 billion.

30. OPERATING LEASE AGREEMENTS

PGI has entered in various operating lease agreements for its Visayas and Mindanao sales offices with various local companies for a period of one (1) year renewable thereafter upon mutual agreement of both parties.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and financing activities. The Group's risk management is in the Board of Directors (BOD), and focuses on actively securing the Group's short-to medium-term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below:

- *Credit risk*

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

Credit risk exposure

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

	2018	2017
Cash (excluding cash on hand)	**₱ 497,239,924**	₱ 734,677,336
Trade and other receivables	**236,273,274**	272,723,047
Advances to related parties	**131,553,549**	131,444,881
	₱ 865,066,747	₱ 1,138,845,264

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

Credit quality information

As at March 31, 2018 and December 31, 2017, the credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and areas.

Based on historical information about customer default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good. The Group classifies advances to related parties as neither past due nor impaired. Advances to related parties generally have no specific credit terms. The Group does not hold any collateral as security on these receivables.

The management continues to review advances to related parties for any legally enforceable right to offset with liabilities with the expressed intention of the borrower related parties to settle on a net basis.

- *Liquidity risk*

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

- *Price risk*

This is a risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market.

The Group is exposed to such risk because of its equity securities classified as financial assets at FVPL. The Group is continuously monitoring the market prices of these securities.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

	Increase (Decrease) in Basis Points	Effect on Income Before Tax	Effect on Equity After Tax
2018	**100**	**(₱86,839,807)**	**(₱60,787,865)**
	50	**(43,419,904)**	**(30,393,933)**
	(100)	**86,839,807**	**60,787,865**
	(50)	**43,419,904**	**30,393,933**
2017	100	(₱73,028,040)	(₱51,119,628)
	50	(36,514,020)	(25,559,814)
	(100)	73,028,040	51,119,628
	(50)	36,514,020	25,559,814

- *Interest rate risk*

The Group's exposure to interest rate risk relates primarily to the Parent Company and PGI's financial instruments with floating interest rate. Floating rate of financial instruments are subject to cash flow interest rate risk.

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

	Increase (Decrease) in Basis Points	Effect on Income Before Tax	Effect on Equity After Tax
2018	**100**	**(₱ 40,000,000)**	**(₱ 28,000,000)**
	50	**(20,000,000)**	**(14,000,000)**
	(100)	**40,000,000**	**28,000,000**
	(50)	**20,000,000**	**14,000,000**
2017	100	(₱ 35,000,000)	(₱ 24,500,000)
	50	(17,500,000)	(12,250,000)
	(100)	35,000,000	24,500,000
	(50)	17,500,000	12,250,000

32. CAPITAL RISK OBJECTIVE AND MANAGEMENT

The primary objective of the Group's management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The capital that the Group manages includes all components of its equity as shown in the consolidated statements of financial position.

The Group monitors its capital gearing by measuring the ratio of interest-bearing debt to total capital and net interest-bearing debt to total capital. Interest-bearing debt includes all short term and long term debt while net interest-bearing debt includes all short term and long term debt net of cash and financial assets at FVPL.

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

	2018	2017
Total equity (a)	**₱ 7,548,136,520**	₱ 7,207,382,436
Total assets (b)	**9,919,024,910**	9,645,206,001
Equity ratio (a/b)	**76%**	75%

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

33. FAIR VALUE INFORMATION

Assets measured at fair value

The following table gives information about how the fair values of the Group's assets, which are measured at fair value at the end of each reporting period, are determined (in particular, the valuation technique(s) and inputs used.

	Fair value as at Mar. 31, 2018 and Dec. 31, 2017		Fair value hierarchy	Valuation techniques
	2018	2017		
Financial assets at FVPL	**₱ 868,398,073**	₱ 730,280,402	Level 1	Quoted prices in an active market

Assets and liabilities not measured at fair value but fair values are disclosed

The following gives information about how the fair values of the Group's assets and liabilities, which are not measured at fair value but the fair values are disclosed at the end of each reporting.

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

ii. The carrying amount and fair value of the categories of noncurrent financial and non-financial assets and financial liabilities presented in the consolidated statements of financial position are shown on the table as follows:

	2018		2017			
	Carrying Value	**Fair Value**	Carrying Value	Fair Value	Fair value hierarchy	Input used
Financial asset						
Advances to related parties	**₱ 131,553,549**	**₱ 110,950,294**	₱ 131,444,881	₱ 111,059,988	Level 3	(b)
Nonfinancial asset						
Investment properties	**115,497,888**	**115,497,888**	115,497,888	115,497,888	Level 2	(a)
	247,051,437	**226,448,182**	246,942,769	226,557,876		
Liability						
Advances from related parties	**₱ -**	**₱ -**	₱ -	₱ -	Level 3	(b)

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

(a) The fair value is determined by applying the market comparison approach. The valuation model is based on the market price of comparable real estate properties in the area in which the Group's investment properties are located.

(b) Advances to and from related parties

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

Significant unobservable input	Relationship of unfavorable inputs
Discounted cash flows of zero-rated liabilities from related parties determined by reference to prevailing market lending rate of 5.842% in 2018 and 5.778% in 2017.	The higher the discount rate, the lower the fair value.

The table below shows the sensitivity analysis of the above unobservable inputs to the valuation model to the carrying amounts of the due to and from related parties as at March 31, 2018 and December 31, 2017:

		Increase (Decrease) in carrying amount	
	Change in Unobservable Input to Valuation Model	Advances from related party	Advances to related parties
2018	**0.05%**	**₱ -**	**(₱ 157,091)**
	-0.05%	**-**	**157,388**
2017	0.05%	₱ -	(₱ 157,341)
	-0.05%	-	157,639

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

* * *

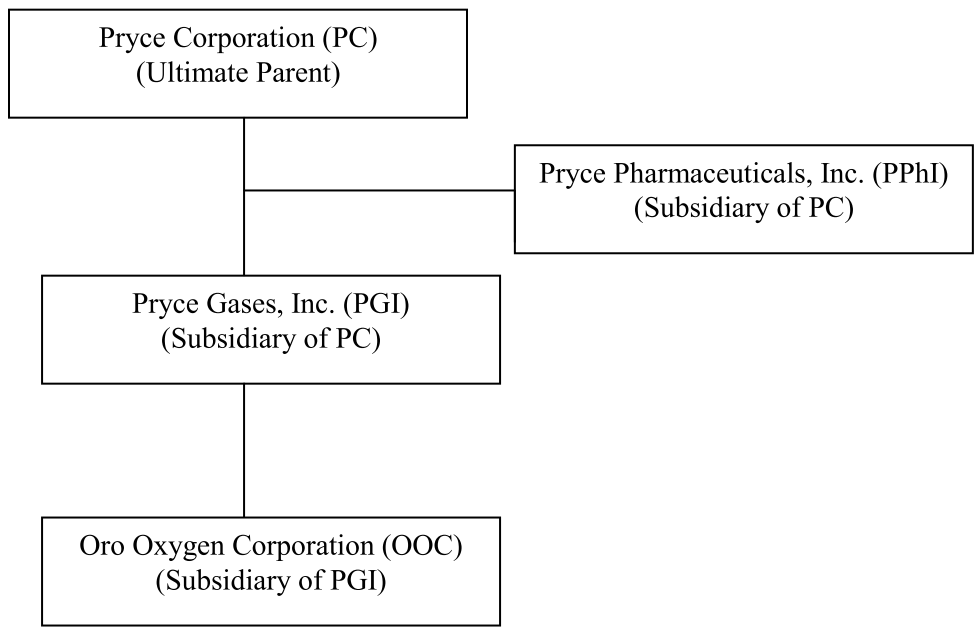
PRYCE CORPORATION AND SUBSIDIARIES

ANNEX "A" - FINANCIAL SOUNDNESS

	Jan to Mar 2018	Jan to Mar 2017
Profitability ratios :		
Return on assets	**4.07%**	4.22%
Return on equity	**5.69%**	6.19%
Net profit margin	**16.75%**	16.25%

	Mar. 31 2018	Dec. 31 2017
Solvency and liquidity ratios:		
Current ratio	**2.393**	2.297
Debt to equity ratio	**0.331**	0.356
Financial leverage ratio:		
Asset to equity ratio	**1.385**	1.410
Debt to asset ratio	**0.239**	0.253
Interest rate coverage ratio	**100.368**	49.878

PRYCE CORPORATION AND SUBSIDIARIES
ANNEX "B" – MAP OF CONGLOMERATE OR GROUP
OF COMPANIES WITHIN WHICH THE COMPANY BELONGS
MARCH 31, 2018



“Annex C”

PRYCE CORPORATION AND SUBSIDIARIES
MARCH 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as at March 31, 2018**		**Adopted**	**Not Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at March 31, 2018		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
PFRS 9 (2014)	Financial Instruments		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at March 31, 2018		Adopted	Not Adopted	Not Applicable
	Instruments and Obligations Arising on Liquidation			
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at March 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at March 31, 2018		Adopted	Not Adopted	Not Applicable
	Financial Assets - Effective Date and Transition			
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at March 31, 2018		Adopted	Not Adopted	Not Applicable
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

Not Applicable – Standards and interpretations that are effective as at January 1, 2017 but will never be applicable to the Group due to the nature of its operations or not relevant to the Group because there are currently no related transactions.

Not Adopted – Standards and interpretations that are already issued but are not effective for the year ended December 31, 2017 and were not early adopted by the Group.

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

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE A – FINANCIAL ASSETS
MARCH 31, 2018

Name of issuing entity and associate of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Valued based on market quotation at end of reporting period
Century Properties Group, Inc.	175,000	₱ 76,125	₱ 76,125
Energy Development Corp.	1,530,591	8,556,004	8,556,004
First Philippine Holdings	1,371,645	90,528,570	90,528,570
Ginebra San Miguel	3,937,360	100,402,680	100,402,680
Global-Estate Resort, Inc,	147,419,000	229,973,640	229,973,640
PNOC Energy Development	1,374,153	7,681,515	7,681,515
San Miguel Corporation	106,250	14,237,500	14,237,500
San Miguel Corp. Series 2-B Preference	337,660	25,932,288	25,932,288
San Miguel Corp. Series 2-C Preference	3,565,024	284,667,166	284,667,166
San Miguel Corp. Sub Series 2-D Preference	124,650	9,348,750	9,348,750
San Miguel Corp. Sub Series 2-E Preference	261,250	19,619,875	19,619,875
San Miguel Corp. Sub Series 2-F Preference	159,970	12,669,624	12,669,624
Top Frontier	234,436	64,704,336	64,704,336
Total	160,596,989	₱ 868,398,073	₱ 868,398,073

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS AND EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
March 31, 2018

	Name of Debtor	Debtor designation	Balance at beginning of the period	Additions	Amount Collected	Amount Written off	Current	Non current	Balance at end of the period
1 .	Deguit, Ethelbert	Officer	1,877,000	15,535	53,467		216,537	1,622,531	1,839,068
2 .	Salcedo, Bernard	Officer	600,338	1,423,338	903,230		650,482	469,964	1,120,446
3	Defeles, Maricel	Staff	250,000	999,276	179,041		1,070,235		1,070,235
4 .	Eco, Servillano Jr.	Officer	688,472	-	38,837		80,029	569,606	649,635
5	Veloso, Rolando	Officer	565,601	-	30,206		92,368	443,027	535,395
6 .	Paasa, Christy Ann	Officer	569,931	1,500	68,895		116,510	386,026	502,536
7 .	Ascaño, Mark Alf	Officer	510,544	-	25,891		83,340	401,313	484,653
8 .	Villegas, Franz Jonas	Officer	521,168	-	38,837		81,018	401,313	482,331
9	Magallano, Joedim	Officer	530,875	118,481	212,778		131,998	304,581	436,578
10 .	Simba, Francisco	Staff	-	1,309,660	891,925		417,735		417,735
11 .	Dy, Carlitos	Officer	423,793	104,874	137,470		391,197	-	391,197
12 .	Competente, Roque	Officer	425,564	-	38,837		140,761	245,966	386,728
13 .	Escano, Rafael	Officer	314,651	99,022	87,263		326,410		326,410
14 .	Villalobos, Randy	Officer	180,390	551,000	414,000		317,390		317,390
15 .	Aguadera, Jonax	Officer	381,527	77,699	146,346		312,880		312,880
16 .	Sulatre, Alexis	Officer	348,684	3,500	62,098		214,840	75,247	290,087
17 .	Gubalani, Concepcion	Officer	316,594	-	30,206		185,700	100,688	286,388
18 .	Encabo Erica	Officer	305,603	-	38,837		124,365	142,402	266,766
19 .	Layug, Sonny	Staff	-	425,436	179,497		245,939		245,939
20 .	Gomez, Roger	Officer	236,895	-	30,206		106,001	100,688	206,689
21 .	Gaid, Carmeli	Officer	221,707	7,411	30,613		75,608	122,897	198,505
22 .	Villanueva, Raul	Officer	238,094	-	45,000		135,000	58,094	193,094
23 .	Mosquera, Leo	Officer	208,857	-	30,206		77,963	100,688	178,651
24 .	Lacson,Zaide	Staff	166,180	-	-		166,180		166,180
25 .	Sangalang, Alexander	Staff	141,857	303,527	294,172		151,213		151,213
26 .	Trazo, Benjie	Staff	148,922	-	6,000		142,922		142,922
27 .	Demetrio, Yvone	Staff	-	383,621	258,436		125,185		125,185
28 .	Aquino, Romulo	Staff	-	149,917	35,712		114,206		114,206
29 .	Martin, Emiliano	Officer	143,552	-	30,206		47,899	65,446	113,345
30 .	Lagunay, Jose Jr.	Staff	106,437	-	-		106,437		106,437
31 .	Various Employees	below 100k b	13,213,347	1,103,645	4,690,292		4,896,444	5,833,900	9,626,700
	TOTAL		**23,636,583**	**7,077,442**	**9,028,504**	**-**	**11,344,792**	**11,444,374**	**21,685,521**

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
MARCH 31, 2018

Name and designation of creditor	Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
Pryce Gases, Inc.	Oro Oxygen Corporation	195,725,582		65,128,763	-	-	130,596,819	130,596,819
Oro Oxygen Corporation	Pryce Corporation	80,600,000		1,200,000	-	-	79,400,000	79,400,000
Pryce Gases, Inc.	Pryce Corporation		19,265,886		-	-	19,265,886	19,265,886
Pryce Corporation	Pryce Gases, Inc.	109,523,325		109,523,325	-	-	-	
Pryce Pharmaceuticals, Inc.	Pryce Gases, Inc.	509,554			-	-	509,554	509,554
		386,358,461	19,265,886	175,852,088	-	-	229,772,259	229,772,259

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE D – INTANGIBLE ASSETS - OTHER ASSETS
MARCH 31, 2018

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending balance
Goodwill	P 70,668,305	P 7,480,000	P –	P –	P –	P 78,148,305

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE E – LONG TERM DEBT
MARCH 31, 2018

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long term debt" in related statement of financial position	Amount shown under caption "Long-term debt" in the related statement of financial position
None	Not Applicable		

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED COMPANIES)
MARCH 31, 2018

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

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE G – GUARANTEES OF SECURITIES OF OTHER ISSUERS
MARCH 31, 2018

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
-N I L-		Not Applicable		

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE H – CAPITAL STOCK
MARCH 31, 2018

Title of issue	Number of shares authorized	Number of shares subscribed and outstanding	Number of shares reversed for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	2,098,000,000	2,024,500,000	–	512,681,212	60,641,836	1,451,176,952

PRYCE CORPORATION (Parent Company)
Aging of Accounts Receivable
As of March 31, 2018

Type of Accounts Receivable	**Total**	1-30 days	31-90 days	91-180 days	Over 180 days	1-2 Years	3-5 years	5 Years - above	Past due accounts
a. Trade Receivables									
1. Subdivision	**1,362,312**	400,813	425,363	396,834	139,302				
2. Low-cost housing	**2,698,605**	238,684	441,395	518,083	571,451	518,741	410,251		
3. Memorial Parks	**104,013,156**	14,618,764	15,985,948	17,482,119	18,350,728	17,790,723	11,597,184		8,187,690
4. Head Office	82,285	82,285							
Totals	**108,156,358**	**15,340,546**	**16,852,706**	**18,397,036**	**19,061,481**	**18,309,464**	**12,007,435**	**-**	**8,187,690**
Less: Allow. For Doubtful Acct.	**7,415,618**								7,415,618
Sub Total	***100,740,740***	***15,340,546***	***16,852,706***	***18,397,036***	***19,061,481***	***18,309,464***	***12,007,435***	**-**	***772,072***
b. Non-trade Receivables									
Advances to Officers & Employees	**4,793,369**	1,108,304	1,043,119						2,641,946
Advances to Suppliers & Contractors	**1,045,551**	362,684	328,211						354,656
Others	**2,788,926**	476,960	616,038						1,695,928
Totals	**8,627,846**	**1,947,948**	**1,987,368**	**-**	**-**	**-**	**-**	**-**	**4,692,530**
Less: Allow. For Doubtful Acct.	**4,612,551**								4,612,551
Sub Total	***4,015,295***	***1,947,948***	***1,987,368***	**-**	**-**	**-**	**-**	**-**	***79,979***
Grand Total	***104,756,035***	***17,288,494***	***18,840,074***	***18,397,036***	***19,061,481***	***18,309,464***	***12,007,435***	**-**	***852,051***

Accounts Receivable Description

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