SEC Number 168063
File Number ________

PRYCE CORPORATION
(formerly PRYCE PROPERTIES CORPORATION)

Company's Full Name

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

Company's Address

899-44-01 (trunkline)
Telephone Number

December 31
Fiscal Year Ending
(Month & Day)

SEC Form 17-A Report

Form Type

N/A

Amendment Designation (if applicable)

December 31, 2011

Period Ended Date

N/A

Secondary License Type and File Number

SECURITIES AND EXCHANGE COMMISSION

SEC Form 17-A
ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended December 31, 2011

2. SEC Identification Number 168063 3. BIR Identification No. 000-065-142-000

4. PRYCE CORPORATION

5. Metro Manila, Philippines 6. [ ] Industry Classification Code

7. 17th Floor Pryce Center, 1179 Chino Roces Avenue cor. Bagtikan St., Makati City, 1203

8. Telephone No. (632) 899-44-01 (trunkline)

9. PRYCE PROPERTIES CORPORATION

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

Title of Each Class	No. of shares/Amount of Outstanding Debt
Subscribed & Issued Common Shares	1,998,750,000
Subscribed Common Shares (partially paid)	1,250,000
Debt Outstanding (Creditors/Banks-principal only)	P 419,450,357 (parent company)*
	P 390,103,998 (subsidiary)**

* Includes credit with Hinundayan Holdings Co.
** See related discussion under *Plans and Prospects* below (Item no. 6 of Part II)

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

Philippine Stock Exchange Common Stock

12. Check whether the issuer:
(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);
Yes [x] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.
Yes [x] No [ ]

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

Market value of voting stock, held by non-affiliates of the registrant, is approximately P350,067,486 million based on 1,400,269,942 shares at P0.25 per share, which was the market price as of the stock's last trading/transaction on February 24, 2006. Trading of the company's stocks were suspended on June 5, 2006. As of the date of this report, the suspension has not been lifted. (The cause for said suspension is discussed in Item no. 5 of Part II of this report).

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

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Background

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

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

Corporate Rehabilitation

The Company filed a petition for rehabilitation with the Regional Trial Court 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 resulting in corresponding declines in cash flows that led to its inability to service its maturing bank debts. The Company's real estate business had been adversely affected by the severe slump in the local property market, which began as an offshoot of the Asian financial crisis in 1997. The Company had been negotiating with its bank creditors, as early as three years prior to the filing of same petition, for restructuring and/or payment of its debts via dacion en pago. However, no agreement was finalized because of several sticking points on the choice and valuation of assets as well as the accrual of interest and penalties. Meantime, China Banking Corp. (CBC) and the Bank of Phil. Islands (BPI) issued legal notices demanding payments. BPI, in fact, subsequently foreclosed on some of PC's assets mortgaged to the former.

It was in the midst of the aforesaid situation that the Management decided to file a petition for rehabilitation to avert the following: a) the scenario of ballooning obligations owing to the continuous accrual of interest and penalties due to the impasse in debt negotiations; and b) the foreclosures on PC's real estate assets and deficiency claims that the banks would file, which would result in the Company's loss of viability as a going concern. The rehabilitation plan submitted by PC to the court 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 as a result of the continuing uncertainty in the real estate market then.

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

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

On the BPI case, the 1st Division of the Court of Appeals (CA) issued its decision on May 3, 2006 in favor of BPI. The Company filed a Motion for Reconsideration on May 26, 2006 and the CA on May 23, 2007 reversed itself, ruling in favor of Pryce Corp. thereby affirming the ruling of the RTC-Makati. BPI filed a Petition for Review on Certiorari with the SC which was denied on January 30, 2008. The SC ruled that BPI failed to sufficiently show that the CA committed any reversible error in the challenged resolutions as to exercise the SC's discretionary appellate jurisdiction. BPI then filed a Motion for Reconsideration, but this was likewise denied with finality when it ruled on April 28, 2008 that BPI did not present a substantial argument to warrant a modification of the SC's earlier resolution.

With respect to CBC's case, the CA's 7th Division issued a ruling, on July 28, 2005, reversing the orders of RTC-Makati. Pryce Corp. filed a Motion for Reconsideration with the CA on August 22, 2005. On April 12, 2006, the CA denied Pryce Corp.'s Motion for Reconsideration, which set aside the rehabilitation plan. Pryce Corp. then filed on June 09, 2006 a Petition for Review on Certiorari with the Supreme Court (SC). The SC promulgated a decision on February 4, 2008 denying PC's appeal and remanding the case to the RTC-Makati for further proceedings to determine the merits of the Company's petition for corporate rehabilitation. PC, however, filed on February 29, 2008 its Omnibus Motion for Reconsideration and Referral to the Court en banc, while CBC filed its own Motion for Reconsideration appealing that the SC should have categorically set aside PC's rehabilitation plan without remanding the case to the lower court. On August 27, 2008, PC received a copy of the SC Resolution, dated June 16, 2008, denying PC's and CBC's Motions for Reconsideration. PC then filed on September 9, 2008 a Motion for Leave to File a Second Motion for Reconsideration because the SC's decision conflicts with its earlier decision (with finality) upholding the approved rehabilitation plan of PC in the BPI vs. PC case and ignores the interim Rules of the SC governing corporate rehabilitation. PC received a resolution, on February 16, 2009, from the SC dated January 14, 2009 which noted the different pleadings submitted by PC in relation to the second motion for reconsideration. PC and CBC are awaiting the decision of the SC.

In the meantime CBC, on September 27, 2008, filed an extra judicial foreclosure on PC's assets located in Davao City. On November 4, 2008, the RTC's Commercial Court granted PC's motion for a status quo order and likewise asked CBC to show cause why it should not be held in contempt of court for moving to foreclose PC's assets. On December 23, 2008, however, CBC filed an appeal with the CA questioning the Commercial Court's ruling of November 4, 2008 and asking the presiding judge to inhibit himself. The CA has yet to issue a ruling on CBC's appeal.

Product Mix

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

In 2011, sales of LPG and industrial gases accounted for 97.48% of PC's consolidated revenues while the balance of 2.52% came from Real Estate sales and Hotel Operations.

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

PGI's business in LPG began in late 1996 by way of a supply agreement with one of the three major oil companies in the country and enabled it to market LPG using the name PryceGas. In the following year, it started the construction of its own sea-fed terminal facilities and in-land refilling plants in various strategic locations in the Visayas and Mindanao. By early 1998 there were five sea-fed terminals and six in-land refilling plants in operation with an aggregate capacity of 4,510 MT. In 1999, the company completed the construction of two more sea-fed terminals and one in-land refilling plant increasing its total capacity to 5,630 MT. At the turn of the millenium, the Company completed its sea-fed terminal in Sogod, Cebu and in-land refilling plant in San Fernando, Pampanga. Two(2) more 500-MT storage tanks were installed in PGI's sea-fed terminal in Astorga, Sta. Cruz, Davao del Sur, in April 2008, in addition to its existing 1,200 MT storage capacity. This brought PGI's aggregate LPG storage capacity to the current 10,350 MT.

In late 2005, PGI decided to enter the LPG automotive fuel ("autogas") business. As of December 2011, it had put into operation a total of 36 autogas stations: 20 are in Mindanao, 15 in Visayas, and 1 in Luzon. PGI believes in the long-term viability of this business, thus more autogas stations are expected to be constructed. More than a year after entering the autogas business, PGI included the selling of diesel and gasoline fuels in many of its autogas stations, of which 19 are selling said fuels.

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

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

In 1996, two years after PC built its first memorial park in Cagayan de Oro City, the Company decided to undertake a policy shift in regard to its property development activies; it decided to focus its efforts in the development and selling of memorial lots. Thus, in just a span of 5 years (1996 to 2001) after such decision, the Company was able to complete five (5) memorial parks in the following major locations: Iligan City, Zamboanga City, Polanco in North Zamboanga (i.e., near Dipolog City), Ozamiz City and Davao City. All of these company's six major memorial parks (discussed in more detail below) are operational, although certain areas in these parks are reserved for future development. Then, beginning in 2005, the Company commenced the development of what it calls "boutique" (or smaller-size) memorial parks. Four (4) boutique memorial parks were essentially completed in the places of: Manolo Fortich, Bukidnon; Malita, Davao Del Sur; Bislig, Surigao Del Sur; and Malaybalay City, Bukidnon. In April 2008, it essentially completed its boutique park in Alabel, Sarangani. In recent years, it has begun obtaining clearances and permits to establish memorial parks in Butuan City, Don Manuel, Bukidnon and Pagadian, City.

As a real estate company, the Company's main activity is the selling of its memorial park inventories and some remaining upscale subdivision lots mainly in Davao City. The company has completed its development of non-memorial park projects and continues to sell off the remaining inventories, after which, the company will concentrate its development activities on memorial parks.

Personnel and Manpower

The Company's regular workforce in the real estate business is comprised of the following: 271 employees for its real estate business, of which 77 are administrative, 186 are in operations and 8 are officers. Compared to the previous year, an increase of 44 personnel occurred principally due to management's continuing policy to regularize memorial park maintenance crews that had served five(5) years or more under agencies contracted by the Company; said regularization was done in recognition and appreciation of the contributions and considerable length of service of said maintenance workers. The subsidiary, PGI, on the other hand, has 559 regular personnel, of which 203 are in the technical group, 195 are in operations, 142 are in administration and 19 are officers. An increase of 119 personnel occurred in PGI in 2011 compared to the previous figure of 440 in 2010; this is on account of regularization of trainees and contractual people and the hiring of additional personnel in line with its continuing expansion in the autogas business and in the creation of additional sales centers. The administration personnel are those who mainly provide support and 'back office' functions, which consist mainly of personnel in the administrative services department and finance & accounting services department; the operations group is composed of employees whose tasks chiefly relate to transport of products and sales/marketing functions; and the technical personnel are those involved in plant operations, gases production, LPG operations, LPG cylinder maintenance and autogas operations.

The number of regular employees expected to be hired in the following year 2012 will depend on developments in the company's business and on the number of employees who may resign within the said period. The employees are not subject to Collective Bargaining Agreement (CBA) since the parent company and its subsidiary are non-unionized.

Marketing and Sales

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

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

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

On the real estate business side, the company, for marketing purposes, divides Mindanao into three regions: the Northern, the Southern and Zamboanga peninsula regions. A marketing and selling team operates in each region and is headed by a sales and marketing manager, with sales supervisors under his wing, who are company employees compensated and incentivized according their team's sales performance. Each team is responsible for periodically improving its marketing plans and strategies in order to meet the agreed sales quotas. The team is also responsible for recruiting its sales force, which are composed of sales associates who are compensated on commission basis.

Competition

PGI operates in a deregulated environment. Prices are determined by market forces, resulting in increasing competition. PGI's industrial gas business is mainly confined to the VisMin area where it competes with about thirteen other industrial gas companies (although it has a budding operation in Central Luzon which supplies LPG on wholesale basis to refillers). It has to contend with different environments for its products in terms of the extent and composition of the competition. PGI considers Southern Industrial Gases Philippines, Inc. (SIG) to be its closest major competitor in the entire VisMin market for industrial gases.

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

PGI's current storage capacity of 10,350 MT is greater than any one of its competitors. The larger capacity terminals and refilling plants at various locations across VisMin allow PGI to cover a wide range of the market within the region. Although PGI's LPG business operates in a deregulated industry in the Philippines, the government exercises moral suasion or outright pressure on the industry from time to time to prevent upward price movements or to influence the magnitude of price increases. In the past, it used its part ownership of a major oil company to influence price movement such as taking the lead in reducing the price of certain oil products, including LPG.

PGI sources its LPG from Asian suppliers, which ship to its marine terminals using vessels loaded with up to 2,000 MT parcel shipments, with either one or two offloading points. This direct importation of LPG theoretically gives PGI a cost advantage over competitors who, because of their smaller storage capacities in VisMin, must source their imported LPG from customs-bonded LPG depots in Batangas or Bataan which are owned by them or some other multinational companies.

For the fiscal year 2011, the Department of Energy reports that PGI's LPG market share in the major regions are as follows: 20% in Mindanao, 16.3% in Visayas, and 2.4% in Northern Luzon; in sum, PGI has an overall 4.2% share of the country's total market. In the industrial gas market, Management estimates that PGI improved its market share in Mindanao to 30%, but for the Visayas region its share remained at 20% as the previous year.

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

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

Government Approvals, Licenses and Permits

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

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

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

	2011	2010	2009
Development Cost	53,921,450	P51,039,724	P33,490,250
Percentage to Revenues	1.70%	2.29%	1.78%

Environmental Regulations

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

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

Item 2. Properties

Completed Projects

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

Cagayan de Oro Gardens

A 20.5 hectare memorial park project in Cagayan de Oro City known as Cagayan de Oro Gardens was developed along the lines of a green park. The project contains first-class burial plots consisting of lawn lots, garden lots and family estates. The average basic burial plot is a lawn lot with an area of 2.44 sq.m. per plot.

Construction of this project started in June 1993. It is actually 99% complete (certain minor works remain, consisting of landscaping and greening works for areas not yet open for sale). The total saleable area is estimated at 124,591 sq.m. or the equivalent of 51,062 lawn lots.

Puerto Heights Village

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

Pryce Tower

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

Socialized Housing Projects

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

Villa Josefina Resort Village

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

Pryce Business Park, Davao

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

Essentially Completed Projects

Pryce Business Park- Iligan City

The Pryce Business Park – Iligan City is built on an 8.5-hectare property in the district of Tubod, Iligan City. As originally envisioned, this would serve as home to new or expanding businesses ready to take advantage of Iligan's continuing commercial growth. With its strategic location, the area would be an ideal site for office buildings, malls, department stores, cinemas, restaurants and food galleries as well as hotels and inns.

The Company's involvement in the project is confined to the land and/or horizontal development. Eventual buyers will have to undertake the construction of facilities and structures, or the Company may sell the entire property as is.

Maria Cristina Gardens

The Company's second memorial park is located in Sta. Filomena, Iligan City on a 27.6-hectare property with a hilly terrain overlooking Iligan Bay on one side and part of the city on another side. It has been developed with the same facilities and amenities as Cagayan de Oro Gardens. The development of the first phase of Maria Cristina Gardens, consisting of 12.33 hectares, is fully completed. The project's Phase-2 area, containing 3.30 has., is still in its initial phase of development consisting of earthmoving works; Phase-3 (4.25 has.), however, has development works that consist of several activities such as earthmoving, road and drainage works, and initial works on water and electrical systems, which are at various levels of accomplishments. The remaining undeveloped land area is reserved for future development.

The areas being developed have an estimated saleable area of 120,662 sq. m. corresponding to 48,265 equivalent lawn lots.

Zamboanga Memorial Gardens

Designed in the same tradition as Pryce's other memorial park projects in Cagayan de Oro and Iligan, the Company's third and largest memorial park project is located on a 49.36 hectare property in Sinunuc, Zamboanga City.

Development of the first 19.4 hectares commenced in July 1997. It is completed and is already operational. Total saleable area for this phase is 117,940 sq.m. corresponding to 47,176 lawn lots. The development of the second phase began in the early part of 2003. It has a gross area of 29 hectares, the saleable portion of which is 15.25 has. and is equivalent to about 61,000 lots. Only about half of the second phase is essentially complete as of December 2006, in terms of electrical, lighting, pathwalks, roads and landscaping works.

North Zamboanga Gardens

This is the Company's fourth memorial park project, which sits on a total of 25.17 -hectare property along the Dipolog River in Dipolog City, Zamboanga del Norte.

The first ten hectares of the project commenced development in October 1997 and was completed in 1999; subsequently in 2000, another area of 9.36 hectares was developed. Presently, the total saleable area measures about 194,000 sq. m., which is equivalent to 43,684 equivalent lawn lots. In 2008, the Company acquired an additional 1.6-hectare property adjacent to the park, which is reserved for future development.

Ozamiz Memorial Gardens

This fifth memorial park is located on a 9.32 hectare property situated along the National Highway connecting the cities of Ozamis and Tangub, within the barrio of Dimaluna, Ozamis City. This project commenced development in December 1999 and became essentially completed by December 2003.

Mt. Apo Gardens

Mt. Apo Gardens is the company's sixth memorial park, located in an 18.1 hectare property in Riverside, Calinan, Davao City. This project is essentially completed and has a currently-identified saleable area of 10.2 hectares, equivalent to 40,853 lawn lots. An area near the entrance gate alongside the main access road has been reserved for future development.

The six(6) aforesaid memorial park projects that have been described are called the company's major memorial parks and are located in Mindanao's major cities. In 2004, management decided that it will build smaller memorial park projects, otherwise called "boutique" memorial parks, which are intended for secondary cities and towns with populations of at least 50,000 to 100,000 where no private cemeteries are operating. The company's boutique parks are smaller in area, with lesser amenities, compared to the bigger major memorial parks that the company has constructed in major cities, to wit:

Pryce Gardens CDO-Manolo Fortich

On May 2004, construction of the company's first so-called "boutique" memorial park began in Mambatangan, Manolo-Fortich, Bukidnon. The project is divided into phases and is designed to yield a total saleable area of 9.8 hectares from a total land area of 11.89 hectares. The project's first phase is 95% complete with a small amount of remaining works to be finished in its water and electrical systems.

Pryce Gardens-Malaybalay

This is the second boutique memorial park, construction of which began in March 2005. It is located in Bgy. Laguitas, Malaybalay City, Bukidnon, with a gross area of 4.95 hectares and a total saleable area of 35,148 sq.m., equivalent to 14,405 equivalent 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.

Pryce Gardens-Malita

Pryce Gardens-Malita is the first boutique memorial park in Pryce's southern Mindanao operations. Construction also began in March 2005. The project is located in Bgy. Bolila, Malita, Davao del Sur and has an initial land area of 2.91 ha., with a scenic view of the surrounding hillsides. Total saleable area is estimated to be 14,769 sq.m. which translates to 6,053 equivalent lawn lots. The project has two phases, Phase 1 and Phase 2 and they are 100% and 85% accomplished, respectively.

Pryce Gardens-Bislig

The second boutique memorial project in the company's southern Mindanao operations 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 rolling terrain similar to Pryce Gardens-Malaybalay with a gross area of 49,834 sq.m. (4.98 ha.) and a saleable area of 36,543 sq.m. equivalent to 14,617 lawn lots.

Pryce Gardens-Alabel

This latest addition to the Company's boutique memorial parks, in its southern Mindanao operations, is located in Alabel, Sarangani. Its construction began in February 2007 and was operational by the time it was launched in April 2008. The park has a total land area of 4.9 hectares and will yield a saleable area of 30,045 sq.m. or 12,018 equivalent lawn lots.

Other Properties

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

Location	Total Area (in sq.m.)
Cagayan de Oro City	
Tin-ao	138,654
Bugo	270,276
Bulua	242,000
Misamis Oriental	
Balingasag	170,745

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

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

Joint Venture

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

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

LPG Plants

Between 1997 and 2001, PGI invested roughly P1.8 billion for the construction of LPG terminals and refilling plants in Mindanao and the Visayas. The investments consisted of seven import terminals and nine satellite refilling facilities that have a combined storage capacity of 10,350 metric tons. By strategically locating these facilities near major population centers, PGI was able to build an extensive supply distribution infrastructure that successfully supported its efforts in making PryceGas, its LPG brand, a household name in the local LPG market.

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

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

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

In April 2008, two(2) additional 500-MT storage tanks were completed at PGI's sea-fed terminal in Astorga, Davao City, thereby increasing PGI's total LPG storage capacity to 10,350 MT.

Encumbered Assets

The Company issued long-term commercial papers in December 1995 with aggregate amount of P300M. The terms and conditions of the LTCP issue include, among others, a Mortgage

Trust Indenture (MTI) covering certain assets of PC in Cagayan de Oro and Davao evidenced by mortgage participation certificates.

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

Item 3. Legal Proceedings

The Company or Pryce Corporation and PGI are a party to pending cases and believe they have meritorious causes of action and defences with respect to all pending litigation and intends to defend such actions vigorously. Moreover, its directors and officers have no knowledge of any other proceedings pending or threatened against the Company and PGI or any facts likely to give rise to any proceedings which might materially affect the position of the Company. Enumerated and discussed below are the statuses of various pending cases as of December 31, 2011. Apart from the cases enumerated below, Pryce Corporation and Pryce Gases, Inc. are likewise involved in other legal cases that occurred under the ordinary course of business or will not materially affect the parent Company's or PGI's operations as whole.

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

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

   Status: The parties are in the process of implementing the terms of the Memorandum of Agreement.

2. **<u>In the matter of the Corporate Rehabilitation of Pryce Gases, Inc.</u>**
Civil Case No. 02-1016, RTC-Makati, Branch 149

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

Status: Entry of judgment was made on 27 July 2011 by the Supreme Court.

3. **<u>In the matter of the Petition for Corporate Rehabilitation of Pryce Corporation</u>**
Sp. Proc. No. M-5901, RTC-Makati, Branch 149

Nature: Pryce Corporation filed a petition for corporate rehabilitation.

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

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

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

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

Pryce Corporation vs. China Banking Corporation (or **"China Bank"**)**.**
Civil Case No. 2005-231, Branch 20, RTC of Misamis Oriental

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

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

Consulta No. 4440
Land Registration Authority

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

Status: The Land Registration Authority has yet to resolve this matter.

China Banking Corporation vs. Hon. Cesar Untalan, et. al.

Pending before the Court of Appeals, 5th Division, Manila, docketed as GR. SP No. 106748

Nature: This case originated from the Petition for Corporate Rehabilitation filed by Pryce Corp. on July 9, 2004 before the RTC of Makati. On February 4, 2008, the SC rendered a Decision in GR No. 172302 involving China Bank which remanded the case to RTC Branch 138 of Makati City for further proceedings. On September 4, 2008, China Bank filed a petition with the office of the Clerk of Court & Ex-Officio Sheriff , RTC of Davao City to foreclose extrajudicially 70 parcels of land with improvements belonging to Pryce Corp. On November 4, 2008, the Judge of Br. 149 RTC Makati issued an order directing China Bank's officers to stop and desist from proceeding with the foreclosure of the mortgage on the assets of Pryce Corp. China Bank then filed a Petition with the Court of Appeals challenging the order of the lower court dated November 4, 2008. In compliance with the CA's directive, Pryce Corp. filed its reply. The parties thereafter filed their respective Memoranda.

Status:

The Court of Appeals denied China Bank's petition on 28 October 2011. Thereafter, China Bank a motion for reconsideration, and Pryce filed its Comments thereto.

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

a. **Sotero Octobre vs. Pryce Corporation** (or the Company) **and China Banking Corporation**
HLURB Case No. LSS-X-REM 518-04-008, Cagayan de Oro

Nature: This is a case for rescission of contract with damages. The action was instituted by Octobre due to the failure of Pryce Corporation to execute the deed of sale and transfer of title over the lots purchased at Puerto Heights Village. Pryce Corporation alleged that it was prevented due to the fact that the lot was one of those mortgaged to China Banking Corporation to finance the development of the subdivision.

Status: A decision has been rendered by the Regional Officer finding the Company liable and directing the payment of the total installment payments plus damages. After the denial of its Motion for Reconsideration, the Company appealed the decision to the HLURB Board of Commissioners. The latter set aside the Decision of the Regional Office and rendered a new decision which, aside from requiring the refund of **P4,292,297.92** with legal interest in the event of failure or refusal within 30 days by the Company to deliver the title, in addition, it required the Company to pay damages, attorney's fees and cost of suit totaling **P82,868.12**. The Motion for Reconsideration of the Company was denied and its Motion for suspension of proceedings due to the pendency of the rehabilitation proceedings was likewise denied. The Company appealed this case to the Office of the President. However, the Office of the President affirmed the ruling of HLURB's Board of Commissioners. Thus, the Company filed a Petition for Review Under Rule 43 before the Court of Appeals in Manila. The parties were ordered to submit their memoranda, after which the case shall be deemed submitted for resolution. The Company already filed its Memorandum last

October 14, 2008. An adverse decision was promulgated on December 11, 2008. The Company had filed a Motion for Reconsideration from said Decision.

b. **Alejandro B. Adaptar and Grace A. Adaptar vs. Pryce Properties Corporation (now Pryce Corporation)**
HLURB Case No. REM-01-18-06-317

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

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

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

Nature: This is an action filed by a purchaser of a lot in the Villa Josefina Resort Village for the delivery of the title to the purchased lot or for a refund of the purchase price. The Company filed its Answer alleging, among others, that the title is currently in the possession of China Banking Corporation. The Company likewise filed a motion to suspend proceedings in view of the Company's pending petition for rehabilitation. Since 31 December 2010, PC's motion to suspend proceedings was still pending before the HLURB. Both parties have thereafter filed separate manifestations and motions requesting HLURB to resolve the motion to suspend proceedings.

Status: Awaiting resolution of the motion to suspend proceedings.

***Cases involving directors and officers of Pryce Corporation*:**

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

1. **Pilipinas Shell Petroleum Corporation and Petron Corporation versus Quintin Dy, et al.** Pending before the Department of Justice, Manila. I.S. No. 2003-05 for Trademark Infringement and Unfair Competition

   Nature: The directors of Pryce Gases, Inc. were implicated in this case because of the alleged existence of a conspiracy. The raid conducted at the refilling plants in Cebu yielded negative results. Clearly, therefore, this is an apparent legal machination of the two oil giants to cower Pryce Gases, Inc. out of competition.

   Status: The case was already submitted for resolution. (The case was ordered dismissed in a resolution dated January 18, 2011.)

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

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

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

3. **People of the Philippines vs. Nilo S. Ezequiel**
Branch 14, Regional Trial Court (RTC) of Davao City, Criminal Case No. 66166-09

Nature: An Information was filed with the above RTC, against Nilo S. Ezequiel for violation of Section 25 in relation to Section 39 of Presidential Decree 957. It alleged that Pryce Corporation willfully, unlawfully and knowingly assigned to its creditor China Banking Corporation, a certain lot located at Villa Josefina Resort Village, without having the deed of assignment approved and registered with the Housing and Land Use Regulatory Board; and allegedly failed to deliver the title of the said lot to buyer Alejandro and Grace Adaptar, to the latter's damage and prejudice. Mr. Ezequiel was charged as President & COO of Pryce Corp. Mr. Ezequiel moved for the suspension of criminal action, On 17 January 2010, the Court denied the motion for suspension of criminal action. On 5 February 2010, Mr. Ezequiel filed an Omnibus Motion (1) for Reconsideration and (2) For the judge to inhibit because he has "prejudged" the case. On 12 August 2010, Judge Omelio inhibited himself from the case. The Court initially set the arraignment on 9 August 2011. The Court subsequently issued a subpoena ordering the accused to appear on 27 September 2011. The accused moved to quash the information. [See above-related case titled: ***Alejandro B. Adaptar and Grace A. Adaptar vs. Pryce Corporation*** *HLURB Case No. REM-01-18-06-317,* under the heading: *Other cases arising from China Bank□fs refusal to comply with* the Company*'s court-approved corporate rehabilitation plan*]

Status: The case is scheduled for further hearings for the arraignment of the accused, but pending resolution of the Motion to Quash the Information.

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

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

Trading of PC's shares was actually suspended on two occasions, both of which pertain to the Company's corporate rehabilitation. The first was shortly after the Company filed its petition for corporate rehabilitation with the Regional Trial Court of Makati (RTC-Makati) on July 9, 2004. This suspension was subsequently lifted on January 26, 2005 after the RTC-Makati approved the Company's corporate rehabilitation plan on January 17, 2005. The second suspension came on June 5, 2006 as a result of the ruling of the Court of Appeals (CA) on the petitions for review (of PC's rehabilitation plan approved by the lower court) filed separately by creditor banks China Banking Corp. (CBC) and Bank of the Phil. Islands (BPI) before different divisions of that appellate court. These cases have reached the Supreme Court, the details of which are discussed under the heading *Corporate Rehabilitation* in Part 1, Item 1, of this annual report. No shares have been traded since the aforesaid second suspension, hence no trading transactions were reported in the year (2011) under review, as well as in the intervening years starting February 2006.

Public Ownership of PC shares as of December 31, 2011

	% to Total Outstanding Shares	Number of Shares
Total Outstanding Shares	100%	2,000,000,000
Less:		
Directors	1.7131%	34,261,462
Senior Officers	0.0046%	91,384
Affiliates	28.268%	565,377,212
Sub-total	29.986%	599,730,058
Shares owned by the public	70.01%	1,400,269,942

Holders

As of December 31, 2011, the company has 398 stockholders; 99.83% of the outstanding shares as of date hereof are registered in the name of persons who are citizens of the Philippines or corporations or associations organised under the laws of the Philippines at least 60% of the capital of which is owned by Philippine citizens.

Top 20 Shareholders as of December 31, 2011

Rank	**Account Name**	**Number of Shares**	**Percentage to total**
1st	Guild Securities, Inc.	1,166,063,389	58.303%
2nd	Pryce Development Corp.	194,914,512	9.746%
3rd	Hinundayan Holdings Corp.	160,708,000	8.035%
4th	PCD Nominee Corporation	107,261,855	5.363%
5th	Pryce Securities Corp.	106,154,000	5.308%
6th	Pryce Plans, Inc.	57,259,250	2.863%
7th	Mindanao Gardens, Inc.	44,000,000	2.200%
8th	Rennie Tan	35,000,000	1.750%
9th	Salvador P. Escaño	33,492,660	1.675%
10th	Sol F. Escaño	27,909,000	1.395%
11th	David C. Go	10,500,000	0.525%
12th	Evelyn R. Singson	7,940,750	0.397%
13th	Pryce Insurance Consultants, Inc.(PICI*)	5,175,000	0.259%
14th	Four Treasures Development Corp.	4,808,616	0.240%
15th	CBC TA #501-0091	4,528,720	0.226%
16th	PCD Nominee Corp. (Non-Filipino)	3,271,400	0.164%
17th	JGF Holdings, Inc.	3,221,427	0.161%
18th	Nancy Saw	3,126,620	0.156%
19th	Networth Land Management Corp.	3,068,514	0.153%
20th	Manuel Santiago and/or Ella Santiago	2,700,000	0.135%

* PICI is not an affiliate of the Pryce Group.

Dividend History

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

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

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

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

Results of Operations

2011 Compared to 2010

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

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

Revenue and Volume Growth

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

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

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

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

Market Demand and Price Movement

The hefty increase in LPG sales manifests the unrelenting effort of the company to expand its market for both cooking gas and autogas. In cooking gas, this is borne out by the substantial rise of

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

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

Competition

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

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

Profitability

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

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

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

Liquidity

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

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

<u>Balance Sheet Changes</u>

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

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

<u>Status of Rehabilitation Plan</u>

There was no significant change in the status of the Company's ongoing corporate rehabilitation since the last report.

<u>*2010 Compared to 2009*</u>

For the year ended December 31, 2010, consolidated revenues aggregated P2.23 billion which represents a growth of 18.9% from the year-before figure of P1.877 billion. By product line, this is broken down as follows: liquefied petroleum gas (LPG), P1.9 billion (or 85.13% of total); industrial gases, P164.65 million (7.37%); other fuels, P98.99 million (4.43%); real estate sales, P31.27 million (1.4%) and revenue from hotel operations, P35.49 million (1.59%). The balance came from interest on installment sales of P1.46 million (0.07%). (Pryce Corporation or "the Company" handles the real estate and hotel business while the subsidiary, Pryce Gases, Inc. or "PGI" handles LPG, industrial gases, and other fuels.)

<u>Revenue and Volume Growth</u>

The increase in revenues of 18.9% was significantly fueled by the LPG (PryceGas) business which rose by 25% in sales of LPG for household cooking. This upturn is both accounted for by volume which improved by 6.43% to 40,270 MT as well as price which went up by 17.76% to P41.63 per kg. during the year. Sales of autogas (LPG for motor vehicles), however, fell by 5.23% revenue-wise and 20% volume-wise (to 4,431MT). Sales of industrial gases also dropped in terms of revenue and volume, showing erratic trend during the year. Sale of other fuels expanded by 54% largely attributable to volume which surged by 33% to 2.821 million liters (although the low base figure partly accounts for the seemingly high growth figure).

Real estate sales expanded by 12.26% due to the interest-free installment-payment scheme while hotel operations rose by 8.37% attributable to increased number of functions and banquet sales.

Market Demand and Price Movement

Except for industrial gases where the Company held prices more or less stable, the average prices of other gas products rose during the year. LPG for household cooking, as mentioned above, escalated by 17.76% to P41.63 per kg. while autogas price moved up by 18.57% to P45.21 per kg. Of the other fuels, the increases were 15.37% for gasoline to P39.34 per liter and 14.97% for diesel to P32.19 per liter (excluding VAT).

As indicated in a previous report, although the price of LPG for household cooking has increased significantly year-on-year, sales of this product have improved, unlike in the past when price surges resulted in inevitable drop in sales. The expanding market for cooking LPG can also be seen from the significant increase in sales of new cylinders. The elasticity of demand for the product with respect to price seems to be changing for some reason, possibly due to the paucity or price movement of substitute products like firewood and charcoal.

Competition

The decline in sales of autogas indicates the increasingly competitive nature of this market as competitors continue to set up autogas stations in highly-populated areas where the Company operates. This is in contrast to the situation in the market for household LPG where the Company has a greater market reach because of a very-wide, still-expanding network of dealers and sales outlets (about 31 dealers and sales centers were added in 2010, in addition to new delivery equipment). Thus, the Company remains relatively impervious to aggressive moves made by competitors in this market.

There is continuing tightness in the hotel market in Cagayan de Oro City (where the hotel of the Company is located) as new players continue to enter the industry despite the limited size of the market. However, Pryce Plaza continues to have a more-or-less steady stream of revenues and cash flows although it is barely breaking even.

Profitability

Gross margin of LPG sales slightly improved to 16.27% of sales in 2010 as compared to the previous year's 14.83%. The increase stems mainly from the higher increase in price as compared to that of cost. Gross margin of industrial gas sales fell to some 39% from 50.7% as the company obtains some of its supply from a third-party supplier to expedite procurement; meantime it continues to record depreciation expense on its existing plants.

Gross margin on real estate sales remained at an impressive 85% since most of the revenues came from very high-margin memorial lot sales. The hotel, on its part, barely broke even during the year.

Total Cost and Expenses for the year 2010 amounted to P2.190 billion or an increase of 18.89% from the previous year's P1.842 billion. The rise in total cost almost exactly equals the upturn in total revenues. This has resulted in an Income from Operations of P42.57 million which is an improvement of 20.9% from the year-before figure of P35.21 million.

Other income amounted to P87.97 million consisting mainly of foreign exchange gain, fair value adjustment of securities held for trading, and miscellaneous other earnings, net of finance costs. This yields an Income before Tax of P130.54 million which is an improvement of 51.62% from the prior year's P86.1 million. Income tax expense is computed at P6.19 million, resulting in Net Income of P124.35 million, which is higher by 49.56% from the year-ago figure of P83.15 million.

Liquidity

In terms of liquidity, Cash and near-cash assets aggregated P414.1 million as of December 31, 2010 which is substantially higher than the P327.73 million recorded as year-end 2009. This is broken down into Cash of P115.78 million and marketable securities of P298.28 million. In addition, the Company carried Inventories of gas products amounting to P428.77 million which can be sold or liquefied in 2 to 3 months through sales but the proceeds are plowed back for importation of replacement inventories.

Consolidated resources of the Company reached P4.522 billion as of the end of 2010 which is slightly higher than the P4.468 billion registered as of year-end 2009. Current ratio stood at 1.17 to 1 while debt-to-equity ratio came up to 1.24 to 1.

Balance Sheet Changes

The significant balance sheet changes as of December 31, 2010 audited accounts as compared to the December 31, 2009 figures are as follows:

Account Name	% Increase or (Decrease)	**Reason for Change**
Financial assets at fair value through profit or loss	38.60%	Accounted for by additional acquisition of marketable securities.
Trade & other receivables – current	16.41%	Resulted from increase in sales.
Inventories	7.26%	Due to increase in LPG inventory purchases and procurement cost by PGI.
Trade and other receivables – non-current	(26.41)%	Attributable to collection of accounts.
Due to related parties	(21.57)%	Due to collection of accounts from related parties.
Property plant and equipment – at revalued amounts	(7.46)%	Accounted for by accumulation of depreciation expense.
Accounts payable and accrued expenses	9.83%	Stems from increase in purchases.
Estimated project development cost	(100.00)%	No projected project development cost for the following year.
Restructured debts covered by Rehabilitation Plan – non-current	(28.45)%	Due to reclassification of account to current liabilities.
Retirement benefit obligations	15.50%	Caused by additional

		recognition of benefit obligation for the current year.
Due to related parties	7.20%	Purchases of supplies from affiliates.
Deferred income tax liabilities	(6.11)%	Due to application of creditable withholding taxes for the year.

<u>Status of Rehabilitation Plan</u>

There has been no change or development in the status of the Company's ongoing corporate rehabilitation since the last report.

2009 Compared to 2008

Revenues for the year ended December 31, 2009 aggregated P1.877 billion, on a consolidated basis, which is a decline of 7.4% from the P2.027 billion registered the previous year. As in the past, sale of liquefied petroleum gas (LPG) contributed the bulk of revenues with P1.558 billion or 82.98% of total; sale of industrial gases accounted for P192.75 million or 10.27%; while other fuels put in P64.09 million or 3.41%. The balance came from sale of real estate with P27.86 million or 1.48% of the aggregate figure; revenues from hotel operations of P32.75 million or 1.74%; and interest earnings of P2.11 million or 0.11%.

The decline in total revenue stems essentially from two developments in 2009, namely: (a) lower product prices for LPG from the 2008 record highs; likewise, industrial gas prices were reduced in certain areas to enable the company to hold back possible inroads by competitors, and (b) volume of autogas sale (LPG as automotive fuel) dropped significantly -- by about 20% --due to increasingly tight competition as other players put up autogas stations in volume-heavy areas like Cebu, Cagayan de Oro, and Davao.

Sale of LPG for household cooking actually went up very slightly by 2.15% to 37,836 MT in contrast to sale of autogas which fell to 5,543 MT in 2009 from 6,899 MT of the previous year. Volume of industrial gas sales (oxygen, acetylene, and other gases) also improved, most prominently for acetylene, which rose by 18.12% year-on-year.

Real estate sales surged by 50% compared to the previous period; the large increase is the offshoot of the low 2008 base figure and, more significantly, to the positive effects of continuing promotional activities. Sale from hotel operations slightly went down by 3.20% reflecting the increasingly tight competition in the industry. Interest income also fell by 44.46% due to the availment by many clients of the no-downpayment, no-interest payment scheme on memorial park purchases which resulted in pushing up sales volume.

Profitability-wise, gross margin on LPG sales improved significantly to some 14.83% of revenues since there was less pressure on the industry (from the government and consumers) to reduce prices which had softened from the substantial upsurge in the previous period when LPG prices in the world market reached record high levels. Gross margin on industrial gases remained at a more-or-less constant 50% of revenues while that of other fuels settled at a roughly stable 8% of revenue. Gross margin for real estate sale remained at a high 85% since most revenues emanated from very-high-margin memorial park sales. Hotel operations suffered a negative gross margin of 9.75% because the revenue volume is not sufficient to cover all items of cost.

Total Cost of Sale amounted to P1.520 billion, resulting in a gross margin of P356.85 million while Operating Expenses aggregated P321.64 million to yield a Gain from Operations of P35.21 Million. This is a complete turnaround from the P85.38 million Loss from Operations recorded in 2008. Other Income (Charges) amounted to a positive P50.89 million due in large part to fair value adjustment in equity securities held for trading of P59.49 million and miscellaneous income -- mainly foreign exchange gain and reversal of impairment loss -- of P46.59 million, net of financing charges amounting to P48.86 million. This compares favorably with the previous year's figure when negative

Other Income of P260 million was booked due to substantial downward fair value adjustment as well as foreign exchange losses.

The positive Other Income brought Income Before Tax to P86.10 million. Income tax expense amounted to P2.95 million, consisting of P5.30 million in current tax and P2.35 million in deferred tax. This resulted in a Net Income After Tax for 2009 of P83.15 million, which again is a complete reversal of the P283.09 million net loss registered the previous year. The income is accounted for by the subsidiary Pryce Gases, Inc. which recorded a profit after tax of P97.93 million while the mother company, Pryce Corp., booked a net loss of P14.28 million.

The significant changes in balance sheet accounts are shown below together with a brief explanation per item.

Account Name	% Increase or (Decrease)	Reason for Change
Cash	7.53%	Increment is due to the increase in collection of trade and other receivables.
Investments held for trading	45.59%	Increase is the result of fair market value adjustments and additional purchases of marketable securities.
Trade and other receivables	(39.90)%	Attributed to increase in collection.
Inventories	87.33%	Increase in the volume of LPG importations, purchases of brand new LPG cylinders and repair supplies.
Real estate projects	4.98%	Reclassification of prepaid expenses and other current assets.
Prepayment and other current assets (net)	21.18%	Increase stems from higher importations and recognition of prepaid expenses.
Due from related parties	10.82%	Accounted for by reclassification from “Due to related parties”.
Property, plant and equipment-At cost (net)	(10.95)%	Provision for depreciation during the year.
Trade and other payables	19.51%	Attributable to increase in inventories and purchases of LPG cylinders and other supplies.
Customers deposits	18.61%	Due to increase in real estate sales on installment.
Restructured debts covered by the rehabilitation plan	(18.5)%	Decrease stems from the reclassification to current account of long term debt due and payable in 2010.
Retirement benefit obligation	17.29%	Incremental liability is due to additional vesting rights under the retirement plan.
Deferred tax liabilities	(7.33)%	Decrease is the result of reduction in revaluation increment and interest expense capitalized to property plant and equipment.

With respect to the company's court-approved rehabilitation plan, there has been no significant development since the last annual report. To recall briefly, Pryce Corp. filed a Second Motion for Reconsideration which was duly acknowledged and noted by the Supreme Court (SC) in its Resolution dated January 14, 2009. Such Second Motion was filed, among other reasons, because the SC's decision on the China Bank vs. Pryce Corp. case, setting aside the company's rehabilitation plan conflicted with its earlier decision in BPI vs. Pryce Corp. which had become final and executory (*res judicata*) upholding the approved rehabilitation plan of the Company. The two cases involved the same set of facts. The Company continues to await the decision of the SC.

Plans and Prospects

Depending on its cash flow position, Pryce Corp. will continue to construct boutique memorial parks in cities and major towns, having a population of 50,000 to 100,000 or more, which do not have access to private cemeteries. Boutique parks are constructed as green and landscaped parks but with less amenities than the major memorial parks built earlier by the Company in the major cities.

PC has obtained preliminary approvals for the development of memorial parks with the respective local governments of the municipality/cities wherein said parks are to be constructed, which are as follows: Don Carlos, Bukidnon (3.12 hectares); Brgy. Bit-os, Butuan City (6.19 hectares); and Bgy. Poloyagon, Pagadian City (8.96 hectares). Although groundbreaking ceremonies were held in Don Carlos and Butuan projects, the actual commencement of construction activities were however held in abeyance pending issuance of clearances by the government departments of the Agrarian Reform (DAR) and Agriculture (DA).

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

PGI, on the other hand, is expected to further expand in the LPG autogas market. It now has already constructed about thirty-six (36) filling stations, almost all of which are in the Vis-Min area; about 19 of these stations also sell gasoline and/or diesel fuels. More locations are being scouted wherein said stations could be established, especially in high-traffic areas.

PGI has been aware that the much bigger market is in Luzon and knew that it was just a matter of time before it would establish a foothold thereon. Opportunely, it found a 12.54 hectare property in San Fabian, Pangasinan and bought it in September 2010. A 3,800-MT, marine-fed, LPG storage terminal will be built on said property, at the cost of roughly Php 600 million, excluding the cost of land. This project will be funded by reinvested earnings. Permits preparatory to the plant's construction are essentially completed; simultaneously, preparation of the plant's construction plans is ongoing and is expected to be completed in the 1st quarter of 2012.

In compliance to the court-approved rehabilitation plan, PGI continues to pay maturities on its P1.25 billion restructured debt, which has been reduced to Php 390,103,998 as of December 31, 2011. The balance of its debts (non-restuctured credits) is being paid off through dacion en pago with a balance of almost Php 268 million out of an original amount of some Php 2.0 billion.

Pryce Corp., on its part, will continue to settle its outstanding debts with creditor banks through dacion en pago in accordance with the terms of its own court-approved rehabilitation plan until it becomes a debt-free company. Even with the Supreme Court's denial of PC's appeal on February 4, 2008 with respect to China Bank's opposition to the former's corporate rehabilitation plan, the Company will continue implementing the terms of the said plan since the Supreme Court's ruling has not yet attained finality. The Supreme Court has not yet ruled on the Company's pending Second Motion for Reconsideration.

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

Compliance with Corporate Governance

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

Board Audit Committee

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

(i) Enerlito G. de Mesa – *Chair* (Independent Director)
(ii) Efren A. Palma – Member
(iii) Vicente O. Afable – Member (Independent Director)

Board Nomination Committee

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

(i) Salvador P. Escaño – *Chair*
(ii) Efren A. Palma – Member
(iii) Vicente O. Afable – Member (Independent Director)

Board Compensation and Remuneration Committee

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

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

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

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

Item 7. Financial Statements- See Attached Annex A

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

The Company has had no disagreements with its Accountants on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executives Officers of the Registrant

The following sets forth certain information concerning the executive officers and directors of the Company as of December 31, 2011:

Name	Age	Position with the Company
BOARD OF DIRECTORS		
Salvador P. Escano*	60	Chairman & Chief Executive Officer
Nilo S. Ezequiel	61	President & Chief Operating Officer
Ramon R. Torralba	67	Director
Efren A. Palma	46	SEVP- Chief Finance Officer
Simeon S. Umandal	70	FVP-Corporate Secretary
Enerlito G. De Mesa	66	Independent Director
Vicente O. Afable, Jr.	62	Independent Director
EXECUTIVE OFFICERS		
Pryce Corporation(Parent Company)		
Nilo S. Ezequiel	61	President & Chief Operating Officer
Efren A. Palma	46	SVP-Hotel Operations
Benjamin P. Escaño*	59	SVP-Northern Mindanao Operations
Jose Ma. L. Escano	48	SVP-Southern Mindanao Operations
Simeon S. Umandal	70	FVP-Corporate Secretary
Erica P. Encabo	32	Corporate Information and Compliance Officer
Pryce Gases, Inc. (Subsidiary)		
Salvador P. Escano*	60	Chairman
Rafael P. Escano*	52	President
Efren A. Palma	46	Senior EVP- Chief Finance Officer
Jose Ma. L. Escano*	48	SVP/REO Southern Mindanao Opns
Alexis M. Solatre	49	SVP/REO Central Visayans Opns
Gabriel I. Macion	48	SVP-Technical Services Dept.
Simeon S. Umandal	70	Corporate Secretary

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

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

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

Ramon R. Torralba is currently the Executive Vice President for Corporate and Legal Affairs of Pryce Corporation. 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.

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

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

Jose Ma. L. Escaño was appointed three years ago as the head of Pryce Corp.'s Southern Mindanao Operations, concurrent with his old job in Pryce Gases Inc. (PGI) as the Regional Executive Officer for the SMO region. He started with PGI in 1987 as a Plant Supervisor and later moved to challenging positions in sales and marketing. He is a graduate of the University of Cebu with a Bachelor's Degree in Marine Transportation.

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

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

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

Vicente O. Afable previously worked with Pryce Development Corp. up to 1986. He went to the U.S. and worked for several years as an employee of True World Foods Inc. Eventually, he came back to the Philippines and presently manages a local company, Dumagat Ventures Ent., Inc., which he established while he was in the U.S. He holds a Bachelor's degree in Mechanical Engineering from the University of San Carlos.

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

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

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

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

Item 10. Executive Compensation

(a) Name and principal position	(b) Year	(c) Salary (P) ('000) (estimated)	(d) Bonus (P) ('000) (estimated)	(e) Other Annual Compensation
Salvador P. Escaño Chairman	2010	1,840	0.030	N.A.
Nilo S. Ezequiel President & COO	2010	892	0.030	N.A.
Efren A. Palma SVP Hotel Operations	2010	712	0.030	N.A.
Benjamin P. Escano SVP – NMO	2010	809	0.030	N.A.
All officers and directors as a group	2010	5,552	0.338	N.A.

(a) Name and principal position	(b) Year	(c) Salary (P) ('000) (estimated)	(d) Bonus (P) ('000) (estimated)	(e) Other Annual Compensation
Salvador P. Escaño Chairman	2011	1,840	0.030	N.A.
Nilo S. Ezequiel President	2011	892	0.030	N.A.
Efren A. Palma Sr. EVP – Chief Finance Officer	2011	712	0.030	N.A.
Benjamin P. Escano SVP – NMO	2011	809	0.030	N.A.
All officers and directors as a group	2011	5,552	0.338	N.A.

(a) Name and principal position	(b) Year	(c) Salary (P) ('000) (estimated)	(d) Bonus (P) ('000) (estimated)	(e) Other Annual Compensation
Salvador P. Escaño Chairman	2012	1,969	0.030	N.A.
Nilo S. Ezequiel President	2012	954	0.030	N.A.
Efren A. Palma Sr. EVP – Chief Finance Officer	2012	762	0.030	N.A.
Benjamin P. Escano SVP – NMO	2012	865	0.030	N.A.
All officers and directors as a group	2012	5,940	0.338	N.A.

No salary increase(s) took place in 2011. A performance-based salary increase, at an average of 7%, is anticipated in 2012; the last salary increase given to all employees occurred four years ago in 2007, which came as a result of having achieved cash collection targets set by management. A salary increase may be given to rank-and-file employees that will be affected by a government-mandated wage hike in 2012. The Directors receive a per diem allowance of ten thousand pesos (P10,000) for their attendance in Board Meetings. Aside from this, there is no regular compensation for directors of the Company. In addition, there is no Employment Contract, Termination of Employment and Change-in-Control Arrangement between the Company and any of its executive officers.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners

(1) Title of Class	(2) Nature and address record/beneficial owner	(3) Amount and nature of record/ beneficial ownership	(4) Percent of class
Common	Guild Securities, Inc.	1,166,063,389	58.30%
Common	Pryce Development Corp.	194,914,512	9.75%
Common	Hinundayan Holdings Corp.	160,708,000	8.04%
Common	PCD Nominee Corporation	1107,261,855	5.36%
Common	Pryce Securities Corp.	106,154,000	5.31%

Note:

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

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

- *PCD Nominee Corporation, a wholly owned subsidiary of Philippine Central Depository, Inc. (PCD) whose business address is located at the G/F, Makati Stock Exchange, is the registered owner of the shares in the books of the Company's transfer agents in the Philippines. The beneficial owners of such shares are PCD's participants who hold the shares in behalf of their clients. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.*

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

- *Hinundayan Holdings Corporation is another holding firm located at 17/F, Pryce Center, 1179 Chino Roces Ave., Makati City, of which Mr. Salvador P. Escaño holds 69.51% of the total outstanding capital stock of the Corporation.*

Security Ownership of Management

Class of Shares	Name		Beneficial ownership (shares)	Percent of Class (%)
Common	Salvador P. Escaño		33,492,660 ®	1.675
Common	Nilo S. Ezequiel		179,796 ®	0.009
Common	Ramon R. Torralba		13,806 ®	0.000
Common	Efren A. Palma		100 ®	0.000
Common	Simeon S. Umandal, Sr.		574,950 ®	0.029
Common	Benjamin P. Escaño		75,421 ®	0.004
Common	Jose Ma. L. Escano		15,963 ®	0.000
Common	Rank-and-file Employees		5,996 ®	0.000
		Total	34,358,692	1.717%

Item 12: Certain Relationships and Related Transactions

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

PART IV EXHIBITS AND SCHEDULES

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

Reports under SEC Form 17-C were filed with the SEC during the last six(6) months of 2011.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on April 26, 2012.

PRYCE CORPORATION
By:

SALVADOR P. ESCAÑO
Chairman & CEO

NILO S. EZEQUIEL
President & COO

EFREN A. PALMA
Sr. Executive Vice President & CFO

SIMEON S. UMANDAL
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 26th day of April 2012 affiants exhibiting to me their Community Tax Certificates, as follows:

Name	Driver's License No.	Issued on
Salvador P. Escaño	C10-75-021861	exp. 11-14-12
Nilo S. Ezequiel	N15-75-016676	exp. 9-26-12
Efren A. Palma	M02-92-019608	exp. 6-20-13
Simeon S. Umandal	(SSS No.) 03-15970362	

Doc. No. 97
Page No. 20
Book No. 1
Series of 2012

Notary Public
ATTY. NENITA C. CHUA
NOTARY PUBLIC - MAKATI CITY
COMM. NO. M-253 / UNTIL 31 DEC 2013
1179 DON CHINO ROCES AVE., MAKATI
PTR NO. 3185401 / 01/09/12 / MAKATI
IBP NO. 880534 / 01/09/12 / MANILA II
ROLL NO. 44937

PRYCE CORPORATION

website: www.prycegardens.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **PRYCE CORPORATION AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the consolidated financial statements as of and for the years ended December 31, 2011 and 2010 including the additional components attached, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

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

Nilo S. Ezequiel
President and Chief Operating Officer

Efren A. Palma
SEVP-Finance/Accounting

Signed this 12th day of April, 2012

Diaz Murillo Dalupan and Company
Certified Public Accountants

Independent Auditors' Report

The Board of Directors and Stockholders
PRYCE CORPORATION AND SUBSIDIARIES
17th Floor Pryce Center
1179 Don Chino Roces Avenue
Makati City, Philippines

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **Pryce Corporation and its subsidiaries,** which comprise the statements of financial position as at December 31, 2011 and 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

7th & 8th Floor, Don Jacinto Building Dela Rosa corner Salcedo Sts., Legaspi Village, Makati City 1200 Philippines / Telephone: +63(2) 894 5892 to 95 / Fax: +63(2) 818 1872 / Website: www.dmdcpa.com.ph
Cebu Branch Office: Unit 504 Cebu Holdings Building, Cebu Business Park, Mabolo, Cebu City 6000 Phone: +63(32) 415 8108 to 10 Fax: +63(32) 232 8029
Davao Branch Office: 3rd Floor Building B Plaza De Luisa, Ramon Magsaysay Ave., Davao City 8000 Phone/Fax: +63(82) 222 6636

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Pryce Corporation and its subsidiaries,** as at December 31, 2011 and 2010, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Reports on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information shown in Schedules A, B, C, D, E, F and H, and Annexes "A and B" is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of basic financial statements, and in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Diaz Murillo Dalupan and Company
by:

Bethuel V. Tanupan
Partner
CPA Certificate No. 93423
SEC Accreditation No. 0998-A, effective until July 7, 2013
Tax Identification No. 193-472-724
PTR No. 2153376, January 4, 2012, Cebu City
BIR Accreditation No. 08-001911-10-2010, effective until April 13, 2013
Firm Tax Identification No. 003-294-822
Firm BOA / PRC No. 0234, effective until December 31, 2014
Firm SEC Accreditation No. 0192-F, effective until April 6, 2013

April 12, 2012

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Financial Position

	December 31	
	2011	2010
ASSETS		
Current Assets		
Cash - notes 4, 6 and 31	**P 207,750,259**	P 115,779,424
Investments held for trading - notes 4, 7 and 31	**296,771,694**	298,279,642
Trade and other receivables (net) - notes 4, 5, 8 and 31	**193,044,310**	153,745,443
Inventories - notes 4, 5 and 9	**501,592,302**	428,773,229
Real estate projects - notes 2, 4, 5, 10, 18 and 28	**1,194,182,446**	1,197,845,440
Prepayments and other current assets (net) - notes 4, 5 and 11	**46,604,329**	35,066,207
	2,439,945,340	2,229,489,385
Noncurrent Assets		
Trade and other receivables - notes 4, 5, 8 and 31	**32,157,885**	40,362,609
Due from related parties (net) - notes 4, 5 and 20	**116,890,607**	116,608,369
Investment in associates (net) - notes 4 and 12	**-**	523,000
Property, plant and equipment		
At revalued amounts (net) - notes 4, 5, 13 and 18	**687,139,622**	732,162,980
At cost (net) - notes 4, 5, 14 and 18	**1,255,944,456**	1,136,854,186
Assets held for dacion en pago - notes 2, 4, 15 and 18	**197,662,548**	197,662,548
Other noncurrent assets (net) - notes 4, 5 and 16	**68,897,066**	68,897,066
	2,358,692,184	2,293,070,758
TOTAL ASSETS	**P4,798,637,524**	P4,522,560,143
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables - notes 4 , 17 and 31	**P 935,808,828**	P 845,171,444
Income tax payable	**5,866,573**	-
Restructured debts covered by the rehabilitation plan - notes 2, 4, 18 and 31	**107,135,475**	107,059,646
Debts for dacion en pago covered by the rehabilitation plan - notes 2, 4, 18 and 31	**861,441,090**	861,244,231
Customers' deposits	**103,232,962**	86,528,686
	2,013,484,928	1,900,004,007
Noncurrent Liabilities		
Restructured debts covered by the rehabilitation plan - notes 2, 4, 18 and 31	**282,968,523**	389,814,901
Retirement benefit obligation - notes 4, 5 and 25	**89,039,356**	74,458,397
Due to related parties - notes 4 and 20	**160,932,785**	54,495,862
Deferred tax liabilities - notes 4 and 26	**80,453,652**	83,643,554
	613,394,316	602,412,714
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - notes 4 and 19		
Issued	**1,998,750,000**	1,998,750,000
Subscribed	**1,250,000**	1,250,000
Additional paid-in capital - note 4	**271,834,820**	271,834,820
Revaluation reserve - notes 4 and 13	**109,890,151**	117,333,258
Deficit - note 2	**(1,259,312,010)**	(1,399,751,499)
Fair value gain on real estate properties - notes 4 and 28	**1,030,726,843**	1,030,726,843
	2,153,139,804	2,020,143,422
Minority Interest - note 1	**18,618,476**	-
	2,171,758,280	2,020,143,422
TOTAL LIABILITIES AND EQUITY	**P4,798,637,524**	P4,522,560,143

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

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2011	2010	2009
REVENUES - note 4			
Liquefied petroleum and industrial gases - notes 5 and 21	**P3,088,542,760**	P2,164,509,087	P1,814,630,157
Real estate sales - note 5	**38,611,305**	31,272,237	27,857,166
Hotel operations	**39,475,639**	35,488,213	32,745,676
Interest	**1,765,922**	1,458,192	2,110,575
	3,168,395,626	2,232,727,729	1,877,343,574
COST OF SALES - note 4			
Liquefied petroleum and industrial gases - note 22	**2,514,035,127**	1,781,620,636	1,480,374,634
Real estate - note 5	**5,431,393**	4,483,489	4,183,794
Hotel operations - note 22	**31,439,729**	36,613,747	35,937,368
	2,550,906,249	1,822,717,872	1,520,495,796
GROSS PROFIT	**617,489,377**	410,009,857	356,847,778
OPERATING EXPENSES - note 4			
Selling expenses - note 23	**233,618,302**	163,558,116	146,095,225
General and administrative expenses - note 23	**283,326,058**	203,883,245	175,543,378
	516,944,360	367,441,361	321,638,603
INCOME FROM OPERATIONS	**100,545,017**	42,568,496	35,209,175
OTHER INCOME (CHARGES) - note 4			
Finance cost - note 18	**(18,097,614)**	(27,870,592)	(48,859,444)
Fair value adjustments - note 7	**23,221,802**	20,389,969	60,161,018
Others (net) - note 24	**49,934,524**	95,453,258	39,590,014
	55,058,712	87,972,635	50,891,588
INCOME BEFORE INCOME TAX	**155,603,729**	130,541,131	86,100,763
INCOME TAX EXPENSE (BENEFIT) - notes 4 and 26			
Current	**28,691,512**	6,188,404	5,302,837
Deferred	**(2,894,265)**	-	(2,347,878)
	25,797,247	6,188,404	2,954,959
NET INCOME FOR THE YEAR	**P 129,806,482**	P 124,352,727	P 83,145,804
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**P 127,197,372**	P 121,853,237	P 81,474,573
Minority interest absorbed by the Parent Company	**2,609,110**	2,499,490	1,671,231
	P 129,806,482	P 124,352,727	P 83,145,804
EARNINGS PER SHARE - notes 4 and 27	**P 0.006**	P 0.062	P 0.042

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

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Equity

	Years Ended December 31, 2011, 2010 and 2009							
	Capital Stock					Fair Value Gain		
	Issued	Subscribed	Additional Paid-in Capital	Revaluation Reserve	Deficit	on Real Estate Properties	Minority Interest	Total
BALANCE AT JANUARY 1, 2009	P1,998,750,000	P 1,250,000	P 271,834,820	P 140,989,831	(P1,641,045,134)	P1,030,726,843	P -	P1,802,506,360
Transfer of revaluation reserve deducted from operations through additional depreciation charges - notes 4 and 13	-	-	-	(15,658,954)	15,658,954	-	-	-
Deferred income tax effect on revaluation reserve charged to operations through additional depreciation	-	-	-	4,697,687	-	-	-	4,697,687
Net income for the year	-	-	-	-	83,145,804	-	-	83,145,804
BALANCE AT DECEMBER 31, 2009	**P1,998,750,000**	**P 1,250,000**	**P 271,834,820**	**P 130,028,564**	**(P1,542,240,376)**	**P1,030,726,843**	**P -**	**P1,890,349,851**
BALANCE AT JANUARY 1, 2010	P1,998,750,000	P 1,250,000	P 271,834,820	P 130,028,564	(P1,542,240,376)	P1,030,726,843	P -	P1,890,349,851
Transfer of revaluation reserve deducted from operations through additional depreciation charges - notes 4 and 13	-	-	-	(18,136,150)	18,136,150	-	-	-
Deferred income tax effect on revaluation reserve charged to operations through additional depreciation	-	-	-	5,440,844	-	-	-	5,440,844
Net income for the year	-	-	-	-	124,352,727	-	-	124,352,727
BALANCE AT DECEMBER 31, 2010	**P1,998,750,000**	**P 1,250,000**	**P 271,834,820**	**P 117,333,258**	**(P1,399,751,499)**	**P1,030,726,843**	**P -**	**P2,020,143,422**
BALANCE AT JANUARY 1, 2011	P1,998,750,000	P 1,250,000	P 271,834,820	P 117,333,258	(P1,399,751,499)	P1,030,726,843	P -	P2,020,143,422
Transfer of revaluation reserve deducted from operations through additional depreciation charges - notes 4 and 13	-	-	-	(10,633,007)	10,633,007	-	-	-
Non- controlling interest on share of subsidiaries	-	-	-				18,618,476	18,618,476
Deferred income tax effect on revaluation reserve charged to operations through additional depreciation	-	-	-	3,189,900	-	-	-	3,189,900
Net income for the year	-	-	-	-	129,806,482	-	-	129,806,482
BALANCE AT DECEMBER 31, 2011	**P1,998,750,000**	**P 1,250,000**	**P 271,834,820**	**P 109,890,151**	**(P1,259,312,010)**	**P1,030,726,843**	**P 18,618,476**	**P2,171,758,280**

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

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	Years Ended December 31		
	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**P 155,603,729**	P 130,541,131	P 86,100,763
Adjustments for :			
Depreciation and amortization - notes 13 and 14	**198,856,540**	184,844,541	187,137,127
Finance costs - note 18	**18,097,614**	27,870,592	47,938,637
Bargain purchase - note 1 and 24	**(6,441,294)**	-	-
Provision for impairment losses - note 12	**523,000**	-	(3,909,000)
Retirement benefits - note 25	**15,042,948**	12,851,391	15,574,145
Unrealized gain on investments held for trading - note 7	**(23,221,802)**	(20,017,928)	(60,161,018)
Unrealized foreign exchange gain - note 23	**(597,398)**	(68,192,108)	(18,122,183)
Gain on sale of investment held for trading - note 24	**(5,186,939)**	(1,632,582)	(3,514,564)
Gain on sale of property and equipment - note 24	**(2,791,733)**	(1,139,967)	(880,786)
Interest income	**(2,069,746)**	(1,731,853)	(2,327,520)
Dividend income - note 24	**(117,670)**	(584,456)	(1,165,088)
Operating income before working capital changes	**347,697,249**	262,808,761	246,670,513
Decrease (increase) in assets:			
Trade and other receivables	**(7,597,505)**	(7,188,246)	93,277,172
Inventories	**(59,811,034)**	(29,040,418)	(186,348,647)
Prepayments and other current assets	**(6,380,220)**	1,014,072	11,336,516
Real estate projects	**3,662,994**	1,608,029	(56,865,434)
Increase (decrease) in liabilities:			
Trade and other payables	**39,262,586**	58,248,381	93,316,937
Estimated project development costs	**-**	(3,438,858)	-
Customers' deposits	**16,704,276**	20,177,758	10,412,822
Net cash generated from operations	**333,538,346**	304,189,479	211,799,879
Interest received	**2,069,746**	1,731,853	2,327,520
Finance costs paid	**(4,524,632)**	(9,278,984)	(22,452,871)
Income taxes paid	**(20,454,185)**	(6,188,404)	(4,518,904)
Net cash from operating activities	**310,629,275**	290,453,944	187,155,624
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment - notes 13 and 14	**(83,107,398)**	(149,757,536)	(121,571,173)
Proceeds from sale of property and equipment	**10,072,502**	-	5,885,149
Additions to investment held for trading - note 7	**(126,212,528)**	(119,053,754)	-
Payment for the acquisition of a subsidiary net of minority interest and cash acquired - note 1	**(68,382,930)**	-	-
Dividend received - note 24	**117,670**	584,456	1,165,088
Proceed from sale of investment held for trading	**156,129,216**	57,629,073	115,031,419
Decrease (increase) in due from related parties	**(282,238)**	34,526,631	(41,745,599)
Net cash used in investing activities	**(111,665,706)**	(176,071,130)	(41,235,116)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of restructured debts covered by the rehabilitation plan	**(106,107,493)**	(108,201,503)	(127,958,512)
Retirement benefits paid - note 25	**(461,989)**	(2,856,364)	(6,073,495)
Decrease in due to related parties	**(423,590)**	(17,310)	(3,973,698)
Cash used in financing activities	**(106,993,072)**	(111,075,177)	(138,005,705)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**338**	(51,269)	(31,153)
NET INCREASE IN CASH	**91,970,835**	3,256,368	7,883,650
CASH - note 6			
AT BEGINNING OF YEAR	**115,779,424**	112,523,056	104,639,406
AT END OF YEAR	**P 207,750,259**	P 115,779,424	P 112,523,056

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

1. CORPORATE INFORMATION

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

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

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

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries, which were all incorporated in the Philippines.

The relevant information about its subsidiaries follows:

Subsidiaries	Nature of Business	Year End	Ownership 2011	Ownership 2010
Pryce Gases, Inc. (PGI)	Manufacturer/Distributor of Industrial Gases and Liquefied Petroleum Gas (LPG)	December 31	97.99%	97.99%
Oro Oxygen Corporation (OOC)	Importation, trading, and marketing in general merchandise, industrial, medical and other gases and LPG	December 31	73.95%	-

PGI

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

As at end of the reporting period, the Company has 15 liquefied petroleum gas (LPG) terminals and various refilling plants of varying storage capacities.

On July 14, 1997, the Company was registered with the Board of Investments (BOI) under the Omnibus Investment Code of 1987 [as amended by Republic Act (RA) No. 7369] otherwise known as Executive Order (EO) No. 226, and RA No. 8479 otherwise known as the Downstream Oil Deregulation Act of 1998, as a new operator of distribution facilities of LPG in various regions of the Philippines on a nonpioneer status. As a registered enterprise with the BOI, it is entitled to all benefits and incentives granted for under EO 226 and RA 8479.

<u>OOC</u>

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

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

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

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

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

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

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

The consolidated financial statements of the Group as of and for the year ended December 31, 2011 (including comparatives as of and for the years ended December 31, 2010 an 2009) were approved and authorized for issue by the Board of Directors on April 12, 2012.

2. STATUS OF OPERATIONS

Real Estate

As shown in the accompanying financial statements, the Parent Company has sustained net losses resulting to a deficit amounting to P386 million and P390 million as of December 31, 2011 and 2010, respectively.

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

LPG and Industrial Gases

As shown in the accompanying financial statements, PGI has sustained net losses in prior years resulting to a deficit of P.988 billion and P1.118 billion as of December 31, 2011 and 2010, respectively. PGI's operations in 2011, however, resulted to a net income of about P120.8 million, which contributed to the decrease in deficit as of December 31, 2011.

From 1998 to 2000, PGI ventured into a massive expansion of its operations in the Visayas and Mindanao regions by constructing bulk terminals and refilling plants, and financing initial costs of its dealers' stations. PGI financed the expansion through borrowings from various creditor banks. However, PGI was not able to meet its sales volume in thereafter despite considerable efforts to promote its products in the market because of the continuing economic slowdown. Moreover, PGI's gross margin from LPG products dropped because of high importation costs of LPG as a result of record high prices of petroleum products in the world market. Thus, PGI suffered significant losses from operations in those years and failed to pay maturing obligations to its creditor banks, financing companies and certain suppliers.

Rehabilitation Plan of the Parent Company

Rehabilitation Plan

On July 12, 2004, the Parent Company filed a petition for corporate rehabilitation with the Regional Trial Court (RTC) of Makati City as an initial step towards the settlement of its outstanding loans. On July 13, 2004, the RTC issued a Stay Order deferring all claims against the Parent Company and appointing a rehabilitation receiver. Further, on September 13, 2004, the RTC issued an Order giving due course to the petition, and directing the rehabilitation receiver to evaluate and make recommendations on the Parent Company's rehabilitation plan. On December 1, 2004, the rehabilitation receiver submitted an Amended Rehabilitation Plan (Rehabilitation Plan) to RTC which conforms to the scheme of liquidating all bank loans and long-term commercial papers by way of dacion en pago of real estate properties with certain revisions on the settlement of nonbanking and trade and other payables less than P500,000. On January 17, 2005, the RTC approved the Rehabilitation Plan. Certain guidelines on payments covered by dacion en pago in the Rehabilitation Plan are fully discussed in Note 18.

Reversal of the Rehabilitation Plan

The Parent Company's creditor bank, China Banking Corporation (CBC), appealed to the Court of Appeals (CA) assailing the RTC's Orders dated July 13, 2004, September 13, 2004 and January 17, 2005. On July 28, 2005, the CA promulgated its decision stating that the Orders of the RTC are hereby reversed and set aside. The Parent Company filed a motion for reconsideration but denied by the CA based on its decision promulgated on April 12, 2006.

On June 9, 2006, the Parent Company filed a petition for review of the CA decision with the Supreme Court (SC), upon which the petition was given due course and the assailed decision and resolution of the CA be reversed and set aside. The SC had promulgated a decision on February 4, 2008 denying the Parent Company's appeal and remanding the records to the RTC-Makati for further proceedings to determine the merits of the Parent Company's petition for corporate rehabilitation. The Parent Company, however, filed on February 29, 2008 its Omnibus Motion for Reconsideration and Referral to the court en banc, while CBC filed its own Motion for Reconsideration appealing that the SC should have categorically set aside the Parent Company's rehabilitation plan and that its petition for rehabilitation should not have been remanded to the lower court.

On August 16, 2008, the SC denied the Parent Company and CBC's Motions for Reconsideration through SC's resolution dated June 16, 2008. On September 9, 2008, the Parent Company filed Motion for Leave to File a Second Motion for Reconsideration because the SC's decision conflicts with its earlier decision (with finality) upholding the approved rehabilitation plan of the Parent Company in Bank of Philippine Islands (BPI) case and ignores the Interim Rules of the SC governing corporate rehabilitation. In the meantime CBC, on September 27, 2008, filed an extra judicial foreclosure of Parent Company's assets located in Davao City. On November 4, 2008, however, the RTC-Makati issued an order directing CBC's officers to stop and desist from proceeding with the foreclosure of the Parent Company's assets. On December 23, 2008, CBC filed an appeal with the CA challenging the RTC's aforementioned order but the CA has yet to issue a ruling on CBC's appeal. On February 16, 2009, the Parent Company received a resolution from the SC dated January 14, 2009 which noted the different pleadings submitted by the Parent Company in relation to the second motion for reconsiderationAs of April 27, 2009, both motions are still subject for further resolution.

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

On the Parent Company's case with another creditor, BPI, the CA issued its decision in favor of BPI on May 3, 2006. The Parent Company filed a Motion for Reconsideration on May 26, 2006 and the CA on May 23, 2007 reversed itself, ruling in favor of the Parent Company thereby affirming the ruling of the RTC-Makati. BPI filed a Petition for Review on Certiorari with the SC which was denied on January 30, 2008. On April 28, 2008, the SC denied the Motion for Reconsideration of BPI pending review of the RTC's order approving the Rehabilitation Plan of the Parent Company, among others. Entry of judgment was made on June 2, 2008, hence the

Resolution of the SC affirming the validity and regularity of the Rehabilitation Plan became final and executory against BPI. As the SC decision became final and executory the interest accrued from July 13, 2004 to December 31, 2007 totaling to P21,869,566 was reversed and credited to Other income.

Rehabilitation Plan of PGI

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

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

On July 3, 2003, the rehabilitation receiver submitted a revised rehabilitation plan (Rehabilitation Plan) to the court. On October 10, 2003, the court approved such Rehabilitation Plan but with modifications. The important provisions and modes of settlement of the Rehabilitation Plan are as follows:

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

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

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

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

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

Going concern assumption

As a result of the Rehabilitation Plan, the Group's forecasts and projections, taking into account of reasonably possible changes in operational performance, show that the Group will be able to operate within the level of its current financing. Furthermore, management has reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. However, it is to be noted that the Parent Company's deficit reduced in 2011 as compared to 2010, since the net income before comprehensive income of the Parent Company for the year ended December 31, 2011 resulted to a positive balance.

New Product Line

In the first quarter of 2006, PGI started selling LPG Auto gas, which is considered excellent alternative for gasoline having fuel efficiency, low emission and low cost. To boost its sales, PGI set up Auto LPG dispensing stations to cater the needs of gas converted vehicles. PGI also sells auto gas cylinders to several transport groups, its main target market, in various regions in the Philippines. As of December 31, 2011 and 2010, PGI has 33 Auto LPG dispensing stations in the country, mostly located in Visayas and Mindanao.

In 2007, PGI started the business of reselling fuel, which is purchased from a local supplier. As of December 31, 2011 and 2010, PGI has 20 and 22 fuel refilling stations, respectively, operating in regions located in Visayas and Mindanao. In 2010, PGI has established dealer sales centers. As of December 31, 2011 and 2010, PGI has 80 and 70 sales centers, respectively, which are strategically located in Visayas and Mindanao.

3. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The financial statements of the Parent Company and PGI have been prepared in conformity with Philippine Financial Reporting Standards (PFRS), except for the recognition of fair value gain on real estate properties transferred by the Parent Company to PGI as equity contribution which have been taken up in the books and records of the Parent Company at cost instead of fair value as required under PFRS 3, Business Combination”. This was a case of an extremely rare circumstance in which management concludes that compliance with a requirement in PFRS would so misleading that it would conflict with the objectives of the financial statements set out in the Framework, but relevant regulatory framework prohibits departure from the requirement. Because of this circumstance, the management of the Parent Company reduced the perceived misleading aspects of compliance by complying with the disclosures stated in Note 28.

The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), Standing Interpretation Committee (SIC) /International Financial Reporting Interpretation Council (IFRIC) Interpretations which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by SEC, including SEC pronouncements.

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

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

The consolidated financial statements are presented in accordance with PAS 1 (Revised 2007), *Presentation of Financial Statements.* The Group presents all items of income and expenses in a single statement of comprehensive income. Two comparative periods are presented for the statement of financial position when the Group applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements, or reclassifies items in the financial statements.

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

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

Adoption of New Standards, Amendments and Interpretations to Existing Standards

Effective on or after January 1, 2011 that are relevant to the Group but has no significant impact on the Group's consolidated financial statements

- PAS 24 (Revised), Related Party Disclosures (effective January 1, 2011).

  The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

  The adoption of the standard did not result in any adjustment to the consolidated financial statements as there were no transactions with the government and other government-related entities.

Effective on or after January 1, 2011 that are not relevant to the Group

- PAS 32 (Amendment), *Financial Instruments: Presentation - Classification of Rights Issues* (effective February 1, 2010). The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

  This amendment is currently not applicable to the Group's consolidated financial statements because the Group has no rights issues.

- Philippine Interpretation IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective July 1, 2010).

  The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap).

It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished.

This interpretation is currently not applicable to the Group's consolidated financial statements because there were no renegotiated financial liabilities.

- Philippine Interpretation IFRIC 14, PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendment) (effective January 1, 2011).

  The amendment corrects an unintended consequence of Philippine Interpretations IFRIC 14. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions.

  This amendment is currently not applicable to the Group's consolidated financial statements because the Group has not made early payments of contributions to cover minimum funding requirements.

2010 Improvements to PFRS (effective for annual periods on or after January 1, 2011)

The following are the relevant amendments to PFRS which contains amendments that result in changes in accounting, presentation, recognition and measurement. It also includes amendments that are terminology or editorial changes only which have either minimal or no effect on accounting. These amendments are part of the IASB's annual improvements project published in August 2009. Unless otherwise stated, these improvements did not have a significant impact on the Group's consolidated financial statements.

- *PFRS 1 (Revised), First-time Adoption of Philippine Financial Reporting Standards* (effective January 1, 2011). The amendment clarifies that, if a first-time adopter changes its accounting policies or its use of the exemptions in PFRS 1 after it has published an interim financial report in accordance with PAS 34, Interim Financial Reporting, it should explain those changes and update the reconciliations between previous GAAP and PFRS. The amendment also allows first-time adopters to use an event-driven fair value as deemed cost, even if the event occurs after the date of transition, but before the first PFRS financial statements are issued. When such re-measurement occurs after the date of transition to PFRS, but during the period covered by its first PFRS financial statements, any subsequent adjustment to that event-driven fair value is recognized in equity.

  It also clarifies that entities subject to rate regulation are allowed to use previous GAAP carrying amounts of property, plant and equipment or intangible assets as deemed cost on an item-by-item basis. Entities that use this exemption are required to test each item for impairment under PAS 36 at the date of transition. This standard is not applicable to the Group as the Group is already reporting under the full PFRS framework.

- *PFRS 3, Business Combinations* (effective July 1, 2010). The amendment clarifies that the amendments to PFRS 7, Financial Instruments: Disclosures, PAS 32, Financial Instruments: Presentation, and PAS 39, Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of PFRS 3 (as revised in 2008).

  The amendment also clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by PFRS.

  It also clarifies that the application guidance in PFRS 3 applies to all share-based payment transactions that are part of a business combination, including unreplaced and voluntarily replaced share-based payment awards.

- *PFRS 7, Financial Instruments: Disclosures* (effective January 1, 2011). The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.

- *PAS 1, Presentation of Financial Statements* (effective January 1, 2011). The amendment clarifies that an entity may present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

- *PAS 27, Consolidated and Separate Financial Statements* (effective July 1, 2010). The amendment clarifies that the consequential amendments from PAS 27 made to PAS 21, The Effect of Changes in Foreign Exchange Rates, PAS 28, Investments in Associates, and PAS 31, Interests in Joint Ventures, apply prospectively for annual periods beginning on or after July 1, 2009, or earlier when PAS 27 is applied earlier.

- *PAS 34, Interim Financial Reporting* (effective January 1, 2011). The amendment provides guidance to illustrate how to apply disclosure principles in PAS 34 and add disclosure requirements around:

  - The circumstances likely to affect fair values of financial instruments and their classification;
  - Transfers of financial instruments between different levels of the fair value hierarchy;
  - Changes in classification of financial assets; and
  - Changes in contingent liabilities and assets.

- *Philippine Interpretation IFRIC 13, Customer Loyalty Program*s (effective January 1, 2011).

The amendment clarifies the meaning of 'fair value' in the context of measuring award credits under customer loyalty program.

New standards, amendments and interpretations to existing standards that are not yet effective and not early adopted by the Group

Effective in 2012

- PFRS 1 (Amendment), First-time Adoption of PFRS - Fixed Dates and Hyperinflation (effective July 1, 2011).

  These amendments include two changes to PFRS 1, First-time adoption of PFRS. The first replaces references to a fixed date of January 1, 2004 with 'the date of transition to PFRS', thus eliminating the need for entities adopting PFRS for the first time to restate derecognition transactions that occurred before the date of transition to PFRS. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with PFRS after a period when the entity was unable to comply with PFRS because its functional currency was subject to severe hyperinflation.

  This standard is not applicable to the Group since it is already applying the full PFRS.

- PFRS 7 (Amendment), Financial Instruments: Disclosures - Derecognition (effective July 1, 2011).

  This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets.

  The Group will adopt the amendment beginning January 1, 2012 and provide the additional disclosures required by the amendment upon adoption.

- PAS 12 (Amendment), Income Taxes - Deferred Tax (effective January 1, 2012).

  PAS 12 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in PAS 40, Investment Property. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, Income Taxes - Recovery of Revalued Non-Depreciable Assets, will no longer apply to investment properties carried at fair value.

  The amendments also incorporate into PAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.

  The Group will apply the amendments beginning January 1, 2012 but the adoption is not expected to have a significant impact on the consolidated financial statements.

Effective in 2013 and onwards

- PAS 1 (Amendment), Financial Statement Presentation - Other Comprehensive Income (effective July 1, 2012).

  The main change resulting from these amendments is a requirement for entities to Group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in other comprehensive income.

  The Group has yet to assess the full impact of the amendments and intends to adopt the amendment beginning January 1, 2013.

- PAS 19 (Amendment), Employee Benefits (effective January 1, 2013).

  These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. They would also require recognition of all actuarial gains and losses in other comprehensive income as they occur and of all past service costs in profit or loss. The amendments replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

  The Group has yet to assess the full impact of the amendments and intends to adopt the amendment beginning January 1, 2013.

- PAS 27 (Revised), Separate Financial Statements (effective January 1, 2013).

  The revised standard includes the provisions on separate financial statements that are left after the control provisions of PAS 27 have been included in the new PFRS 10.

  The Group has yet to assess the full impact of the amendments and intends to adopt the amendment beginning January 1, 2013.

- *PAS 28 (Revised), Investments in Associates and Joint Ventures* (effective January 1, 2013).

  This revised standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of PFRS 11.

  The Group has yet to assess the full impact of the amendments and intends to adopt the amendment beginning January 1, 2013.

- *PFRS 9, Financial Instruments* (effective January 1, 2015).

  This standard is the first step in the process to replace PAS 39, Financial Instruments: Recognition and Measurement. PFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets.

  The Group is yet to assess PFRS 9's full impact. The Group has yet to decide whether or not to early adopt PFRS 9 and therefore, the consolidated financial statements do not reflect the impact of the said standard. However, initial indications are that it may affect the Group's accounting for its Investments held for Trading, as PFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on investments held for trading, for example, will therefore have to be recognized directly in profit or loss.

- *PFRS 10, Consolidated Financial Statements* (effective January 1, 2013).

  This new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the Group. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

  The Group has yet to assess the full impact of the amendments and intends to adopt the amendment beginning January 1, 2013.

- *PFRS 11, Joint Arrangements* (effective January 1, 2013).

  This new standard is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

  The new standard is not currently applicable to the Group.

- *PFRS 12, Disclosures of Interests in Other Entities* (effective January 1, 2013).

  This new standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

  The new standard is not currently applicable to the Group.

- *PFRS 13, Fair Value Measurement* (effective January 1, 2013).

  This new standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP.

  The Group is yet to assess PFRS13's full impact and intends to adopt PFRS 13 beginning January 1, 2013.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Principles of Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company, PGI and OOC.

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

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

Minority interest represents the 2.01% interest in PGI not owned by the Parent Company and the 24.53% interest in OOC not owned by PGI. The minority stockholders' share in losses of PGI and OCC are limited to the investment made. Any additional losses are for the account of the Group.

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

Change in ownership interests in subsidiaries without change in control

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

Disposal of subsidiaries

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

Associates

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

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

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

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

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

Dilution gains and losses arising in investments in associates are recognized in the income statement.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision –maker, who is responsible for allocating resources and assessing performance in the operating segments, has been identified as the steering committee that makes strategic decisions.

Revenue and Expense 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 is recognized:

- *Revenues from sale of LPG and industrial gases* are recognized when the risks and rewards of ownership of the goods have passed to the buyer.

- *Revenues arising from hotel operations* 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.

- *Real estate sales* are recognized upon receipt of sufficient down payment. These are accounted for under the percentage-of-completion method where the Parent Company has material obligations to complete the development of the property sold. Under this method, the gain on sale is recognized as the related obligation is fulfilled.

- *Cost of real estate projects sold before completion of the development and construction* is determined based on the actual costs incurred to date plus estimated cost to complete the project as determined by the Parent Company's technical staff and contractors. These estimates are reviewed periodically to take into consideration changes in cost estimates. The cost to complete the development of the sold portion of the subdivision lots, memorial park lots and condominium units are shown under "Estimated project development costs" account in the consolidated statements of financial position.

- *Interest income* is recognized as the interest accrues taking into account the effective yield of the asset.

- *Other income* is recognized when earned.

- *Dividend income is* recognized when the Group's right to receive payment is established.

Costs and expenses are recognized in the statements of comprehensive income upon utilization of the services or at the date such costs and expenses are incurred.

All finance costs are reported in profit or loss, except capitalized borrowing costs, which are included as part of the cost of the related qualifying asset on an accrual basis.

Financial Assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. The Group has no derivative instruments. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in noncurrent assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular purchases of financial assets are recognized on the trade-date- the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss or subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair values of the “financial assets at fair value through profit or loss” category or presented in the statement of comprehensive income within other losses-gains net in the period in which they arise. Dividend income from financial assets through profit or loss is recognized in the statement of comprehensive income as part of other income when the Group’s right to receive payments is established.

Changes in fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of comprehensive income as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive income as part of other income when the Group’s right to receive payments is established.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Impairment of financial assets

(a) Assets at amortized cost

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

Evidence of impairment may include indications that the debtors or a Group of debtors 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 a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of comprehensive income.

(b) Assets classified as available for sale

The Group assesses at each end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognized in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

<u>Trade and other receivables</u>

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Inventories

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

- *Raw materials and materials and supplies* – Cost is determined primarily on the basis of moving average cost.

- *Finished goods* – Cost includes cost of raw materials used, direct labor and the applicable allocation of fixed and variable overhead costs.

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.

Complete physical count of these inventories is taken at least once a year.

Prepayments and Other Current Assets

These are composed of prepaid expenses and taxes. These are recognized as assets when the criteria for asset are complied. An asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity. These are also reviewed for possible impairments at the end of the accounting period.

Real Estate Projects

Real estate projects are carried at the lower of cost or 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.

Investment in Associates

The Group carries its investment in shares of stocks of associates at cost less any impairment losses.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business acquisition over the fair values of the identifiable net assets and liabilities acquired. Subsequent to initial recognition, it is measured at cost less any accumulated impairment in value, and is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment losses recorded are not reversed.

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost less any accumulated depreciation and any impairment in value, except for the Parent Company's land and improvements, buildings, and hotel and office equipment, and PGI's land, buildings and structures, machinery and equipment, and oxygen and acetylene cylinders, which are carried at revalued amounts, as determined by independent appraisers, less any accumulated depreciation and any impairment in value. Additions subsequent to the dates of appraisals are stated at cost.

The initial cost of property, plant and equipment consists of its purchase price and directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operations, 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 standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment.

Following initial recognition at cost, land, land improvements, buildings, hotel and office equipments are carried at revalued amounts which are the fair values at the date of revaluation, as determined by independent appraisers, less subsequent accumulated depreciation (on buildings) and any accumulated impairment losses. Revalued amounts are fair market values determined in appraisals by external professional valuers unless market-based factors indicate immediate impairment risk. Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer, and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Any revaluation surplus is recognized in other comprehensive income and credited to the Revaluation Reserves account in the Equity section of the statement of changes in equity.

Any revaluation deficit directly offsetting a previous surplus in the same asset is charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and the remaining deficit, if any, is recognized in profit or loss. Annually, an amount from the Revaluation Reserves is transferred to Retained Earnings for the depreciation relating to the revaluation surplus. Upon disposal of revalued assets, amounts included in Revaluation Reserves relating to them are transferred to Retained Earnings.

Revaluations are performed every three years unless circumstances require annual revaluation.

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

	In Years
Leasehold improvements	5-15
Building and structures	20-40
LPG plant machinery and equipment	20
LPG, oxygen and acetylene cylinders	15

Machinery and equipment	9-10
Hotel and office equipment	9
Transportation equipment	5-6
Furniture, fixtures, equipment and others	5

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The residual values and estimated useful lives or property and equipment are reviewed and adjusted if appropriate, at each end of the reporting period. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset is included in the profit or loss in the year the item is derecognized.

Assets Held for Dacion en Pago

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

Impairment of Nonfinancial Assets

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

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

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

Financial Liabilities

Financial liabilities include interest-bearing loans and borrowing, trade and other payables and finance lease liabilities, due to related parties and other noncurrent liabilities, which are measured at amortized cost using the effective interest rate method.

Financial liabilities are recognized when the Group becomes a party to contractual terms of the instrument. All interest-related charges are recognized as an expense in profit or loss under the caption Finance Costs in the consolidated statement of comprehensive income.

Interest-bearing loans and borrowings are raised for support of long-term funding of operations. They are recognized at proceeds received, net of direct issue costs.

Finance lease liabilities are measured at initial value less the capital element of lease repayments. Trade payables are measured at initial value less the capital element of lease repayments.

Trade payables are initially recognized at their fair value and subsequently measured at amortized cost. Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Group.

Trade payables are initially recognized at their fair value and subsequently measured at amortized cost. Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Company.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

The carrying values of these financial liabilities amounted to P2.5 billion and P2.3 billion as of December 31, 2011 and 2010, respectively.

Lease

Group as Lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statements of comprehensive income on a straight-line basis over the period of the lease. The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statements of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Equity

Common shares are classified as equity and is determined using the nominal value of shares that have been issued.

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.

Retirement Benefits

The Group provides retirement benefits to employees through a defined benefit plan. A defined benefit plan is a pension plan that determines the amount of pension benefit an employee would receive upon retirement, usually dependent on several factors such as age, salary and length of service. Actuarial valuation, usually made every 2-3 years, is required under this plan to reliably measure the expense and obligation, and the possibility of recognizing actuarial gains and losses.

The obligation recognized in the consolidated statements of financial position is the present value of defined benefit obligation, which is actuarially determined using the projected unit credit method on a discounted basis.

Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise amortized on straight-line basis over the average period until the benefits become vested

Borrowing Costs

Borrowing costs are generally recognized as expense in the year in which these costs are incurred, except for those borrowing costs that are directly attributable to the development of real estate projects which are capitalized as part of the costs of the projects.

The capitalization of borrowing costs as part of the costs of such assets: (a) commences when the expenditures and borrowing costs for the assets are being incurred and activities that are necessary to prepare the assets for their intended sale are in progress; (b) is suspended during the extended periods in which active development of the assets are interrupted; and, (c) ceases when substantially all activities necessary to prepare the assets for their intended sale are completed.

Related Parties

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and common significant influence. Related parties may be individual or corporate entities.

Transactions between related parties are accounted for at arms' length prices or on terms similar to those offered to non-related entities in an economically comparable market.

The Group's key management personnel are composed of the chairman, president, vice-president and directors / managers.

Provisions and Contingent Liabilities and Contingent Assets

Provisions are recognized only when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. They are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at statement of financial position date, including risks and uncertainties. Any reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain, not exceeding the amount of related provision.

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. A contingent asset is not recognized but disclosed when an inflow of economic benefits is probable.

Functional Currency and Foreign Currency Transactions

- *Functional and Presentation Currency*

  Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in Philippine Pesos, which is the Group's functional currency.

- *Foreign Currency Transactions*

  Transactions in foreign currencies are recorded in Philippine Peso using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate at financial reporting date. All foreign exchange gains and losses are taken to the consolidated statements of comprehensive income.

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of operation because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible.

Deferred income tax is provided, using the statement of financial position liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at end of accounting period 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 is charged or credited in the statement of operation, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at end of accounting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax to be utilized. Unrecognized deferred income tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Earnings (Loss) Per Share

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

Events after the Reporting Period

Events that provide evidence of conditions that existed after the reporting period (adjusting events) are recognized in the consolidated financial statements, while those that are indicative of conditions that existed after the reporting period (non-adjusting events) are disclosed in the notes to financial statements when material.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in conformity with PFRS requires the management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of consolidated financial statements, and revenue and expenses during the period reported.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments:

- *Functional Currency*

  The Group has determined that its functional currency is the Philippine Peso, which is the currency of primary economic environment in which it operates.

- *Revenue Recognition*

  The management requires certain judgments in selecting an appropriate revenue recognition method for real estate transactions based on sufficiency of payments by the buyer and completion of the project.

- *Provisions and Contingencies*

  Judgment is exercised by management to distinguish between provisions and contingencies. Policies on provisions and contingencies are discussed in Note 4, and relevant disclosure is presented under Note 32.

- *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.

- *Distinction between Investment Properties and Owner-managed Properties*

  The Group determines whether a property qualifies an investment property. In making up 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 the property but also to other assets used in the production or supply process. Some properties comprise a portion that is held to earn rental for capital appreciation and another portion that is held for use in the production and supply of goods and services or for administrative purposes. If these portion can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

  Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Estimates

The estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances of the Group's consolidated financial statements. Actual results could differ from those estimates. Management has determined the following relevant estimates:

- *Determining Selling Price of Inventories*

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

- *Determining Real Estate Sales, Costs and Liability*

  The Parent Company uses the percentage-of-completion method in accounting for its real estate transactions. The use of this method requires the Parent Company to estimate the revenue based on the stage of completion reached. The estimated costs incurred in reaching the stage of completion are matched with this revenue as determined by the Parent Company's technical staff and contractors. Both the revenue and cost estimates are reviewed periodically and are updated if expectations differ from previous estimates.

  Real estate revenues amounted to P38,611,305 in 2011 and P31,272,237 in 2010, while related costs amounted to P5,431,393 in 2011 and P4,483,489 in 2010.

- *Determining Net Realizable Value of Real Estate Projects*

  In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the times the estimates are made. These are considered key sources of estimation uncertainty and may cause significant adjustments to the Parent Company's Real Estate Projects within the next financial year.

- *Allowance for Impairment of Trade and Other Receivables*

  Allowance is made for specific and groups 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. Current trade and other receivables, net of allowance for impairment, amounted to P193.0 million and P153.7 million as of December 31, 2011 and 2010, respectively (see Note 8).

- *Useful Lives of Property, Plant and Equipment*

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

  As of December 31, 2011 and 2010, the carrying amounts of property, plant and equipment amounted to P1.9 billion in both years (see Notes 13 and 14).

- *Retirement Benefits*

  The present value of the defined benefit obligation is dependent on several factors that are determined upon actuarial valuation using a number of assumptions. Any changes in those assumptions will have effect on the balance of the retirement benefit obligation, thus actuarial gains and losses are recorded.

As of December 31, 2011 and 2010, the Parent Company and PGI has unrecognized actuarial gain and loss of P1,047,167 and P538,600, respectively (see Note 25).

- *Realizability of Deferred Tax Assets*

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

  As of December 31, 2011 and 2010, the Group provided full valuation allowance on all its deferred tax assets totaling to P350 million and P367 million, respectively (see Note 26).

- *Impairment of Assets*

  Management is required to perform test of impairment when impairment indicators are present.

  Property, plant and equipment and other long-lived assets, including goodwill, 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 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.

  As of December 31, 2011 and 2010, goodwill amounted to P68.9 million (see Note 16).

  The Group further maintains allowance for impairment on potentially uncollectible receivables, advances, investments and other asset accounts, and writing off accounts considered uncollectible. The allowance and write-off are evaluated by management based on relevant facts and circumstances, including but not limited to, collection experience and length of relationship with customers and outside parties, current economic trends, changes in collection terms, pending litigations and other factors that may affect the Group's ability to collect.

  Current trade and other receivables, net of allowance for impairment, amounted to P193.0 million and P153.7 million as of December 31, 2011 and 2010, respectively (see Note 8).

  Prepayments and other current assets, net of allowance for impairment losses, amounted to P46.6 million and P35.1 million as of December 31, 2011 and 2010, respectively, (see Note 11).

  Due from related parties, net of allowance for impairment losses, amounted to P116.9 million and P116.6 million as of December 31, 2011 and 2010, respectively (see Note 20).

  Investment in associates, net of allowance for impairment, amounted to NIL and P523,000 as of December 31, 2011 and 2010, respectively (see Note 12).

Other noncurrent assets, net of allowance for impairment, amounted to P68.9 million as of December 31, 2011 and 2010 (see Note 16).

6. CASH

This account consists of:

	2011	2010
Cash on hand and undeposited collections	**P 27,604,436**	P 21,191,335
Cash in banks	**180,145,823**	94,588,089
	P 207,750,259	P 115,779,424

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

7. INVESTMENTS HELD FOR TRADING

This consists of held-for-trading equity securities from various listed companies in the Philippines.

The movement of the account follows:

	2011	2010
Cost		
Balance at beginning of year	**P 278,261,714**	P 215,204,451
Additions	**126,212,528**	119,053,754
Disposals	**(150,942,278)**	(56,609,826)
	253,531,964	277,648,379
Fair value adjustments	**43,239,730**	20,631,263
Balance at end of year	**P 296,771,694**	P 298,279,642

The Parent Company has disposed of its investments held for trading during the year.

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

The movements of fair value adjustments are as follows:

	2011	2010
Balance at beginning of year	**P 20,631,263**	(P 30,763,868)
Fair value loss on disposal during the year	**(613,335)**	-
Fair value gain during the year	**23,221,802**	51,395,131
Balance at end of year	**P 43,239,730**	P 20,631,263

The Group recognizes the movements in the value of the Investments held for trading as part of the other income under the consolidated statements of comprehensive income.

8. TRADE AND OTHER RECEIVABLES

This account consists of:

	2011	2010
Current:		
Trade	**P 184,407,015**	P 149,969,071
Interest receivable	**19,796,836**	19,796,836
Advances to officers and employees	**23,702,808**	21,303,244
Refundable deposits	**6,518,190**	5,918,520
Advances to contractors	**2,542,592**	3,008,973
Notes receivable	**2,045,148**	-
Cylinder deposits	**1,975,304**	1,975,304
Advances – others	**3,842,272**	2,447,548
Others	**17,093,500**	18,205,302
	261,923,665	222,264,798
Allowance for impairment	**(68,879,355)**	(68,879,355)
Net	**193,044,310**	153,745,443
Noncurrent:		
Trade	**P 19,096,150**	P 27,292,642
Refundable deposits	**13,061,735**	13,069,967
	P 32,157,885	P 40,362,609

The movements of allowance for impairment as of December 31, 2011 and December 31, 2010 are as follows:

	2011	2010
Balance at beginning of year	**P 68,879,355**	P 70,206,222
Write-off during the year	**-**	(1,326,867)
Balance at end of year	**P 68,879,355**	P 68,879,355

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

The current and noncurrent trade receivables of the Parent Company include installment contract receivable amounting to P56.3 million in 2011 and P57.6 million in 2010 due within three to five years and bears interest at a rate ranging from 17% to 19% per annum.

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

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

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

	2011	2010
Current	P 72,862,328	P 41,690,116
1 – 60 days	31,809,812	17,623,290
61 - 120 days	9,633,186	8,743,044
Over 120 days	70,101,689	81,912,621
	184,407,015	149,969,071
Allowance for impairment	(36,703,203)	(36,703,253)
	P 147,703,812	P 113,265,818

The net receivables of the Parent Company are assessed by the management to be good and additional provision for impairment losses is not necessary since the outstanding balance as of December 31, 2011 and 2010 consist mainly of receivables arising from sale of real estate which the Parent Company retains the title until fully paid by the buyers.

The net receivables of PGI and OOC are assessed by the management as good and collectible.

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

9. INVENTORIES

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

	2011	2010
Finished goods:		
LPG, cylinders, stoves and accessories	P 400,676,233	P 334,507,737
Industrial gases	9,329,033	17,390,961
Fuel	6,985,353	10,180,104
	416,990,619	362,078,802
Material and supplies	79,713,716	59,852,924
Raw materials	4,887,967	6,841,503
	P 501,592,302	P 428,773,229

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

10. REAL ESTATE PROJECTS

Real estate projects consist of the following:

	2011	2010
Memorial park lots – notes 2 and 18		
Cagayan de Oro Gardens	**P 81,526,639**	P 102,286,396
Zamboanga Memorial Gardens	**71,048,934**	93,273,518
Mt. Apo Gardens	**65,065,276**	89,606,774
North Zamboanga Gardens	**19,824,645**	29,684,621
Pryce Gardens – Manolo Fortich/CDO	**18,013,212**	27,582,607
Ma. Cristina Gardens	**20,170,125**	31,782,550
Pryce Gardens – Bislig	**16,087,727**	24,593,876
Ozamis Memorial Gardens	**16,117,536**	22,791,791
Pryce Gardens – Alabel	**15,999,042**	19,422,008
Pryce Gardens – Malita	**14,030,670**	17,885,428
Pryce Gardens – Malaybalay	**12,045,250**	18,375,494
Subdivision lots – notes 2 and 18		
Iligan Town Center	**341,098,724**	99,483,113
Puerto Heights Village	**30,085,232**	93,750,232
Villa Josefina Resort Village	**15,099,421**	37,801,232
Saint Joseph Homes	**11,037,401**	21,492,535
Pryce Business Park	**892,524**	892,523
Condominium units – Pryce Tower – note 30	**104,018,412**	125,119,066
Land held for future development		
Cagayan de Oro	**164,022,528**	164,022,528
Davao	**142,460,537**	142,460,537
Misamis Oriental	**27,979,122**	27,979,122
Cotabato	**7,559,489**	7,559,489
	P 1,194,182,446	P 1,197,845,440

The real estate projects are stated at costs which are lower than their net realizable values. The memorial park lot in Davao City is mortgaged to China Banking Corporation. It is management's evaluation that the stated costs of the real estate projects are lower than their net realizable value as of the reporting period, and that there are no indications of impairment as of the reporting period.

11. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

		2011		2010
Input tax	P	9,699,642	P	4,002,906
Prepaid rent		9,074,561		6,141,283
Prepaid insurance		4,674,550		3,796,106
Creditable withholding taxes		4,375,117		8,381,816
Advance payments to suppliers and contractors		4,184,007		3,983,477
Foods and materials inventory		3,092,082		2,340,356
Deferred charges		1,459,199		993,598
Prepaid taxes and licenses		550,476		152,535
Others		9,614,941		5,394,376
		46,724,575		35,186,453
Allowance for impairment	(	120,246)	(	120,246)
Net	P	46,604,329	P	35,066,207

The movements of allowance for impairment as of December 31, 2011 and 2010 are as follows:

		2011		2010
Balance at beginning of year	P	120,246	P	120,246
Provision for during the year		-		-
Balance at end of year	P	120,246	P	120,246

The Group's management evaluated that based on their review, there were no indicators of impairment as of December 31, 2011 and 2010.

12. INVESTMENT IN ASSOCIATES

This account consists of:

		2011		2010
Shares of stock of Pryce Finance Leasing Corporation (PFLC) – note 20	P	50,000,000	P	50,000,000
Others		2,413,000		2,413,000
		52,413,000		52,413,000
Allowance for impairment losses	(	52,413,000)	(	51,890,000)
Net	P	-	P	523,000

The movements of allowance for impairment losses as of December 31, 2011 and 2010 are as follows:

		2011		2010
Balance at beginning of year	P	51,890,000	P	51,890,000
Provision		523,000		-
	P	52,413,000	P	51,890,000

PGI's associates are incorporated in the Philippines whose shares of stock are not listed in the stock exchange and, hence, the fair value of its shares cannot be determined reliably.

PGI's management has assessed that the above investments may not be fully recoverable due to the downturn in the business prospects of these associates. Accordingly, an impairment loss was recognized based on this assessment.

13. PROPERTY, PLANT AND EQUIPMENT AT REVALUED AMOUNTS

Reconciliations of net carrying amounts at the beginning and end of 2011 and 2010, and the gross carrying amounts and the accumulated depreciation of property, plant and equipment are shown below:

December 31, 2011

	Land and Improvements	Buildings and Structures	Machinery and Equipment	Oxygen and Acetylene Cylinders	Hotel and Office Equipment	Total
Net carrying amounts, January 1, 2011	P 259,793,269	P 297,635,477	P 4,237,350	P 169,330,961	P 1,165,923	P 732,162,980
Additions	24,272	1,345,816	-	8,016,415	577,332	9,963,835
Disposal and other movements	31,969,558	(54,296,825)	17,829,429	12,773,431	-	8,275,593
Depreciation	(455,568)	(19,286,002)	(7,751,815)	(34,135,074)	(1,634,327)	(63,262,786)
Net carrying amounts, December 31, 2011	**P 291,331,531**	**P 225,398,466**	**P 14,314,964**	**P 155,985,733**	**P 108,928**	**P 687,139,622**
Cost	P 298,409,723	P 555,306,376	P 216,614,162	P 695,444,714	P 57,031,450	P1,822,806,425
Accumulated Depreciation	(7,078,192)	(329,907,910)	(202,299,198)	(539,458,981)	(56,922,522)	(1,135,666,803)
Net carrying amounts, December 31, 2011	**P 291,331,531**	**P 225,398,466**	**P 14,314,964**	**P 155,985,733**	**P 108,928**	**P 687,139,622**

December 31, 2010

	Land and Improvements	Buildings and Structures	Machinery and Equipment	Oxygen and Acetylene Cylinders	Hotel and Office Equipment	Total
Net carrying amounts, January 1, 2010	P 259,904,789	P 314,627,214	P 26,256,722	P 188,164,282	P 2,240,939	P 791,193,946
Additions	41,206	-	-	-	375,357	416,563
Disposal and other movements	-	(3,221,523)	(9,372,030)	11,801,353	-	(792,200)
Depreciation	(152,726)	(13,770,214)	(12,647,342)	(30,634,674)	(1,450,373)	(58,655,329)
Net carrying amounts, December 31, 2010	P 259,793,269	P 297,635,477	P 4,237,350	P 169,330,961	P 1,165,923	P 732,162,980
Cost	P 266,461,467	P 599,533,990	P 217,603,673	P 647,960,559	P 56,886,912	P1,788,446,601
Accumulated Depreciation	(6,668,198)	(301,898,513)	(213,366,323)	(478,629,598)	(55,720,989)	(1,056,283,621)
Net carrying amounts, December 31, 2010	P 259,793,269	P 297,635,477	P 4,237,350	P169,330,961	P 1,165,923	P 732,162,980

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

December 31, 2011

	Land and Improvements	Buildings and Structures	Machinery and Equipment	Oxygen and Acetylene Cylinders	Hotel and Office Equipment	Total
Cost	P 204,178,738	P 422,470,495	P 112,553,657	P 535,062,368	P 57,755,194	P 1,332,020,452
Accumulated Depreciation	(6,023,955)	(233,337,763)	(111,104,266)	(397,172,110)	(47,793,363)	(795,431,457)
Net carrying amount, December 31, 2011	**P 198,154,783**	**P 189,132,732**	**P 1,449,391**	**P 137,890,258**	**P 9,961,831**	**P 536,588,995**

December 31, 2010

	Land and Improvements	Buildings and Structures	Machinery and Equipment	Oxygen and Acetylene Cylinders	Hotel and Office Equipment	Total
Cost	P172,184,908	P 465,328,669	P 113,543,168	P 487,569,213	P 57,177,862	P 1,295,803,820
Accumulated Depreciation	(5,381,126)	(193,959,351)	(110,456,887)	(340,998,667)	(46,159,036)	(696,955,067)
Net carrying amount, December 31, 2010	P 166,803,782	P 271,369,318	P 3,086,281	P 146,570,546	P 11,018,826	P 598,848,753

Depreciation charged to operations was allocated as follows:

	2011	2010
Cost of sales on industrial gases – note 22	**P 46,758,279**	P 45,492,019
Cost of sales on hotel operations – note 22	**6,267,297**	6,192,279
Selling expenses – note 23	**3,571,525**	3,285,516
General and administrative expenses – note 23	**6,665,685**	3,685,515
	P 63,262,786	P 58,655,329

The above depreciation includes depreciation on appraisal increase amounting to P10.7 million in 2011 and P18.1 million in 2010, which also represents transfer of realized portion of revaluation reserve to deficit.

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

As at end of the reporting period, PGI reassessed any impairment in value on land, buildings and structures, machinery and equipment, and oxygen and acetylene cylinders under industrial gases operation based on value in use. The value in use was computed based on present value of projected net cash flows of such operations for the next ten years using the pre-tax discounted rate of 4% in 2011 and 2010. The result of computation showed that the estimated recoverable amounts of such assets exceeded its carrying values by P1.07 billion and P1.44 billion as of December 31, 2011 and 2010, respectively.

The fair market value of the buildings of the Parent Company as determined by an independent appraiser as of January 1, 2005 amounted to P157.5 million. The valuation, which conforms to

International Valuation Standards was determined by reference to recent market transactions on arm's length terms. The revaluation reserves net of applicable deferred income taxes was credited to other comprehensive income and is shown in "Revaluation Reserve" in the statements of changes in equity. While the fair market value of the buildings was not determined as of December 31, 2011 and 2010, the Parent Company's management believes that there were no conditions present in 2011 and 2010 that would significantly reduce the fair market value of the buildings from that determined in 2005.

14. PROPERTY, PLANT AND EQUIPMENT AT COST

Reconciliations of the net carrying amounts at the beginning and end of 2011 and 2010, and the gross carrying amounts and the accumulated depreciation of property, plant and equipment at cost are as follows:

December 31, 2011

	LPG Plant Machinery and Equipment	Machinery and Equipment	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures, Equipment And Others	Construction in Progress	Building and Structures	Land	Total
Net carrying amounts, January 1, 2011	P 976,115,584	P 10,945,777	P 84,873,720	P 25,084	P 16,729,752	P 48,164,265	P -	P -	P 1,136,854,182
Additions	19,084,460	561,472	13,411,969	-	4,182,677	26,663,511	9,239,474	-	73,143,563
Disposals and other Movements	115,225,588	51,206,882	14,410,047	7,449,017	2,505,377	(37,915,903)	-	28,659,458	181,540,466
Depreciation	(114,519,605)	(2,795,280)	(14,421,054)	(25,087)	(3,832,728)		-	-	(135,593,754)
Net carrying amounts, December 31, 2011	**P 995,906,027**	**P 59,918,851**	**P 98,274,682**	**P 7,449,014**	**P 19,585,078**	**P 36,911,873**	**P 9,239,474**	**P 28,659,458**	**P 1,255,944,456**
Cost	P 2,258,061,969	P 89,403,175	P249,571,064	P 19,227,004	P 91,501,845	P 36,911,873	P 9,239,474	P 28,659,458	P 2,782,575,862
Accumulated Depreciation	(1,262,155,942)	(29,484,324)	(151,296,382)	(11,777,990)	(71,916,767)	-	-	-	(1,526,631,406)
Net carrying amounts, December 31, 2011	**P 995,906,027**	**P 59,918,851**	**P 98,274,682**	**P 7,449,014**	**P 19,585,078**	**P 36,911,873**	**P 9,239,474**	**P 28,659,458**	**P 1,255,944,456**

December 31, 2010

	LPG Plant Machinery and Equipment	Machinery and Equipment	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures, Equipment And Others	Construction in Progress	Total
Net carrying amounts, January 1, 2010	P1,011,984,153	P12,220,390	P 42,989,793	P 94,878	P 6,849,199	P 37,631,850	P 1,111,770,263
Additions	24,378,580	893,979	41,629,806	-	11,627,453	10,532,615	89,062,433
Depreciation	(104,063,450)	(3,326,880)	(12,954,872)	(122,835)	(5,721,175)	-	(126,189,212)
Disposals and other Movements	43,816,301	1,158,288	13,208,993	53,044	3,974,076	-	62,210,898
Net carrying amounts, December 31, 2010	P 976,115,584	P 10,945,777	P 84,873,720	P 25,087	P16,729,553	P 48,164,465	P 1,136,854,186
Cost	P1,989,853,450	P 24,644,004	P204,673,566	P 7,200,111	P82,124,827	P48,164,465	P 2,356,660,423
Accumulated Depreciation	(1,013,737,866)	(13,698,227)	(119,799,846)	(7,175,024)	(65,395,274)	-	(1,219,806,237)
Net carrying amounts, December 31, 2010	P 976,115,584	P 10,945,777	P 84,873,720	P 25,087	P16,729,553	P48,164,465	P 1,136,854,186

Depreciation charged to operations was allocated as follows:

	2011	2010
Cost of sales – note 22	**P 108,186,351**	P 102,423,608
Selling expenses – note 23	**9,011,163**	8,289,545
General and administrative expenses – note 23	**18,396,240**	15,476,059
	P 135,593,754	P 126,189,212

PGI's LPG plant, machinery and equipment, and transportation equipment with carrying values of P237,226,724 and P352,834,743 as of December 31, 2011 and 2010, respectively, were mortgaged as collaterals for its obligations (see Note 18).

Construction in progress as of December 31, 2011 and 2010 pertains mainly to LPG plant, refilling plants as well as power plant of PGI.

As at reporting date, the Group reassessed any impairment in value on property, plant and equipment under LPG operations based on value in use. The value in use was computed based on present value of projected net cash flows of such operations for the next ten years using the pre-tax discounted rate of 4% in 2011 and 2010. The result of computation showed that the estimated recoverable amounts of such assets exceeded its carrying values by P1.08 billion and P1.45 billion as of December 31, 2011 and 2010, respectively.

15. ASSETS HELD FOR DACION EN PAGO

Assets held for dacion en pago with a carrying value of approximately P198 million as of December 31, 2011 includes a number of memorial park lots contributed by the Parent Company to PGI in 2003 and 2004 for the increase in authorized capital stock of PGI in 2004. These assets shall be used by PGI in the settlement of debts for dacion en pago covered by the Rehabilitation Plan (see note 2). It is management's evaluation that there are no evidences or indicators of impairment on these assets as of the reporting date.

The contribution was classified as deposits for future stock subscriptions and is presented under the equity section in the statements of financial position of PGI.

In 2011 and 2010, deposits for future stock subscriptions of the Parent Company to PGI of P133,782,659 and P164,543,460, respectively, were subsequently applied to partially settle the subscription agreement in 2004. As of December 31, 2011 and 2010, the remaining deposits for future stock subscriptions to PGI amounted to P93.5 million and P227.3 million, respectively.

16. OTHER NONCURRENT ASSETS

This account consists of:

	2011	2010
Goodwill	**P 68,897,066**	P 68,897,066
Miscellaneous receivables and others	**22,540,535**	22,540,535
	91,437,601	91,437,601
Allowance for impairment losses	**(22,540,535)**	(22,540,535)
Net	**P 68,897,066**	P 68,897,066

Miscellaneous receivables had been provided full allowance for impairment losses in 2006, hence no longer presented in the statements of financial position.

The Group management believes that the goodwill is not impaired as of December 31, 2011 and 2010.

17. TRADE AND OTHER PAYABLES

This account consists of:

	2011	2010
Accounts payable:		
Trade	**P 480,401,492**	P 421,769,675
Related party – note 20	**100,000,000**	-
Nontrade	**11,505,024**	79,402,379
Others	**61,506,502**	82,236,182
Accrued expenses:		
Interest	**220,599,516**	207,026,534
Salaries, wages and benefits	**4,708,672**	3,262,463
Others	**27,800,762**	10,123,917
Cylinder and autogas kit deposits	**10,860,590**	6,016,840
VAT payable	**7,955,685**	27,436,506
Reserve fund liability	**3,684,433**	2,456,958
Due to government bodies	**2,370,409**	622,031
Construction bond payable	**2,265,628**	2,335,628
Rental deposit	**1,203,412**	1,085,098
Deferred income	**946,703**	1,397,233
	P 935,808,828	P 845,171,444

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

18. LIABILITIES COVERED BY THE REHABILITATION PLAN

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

	2011	2010
Debts for dacion en pago	**P 861,441,090**	P 861,244,231
Restructured debts – at amortized cost		
Current	**107,135,475**	107,059,646
Noncurrent	**282,968,523**	389,814,901
	390,103,998	496,874,547
	P 1,251,545,088	P 1,358,118,778

a) Debts for Dacion En Pago of the Parent Company

		2011		2010
Long-term commercial papers (LTCPs)	**P**	**208,581,499**	P	208,581,499
Loans from banks and other financial institutions		**363,804,780**		363,694,651
Trade and non-trade creditors		**20,946,491**		20,946,491
	P	**593,332,770**	P	593,222,641

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

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

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

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

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

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

Long-term commercial papers (LTCPs)
These debts are secured by mortgaged trust indenture with CBC as mortgage trustee covering certain assets of the Parent Company in Cagayan de Oro and Davao City.

The Parent Company transferred to a creditor bank a number of memorial park lots and a parcel of land as full settlement of its obligations amounting to P65.4 million in 2006. There were no transfers of memorial park lots made to creditors during 2011 and 2010.

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

Total finance costs amounting to P11.1 million in 2011 and P15.5 million in 2010 were accrued on long term commercial papers and local and foreign currency denominated borrowings. These borrowings bear fixed interest rate of 10.3% annually.

b) Debts for Dacion en Pago of PGI

This account consists of:

	2011	2010
Debts secured by non-operating assets:		
Foreign-currency denominated trade payable	**P 88,602,688**	P 88,515,958
Peso-denominated bank loan	**123,521,054**	123,521,054
Unsecured debts:		
Peso-denominated trade payables	**55,984,578**	55,984,578
	P 268,108,320	P 268,021,590

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

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

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

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

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

5. Unsecured creditors and suppliers whose total claims amounted to P789.4 million shall receive an aggregate of 49,500 memorial park lots at the stipulated dacion price.

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

These debts are classified as secured or unsecured. Debts secured by operating assets were fully settled in 2005. Debts secured by non-operating assets and unsecured debts are explained as follows:

Debts Secured by Non-operating Assets

The Peso-denominated loans from local banks are collateralized by a chattel mortgage on project assets, which are guaranteed by the Parent Company (see Note 20). The Peso-denominated loans from a financing company are collateralized by various transportation equipment owned by PGI (see Note 14). The US dollar denominated trade payable represents amounts payable for the purchases of commercial LPG mixtures from a foreign supplier.

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

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

In 2005, PGI transferred several memorial park lots to a creditor bank as partial settlement of its debts amounting to P33.1 million. There were no transfers of memorial park lots made to the creditors during 2011 and 2010. As of December 31, 2011 and 2010, debts under this classification amounted to P212.1 million and P212 million, respectively.

Unsecured Debts

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

In 2005, the Company transferred memorial park lots totaling to P5.3 million to its trade debtors as partial settlement of its debts totaling to P84.7 million. There were no transfers of memorial park lots made to trade creditors during 2011 and 2010. As of December 31, 2011 and 2010, debts under this classification amounted to P56 million, respectively.

c) Restructured Debts of PGI

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

December 31, 2011

	Tranche A	Tranche B	Total	Current	Noncurrent
Foreign currency-denominated US$15 million loan granted by a foreign financing company	**P 123,558,739**	**P111,975,108**	**P235,533,847**	**P 61,779,369**	**P 173,754,478**
Foreign currency-denominated US$4 million loan granted by a foreign commercial bank	**31,371,911**	**28,430,794**	**59,802,705**	**15,685,956**	**44,116,749**
Peso-denominated loans granted by various local commercial banks	**59,340,300**	**35,427,146**	**94,767,446**	**29,670,150**	**65,097,296**
	P 214,270,950	**P175,833,048**	**P390,103,998**	**P107,135,475**	**P 282,968,523**

December 31, 2010

	Tranche A	Tranche B	Total	Current	Noncurrent
Foreign currency-denominated US$15 million loan granted by a foreign financing company	P 185,156,686	P111,865,498	P297,022,184	P 61,718,895	P235,303,289
Foreign currency-denominated US$4 million loan granted by a foreign commercial bank	47,011,803	28,402,964	75,414,767	15,670,601	59,744,166
Peso-denominated loans granted by various local commercial banks	89,010,449	35,427,146	124,437,595	29,670,150	94,767,445
	P 321,178,938	P175,695,608	P 496,874,546	P107,059,646	P389,814,900

The fair values of the restructured debts are as follows:

December 31, 2011

	Tranche A	Tranche B	Total	Current	Noncurrent
Foreign currency-denominated US$15 million loan granted by a foreign financing company	**P 142,708,166**	**P 35,677,041**	**P 178,385,207**	**P 50,328,528**	**P 128,056,679**
Foreign currency-denominated US$4 million loan granted by a foreign commercial bank	**36,234,896**	**9,058,724**	**45,293,620**	**12,778,788**	**32,514,832**
Peso-denominated loans granted by various local commercial banks	**52,866,468**	**9,993,844**	**62,860,312**	**21,272,597**	**41,587,715**
	P 231,809,530	**P 54,729,609**	**P 286,539,139**	**P 84,379,913**	**P202,159,226**

December 31, 2010

	Tranche A	Tranche B	Total	Current	Noncurrent
Foreign currency-denominated US$15 million loan granted by a foreign financing company	P 184,615,535	P 46,153,884	P 230,769,419	P 52,558,829	P 178,210,590
Foreign currency-denominated US$4 million loan granted by a foreign commercial bank	46,875,447	11,718,862	58,594,309	13,345,025	45,249,284
Peso-denominated loans granted By various local commercial banks	72,620,790	13,094,476	85,715,266	22,854,954	62,860,312

	P 304,111,772	P 70,967,222	P 375,078,994	P 88,758,808	P 286,320,186

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

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

The terms are set forth as follows:

1. Tranche A – covering P1.0 billion out of the P1.25 billion restructured debts, upon which the principal will be paid over 29 quarters from June 2006 to June 2013 or 10 years inclusive of a three-year grace period on principal, with annual interest rate at prevailing 91-day Treasury Bill rate plus 1% for Peso-denominated loans and three-month London Interbank Offered Rate (LIBOR) plus 1% for US Dollar-denominated loans, reckoned from the date of approval of the Rehabilitation Plan.

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

2. Tranche B – covering the remaining P250.0 million, payable as to interest and principal in 12 equal quarterly installments starting upon full settlement of Tranche A debt but in no case later than September 2013, and with annual interest at prevailing 91-day Treasury Bill rate plus 1% for Peso-denominated loans and three-month LIBOR plus 1% for US Dollar-denominated loans, reckoned from date of approval of the Rehabilitation Plan.

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

   Interest will accrue yearly in their respective foreign currency denominations and will be reckoned from the approval of the Rehabilitation Plan but repaid only after Tranche A debt is retired. Interest accrued on Tranche B debt will not accrue any additional interest or penalties. Interest accrued on Tranche B debt up to the date of full repayment of Tranche A debt will be capitalized then repaid (without further interest) in 12 equal quarterly amortizations to coincide with principal repayments on Tranche B debt.

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

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

PGI pays a guarantee fee on the US Dollar-denominated loans guaranteed by the Parent Company.

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

Details of the restructured debts are as follows:

Foreign Currency-denominated US$15 Million Loan Granted by a Foreign Financing Company

The US$15 million term loan, which includes principal and interest of P96.3 million as of August 31, 2002 has an original term of seven years, inclusive of three years grace period on principal repayment. This was obtained from a foreign financing company in 1999 to settle maturing short-term loans from local commercial banks. The loan is originally payable over eight consecutive semi-annual installments of US$1.9 million commencing on December 15, 2001 and bears annual interest at rates ranging from 1.25% to 1.30% in 2011 and 1.25% to 2.27% in 2010 over and above LIBOR.

Foreign Currency-denominated US$4 Million Loan from a Foreign Commercial Bank

The US$4 million loan, which includes principal and interest of P17.0 million as of August 31, 2002, bears interest at 1.25% and 1.30% in 2011 and 4.59% to 5.25% in 2010. The loan is collateralized by PGI's oxygen and acetylene cylinders with carrying values of P156 million and P169 million as of December 31, 2011 and 2010, respectively (see Note 13).

Peso-denominated Loans Granted by Various Local Commercial Banks

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

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

These loan tranches bear interest at rates ranging from 1.25% to 4.90% in 2011 and1.78% to 4.97% in 2010.

The proceeds from Peso-denominated loans were used to fund the construction of the Company's LPG terminals and refilling plants.

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

On March 11, 2005, PGI transferred to its creditor bank a number of memorial park lots as full settlement of its obligations amounting to P68.2 million. There were no transfers of memorial park lots made in 2011 and 2010.

Total finance costs amounting to P7 million in 2011 and P12.4 million in 2010 were recognized with the restructured US Dollar- and Peso-denominated bank loans of PGI

19. CAPITAL STOCK

Details of this account are as follows:

	2011	2010
Common stock – P1 par value		
Authorized – 2,000,000,000 common shares	**P 2,000,000,000**	P 2,000,000,000
Issued - 1,998,750,000 common shares	**P 1,998,750,000**	P 1,998,750,000
Subscribed – 1,250,000 common shares	**1,250,000**	1,250,000
Total	**P 2,000,000,000**	P 2,000,000,000

The Parent Company was incorporated on September 7, 1989 with an authorized capital stock of P1,000,000,000 divided into 600,000,000 shares of Class A common stock with the par value of P1.00 per share and 400,000,000 shares of Class B common stock with the par value of P1.00 per share. On March 30, 1990, it obtained the SEC's approval of the registration of its capital stock for sale to the public and on October 29, 1991, 150,000,000 of its Class 'A' shares were listed at the Makati Stock Exchange at the issue/offer price of P1.00 per share and 50,000,000 of its Class 'B' shares were likewise so listed at the same issue/offer price of P1.00 per share.

On March 21, 1994, the SEC approved the declassification of the Parent Company's capital stock made through an amendment of the Articles of Incorporation. Thus, the Parent Company's capital stock stood at P1,000,000,000 divided into 1,000,000,000 common shares with the par value of P1.00 per share.

On July 31, 1996, the SEC approved the increase of the capital stock of the Parent Company from P1,000,000,000 divided into 1,000,000,000 shares with the par value of P 1.00 per share to P2,000,000,000.00 divided into 2,000,000,000 shares with the par value of P1.00 per share. As of

December 31, 2011, the Company's capital stock is fully subscribed and has 398 equity holders. Of the subscribed capital, only the amount of P1,250,000.00 remains unpaid

20. RELATED PARTY TRANSACTIONS

The Group has transactions with related parties in the normal course of business. The more significant of these transactions are as follows:

a. PFLC extends loan financing to the PGI's dealers for LPG product purchases. PFLC pays PGI for the LPG product and the dealer pays PFLC for the LPG product plus interest.

In 2001, PFLC experienced difficulties in collecting its receivables from certain dealers, thus, it was unable to pay PGI for the LPG products purchased by the dealers.

Moreover, PGI absorbed the P150 million loans of PFLC from various commercial banks. Full allowance for impairment losses was provided on the amounts due from PFLC of P302 million (including its investment in shares of stock of P50 million) as of December 31, 2011 and 2010.

b. The Group has transactions with various affiliates involving the availment and granting of interest and non-interest bearing cash advances with no definite repayment period.

c. Payment by the Parent Company of premiums to Pryce Plans, Inc. (PPI) for educational and pension plans provided to its employees.

d. PGI's Chairman of the Board and an officer conveyed their real estate properties in favor of PGI's creditors. The transfer value of the properties amounted to P49,293,300.

e. On December 16, 2011, Mindanao Gardens, Inc., executed a Deed of Assignment in favor of the Company assigning the 100 million shares in Oro Oxygen Corporation at P1 par value per share. Consequently, the Company has obtained majority of the outstanding capital stock of OOC.

f. Compensation of Group's key management personnel consists of the following:

	2011	2010
Salaries and other short-term benefits	**P 10,882,404**	P 9,808,579
Retirement benefits	**980,792**	876,482

	P 11,863,196	P 10,685,061

The consolidated statements of financial position include the following amounts resulting from the above transactions with related parties:

	2011	2010
Due from related parties:		
Pryce Finance and Leasing Corporation	**P 457,894,840**	P 456,837,820
Pryce Development Corporation	**265,519,705**	265,519,705
Mindanao Gardens, Inc.	**62,819,895**	62,818,945
Hinundayan Holdings	**41,746,943**	39,346,943
Pryce Plans, Inc.	**41,395,679**	41,407,595
Pryce Drugstore	**242,172**	3,375,761
Others	**3,716,015**	3,746,242
	873,335,249	873,053,011
Allowance for impairment	**(756,444,642)**	(756,444,642)
	P 116,890,607	P 116,608,369
Due to related parties:		
Mindanao Gardens, Inc.	**P 105,826,967**	P -
Company's key officers	**49,293,300**	49,293,300
Central Luzon Oxygen and Acetylene Corporation	**3,675,253**	3,675,253
Pryce Insurance Consultant, Inc.	**649,035**	649,035
Pryce Finance and Leasing Corporation	**635,441**	635,441
Others	**852,789**	242,833
	P 160,932,785	P 54,495,862

Estimated fair values of advances from related parties amounted to P174,318,053 in 2011 and P59,077,244 in 2010 based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used were 4% in 2011 and 8% in 2010.

21. SALES

The details of this account are as follows:

	2011	2010	2009
LPG, cylinders, stoves and accessories:			
Content	**P 2,335,962,387**	P1,676,449,029	P 1,354,283,433
Autogas	**333,174,110**	200,296,991	195,260,720
Cylinders	**43,972,030**	23,285,435	7,390,031
Stove and accessories	**4,532,611**	837,679	856,368
Sub-total	**2,717,641,138**	1,900,869,134	1,557,790,552
Industrial gases:			
Oxygen	**161,326,719**	114,788,703	144,871,097
Acetylene	**50,375,346**	45,401,503	46,249,618
Other gases	**10,164,343**	4,455,937	1,632,912
Sub-total	**221,866,408**	164,646,143	192,753,627
Forwarded:			
	2011	2010	2009
Fuels:			
Gasoline	**93,948,059**	44,942,981	18,364,949
Diesel	**54,954,400**	53,994,403	45,721,029
Lubricants	**132,755**	56,426	-
Sub-total	**149,035,214**	98,993,810	64,085,978
	P 3,088,542,760	P 2,164,509,087	P 1,814,630,157

22. COST OF SALES

Cost of sales on LPG and industrial gases consists of:

	2011	2010	2009
LPG, cylinders, stoves and accessories:			
Direct materials	**P 1,991,972,760**	P 1,400,062,075	P 1,137,217,498
Depreciation – note 14	**108,186,351**	102,423,608	101,737,482
Sales incentives	**31,654,309**	26,471,800	22,523,550
Outside services	**28,481,778**	16,322,447	15,907,512
Direct labor	**20,687,131**	15,812,038	15,212,935
Freight and handling	**16,112,459**	9,355,594	10,830,655
Repairs and maintenance	**14,604,423**	8,000,539	6,081,705
Rent and utilities – note 30	**5,685,406**	824,855	5,531,990
Fuel and oil	**3,617,149**	2,015,774	2,339,482
Insurance	**2,321,257**	1,678,296	1,260,193
Others	**8,838,857**	8,550,918	8,101,507
	2,232,161,880	1,591,517,944	1,326,744,509
Industrial gases:			
Direct materials	**65,949,337**	28,191,216	20,360,232

Depreciation – note 13	**46,758,279**	45,492,019	49,339,091
Direct labor	**9,175,629**	8,049,684	7,629,056
Repairs and maintenance	**7,912,553**	5,123,379	5,131,499
Outside services	**4,979,871**	4,713,151	3,008,783
Rent and utilities – note 30	**3,084,992**	740,175	1,564,570
Freight and handling	**993,179**	359,153	746,721
Insurance	**434,015**	876,653	374,786
Others	**5,524,722**	6,683,412	6,774,312
	144,812,577	100,228,842	94,929,050
Fuel:			
Direct materials	**137,060,670**	89,873,850	58,701,075
	P 2,514,035,127	P 1,781,620,636	P 1,480,374,634

Cost of sales on hotel operations consists of:

	2011	2010	2009
Salaries, wages and benefits – note 25	**P 11,888,450**	P 14,784,428	P 14,776,045
Supplies	**6,836,695**	7,639,559	7,437,562
Depreciation – note 13	**6,267,297**	6,192,279	5,580,230
Utilities	**3,145,198**	3,391,519	3,999,438
Taxes and licenses	**1,572,651**	2,193,658	2,032,398
Insurance	**681,271**	210,518	250,941
Repairs and maintenance	**472,990**	800,254	762,984
Travel and transportation	**202,197**	682,971	387,333
Outside services	**186,045**	583,078	619,184
Others	**186,935**	135,483	91,253
	P 31,439,729	P 36,613,747	P 35,937,368

23. OPERATING EXPENSES

This account consists of:

	2011	2010	2009
Selling expenses:			
Salaries, wages and benefits – note 25	**P 42,953,876**	P 28,756,804	P 27,254,325
Repairs and maintenance	**36,710,425**	27,497,467	25,333,965
Outside services	**25,822,529**	22,989,460	19,363,002
Freight and handling	**24,457,259**	10,607,721	10,525,339
Materials and supplies	**19,839,442**	5,857,073	4,262,994
Fuel and oil	**16,911,714**	12,275,730	11,840,097

	2011	2010	2009
Rent and utilities – note 30	**15,093,009**	13,534,442	11,877,212
Depreciation – notes 13 and 14	**12,582,688**	11,575,061	11,323,774
Travel and transportation	**11,871,747**	8,466,810	7,904,300
Commissions	**5,765,943**	8,701,227	4,425,668
Taxes and licenses	**4,361,902**	4,288,343	4,694,919
Training and seminars	**4,066,439**	-	-
Sales incentive	**3,077,894**	-	-
Advertisements	**1,588,823**	1,272,473	889,248
Representation and entertainment	**1,374,204**	2,478,776	1,454,591
Dues and subscriptions	**1,230,232**	111,331	106,100
Insurance	**1,213,070**	1,082,374	586,120
Professional fees	**221,667**	181,218	256,747
Others	**4,475,439**	3,881,806	3,996,824
	P 233,618,302	P 163,558,116	P 146,095,225

Forwarded:

	2011	2010	2009
General and administrative expenses:			
Salaries, wages and benefits – note 25	**P 87,602,702**	P 58,887,570	P 56,287,069
Repairs and maintenance	**39,120,781**	37,030,783	26,882,977
Depreciation – notes 13 and 14	**25,061,925**	19,161,574	19,156,550
Travel and transportation	**21,448,137**	9,311,973	8,494,649
Rent and utilities – note 30	**18,983,133**	13,966,856	9,654,081
Taxes and licenses	**15,779,090**	8,968,527	8,913,210
Materials and supplies	**11,828,345**	4,786,098	4,360,104
Fuel and oil	**9,099,901**	14,640,184	13,163,928
Freight and handling	**6,507,226**	6,829,869	6,536,745
Training and seminars	**6,456,230**	-	-
Outside services	**6,064,103**	5,783,419	6,903,478
Dues and subscriptions	**5,074,287**	2,686,375	2,015,368
Insurance	**4,466,664**	3,210,163	3,526,254
Representation and entertainment	**3,982,714**	2,245,924	1,728,116
Professional fees	**2,847,505**	3,460,670	3,358,127
Donation	**1,205,155**	1,076,116	
Advertisements	**899,618**	672,221	229,883
Park maintenance	**-**	-	115,537
Others	**16,898,542**	11,164,923	4,217,302
	283,326,058	203,883,245	175,543,378
	P 516,944,360	P 367,441,361	P 321,638,603

24. OTHER INCOME (CHARGES)

This account consists of:

	2011	2010	2009
Other income:			
Sale of scrap and junked materials	P 14,002,874	P 11,905,006	P -
Interment fees	6,640,700	5,028,000	5,823,353
Bargain purchase – note 1	6,441,294	-	-
Rental income	8,159,158	5,951,320	2,219,478
Gain on sale of investments held for trading	5,186,939	1,632,582	3,514,564
Cylinder repair charges	3,877,458	1,454,120	-
Gain on sale of property	2,791,733	1,139,967	880,786
Foreign exchange gain	1,493,431	68,192,108	18,122,183
Interest income	303,824	272,919	216,765
Dividend income	117,670	584,456	1,165,088
Reversal of impairment loss	-	-	12,426,899
Others	3,429,233	4,786,412	2,222,688
	52,444,314	100,946,890	46,591,804
Other charges:			
Receivership and rehabilitation charges	(2,400,000)	(5,493,632)	(7,001,790)
Foreign exchange loss	(109,790)	-	-
	(2,509,790)	(5,493,632)	(7,001,790)
	P 49,934,524	P 95,453,258	P 39,590,014

25. EMPLOYEE BENEFITS

The Group maintains a retirement benefit plan covering all employees on regular employment status. The retirement plan of the Parent Company is funded, while that of PGI is not yet funded. The plans are noncontributory defined benefit plans that provide retirement benefits equal to the following: (a) 150% of monthly final salary for every year of service rendered for the first 20 years; (b) 175% of monthly final salary for every year of service rendered in excess of 20 years but not more than 25 years; and, (c) 200% of monthly final salary for every year of service rendered in excess of 25 years. The plans use the projected unit credit method of actuarial valuation in its retirement benefit cost computation.

In 2005 and 2006, the Group obtained actuarial valuations to determine any transitional liabilities in accordance with PAS 19, "Employee Benefits".

The amounts of retirement benefit obligation recognized in the consolidated statements of financial position are determined as follows:

	2011	2010
Present value of defined benefit obligation	P 112,635,173	P 98,054,214
Fair value of plan assets	(24,642,984)	(24,134,417)
Unfunded obligation	87,992,189	73,919,797
Unrecognized actuarial gain (losses)– net	1,047,167	538,600
Obligation recognized	P 89,039,356	P 74,458,397

The movements in the present value of defined benefit obligation recognized in the consolidated statement of financial position are as follows:

	2011	2010	2009
Balance at beginning of year	**P 98,054,213**	P 87,461,524	P 81,202,526
Current service cost	**7,439,954**	6,693,475	6,077,635
Interest cost	**7,844,338**	6,996,922	6,496,202
Expected return on plan assets	**(241,344)**	(241,344)	(241,344)
Benefits paid	**(461,989)**	(2,856,364)	(6,073,495)
Balance at end of year	**P 112,635,172**	P 98,054,213	P 87,461,524

The amounts of retirement benefits expense recognized in the consolidated statements of comprehensive income are as follows:

	2011	2010	2009
Current service cost	**P 7,439,954**	P 6,693,475	P 6,077,635
Interest cost	**7,844,338**	6,996,922	6,496,202
Expected return on plan assets	**(241,344)**	(241,344)	(241,344)
Net actuarial gains	**-**	(597,662)	3,241,652
	P 15,042,948	P 12,851,391	P 15,574,145

The movements of retirement benefit obligation recognized in the consolidated statements of financial position are as follows:

	2011	2010	2009
Balance at beginning of year	**P 74,458,397**	P 64,463,369	P 54,962,719
Expense recognized	**15,042,948**	12,851,391	15,574,145
Contributions paid	**(461,989)**	(2,856,363)	(6,073,495)
Balance at end of year	**P 89,039,356**	P 74,458,397	P 64,463,369

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

	Parent Company			PGI		
	2011	2010	2009	**2011**	2010	2009
Discount rate	**8%**	8%	8%	**8%**	8%	8%
Expected return on plan assets	**1%**	1%	1%	**-**	-	-
Expected rate of salary increases	**12%**	12%	12%	**6%**	6%	6%

26. INCOME TAX

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

	2011	2010
Deferred tax assets:		
Allowance for impairment losses	**P 270,119,333**	P 269,962,433
Unrealized foreign exchange losses	**31,136,060**	31,315,177
Retirement benefit obligation	**26,711,807**	23,194,428
MCIT	**12,704,974**	15,815,697
NOLCO	**7,179,954**	24,316,588
Deferred gross profit on uncompleted projects	**2,470,320**	2,470,320
	350,322,448	367,074,643
Valuation allowance	**(350,322,448)**	(367,074,643)
Net	**P -**	P -
Deferred tax liabilities:		
Revaluation increment in property, plant and equipment	**P 47,095,778**	P 50,285,680
Interest expense capitalized to property, plant and equipment and real estate projects	**33,357,874**	33,357,874
	P 80,453,652	P 83,643,554

A full valuation allowance has been provided by the Group for the deferred tax assets since management believes that the tax benefits will not be realized in the foreseeable future.

A reconciliation of valuation allowance at beginning and end of year is as follows:

	2011	2010	2009
Balance at beginning of year	**P 367,074,644**	P 482,178,897	P 619,805,491
Provision for valuation allowance – net	**(16,742,196)**	(115,104,254)	(137,626,594)
Balance at end of year	**P 350,322,448**	P 367,074,643	P 482,178,897

As a BOI-registered enterprise and subject to the provisions of EO 226 and RA 8479, PGI is entitled to certain tax and nontax incentives such as income tax holiday (ITH) ranging from four to six years and duty-free importation of capital equipment and others.

As of December 31, 2011, some of the LPG terminals and refilling plant operations are enjoying ITH, including those operations upon which ITH was extended.

Income on nonregistered activities of PGI and on the Parent Company's activities are 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 reconciliation of income tax expense computed at the statutory tax rate to income tax expense as shown in the consolidated statements of comprehensive income is as follows:

	2011	2010	2009
Accounting income	**P 155,603,729**	P 130,541,131	P 86,100,763
Income tax expense at 30%	**46,681,119**	39,162,340	25,830,229
Add (deduct) tax effect of the following:			
Loss (income) on BOI-registered activities enjoying ITH	**(754,996)**	(542,588)	(1,380,478)
Depreciation on appraisal increase	**3,189,903**	5,440,846	3,574,123
Gross profit (loss) on socialized housing projects	**-**	-	527,059
Nondeductible expenses	**1,743,262**	2,440,829	537,626
Nontaxable income	**(10,581,458)**	(748,848)	(4,995,784)
Other deductible expenses	**841,427**	(866,255)	(8,969,874)
Other taxable income		-	-
NOLCO	**(17,136,634)**	(24,896,384)	(3,870,479)
Change in temporary difference	**(287,156)**	(18,641,197)	(17,883,327)
MCIT	**(2,894,265)**	-	4,518,904
Change in valuation allowance on deferred tax assets	**4,996,048**	4,839,661	5,066,960
Reported income tax expense	**P 25,797,247**	P 6,188,404	P 2,954,959

As of December 31, 2011, the Group has NOLCO and MCIT that can be claimed as deductions from future taxable income and tax credits against income tax due, respectively, as follows:

Year Incurred	Expiry Date	NOLCO	MCIT
2009	2012	P 14,835,624	P 5,302,837
2010	2013	9,097,555	6,188,404
2011	2014	-	1,213,733
		P 23,933,179	P 12,704,974

Effective July 2008, Republic Act 9504 was approved giving corporate taxpayers an option to claim itemized deduction or optional standard deduction (OSD) equivalent to 40% of gross sales. Once the option to use OSD is made, it shall be irrevocable for the taxable year for which the option was made.

On February 18, 2010, the Bureau of Internal Revenue (BIR) issued RR No. 2-2010. It requires a taxpayer who avails of the OSD in the first quarter of its taxable year to claim the same OSD in determining its taxable income for the rest of the year, including final annual income tax return. Likewise, a taxpayer who avails of the itemized deduction in the first quarter of its taxable year or fails to file an income tax return for the first quarter of the taxable year shall have to claim the itemized deduction in determining the taxable income for the rest of the year, including the final income tax return. The amendment is applicable beginning annual period ended December 31, 2009.

The Group opted to adopt the itemized deduction.

27. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share is computed based on the weighted average number of common shares outstanding during the year. The number of shares used to compute basic EPS was 2,000,000,000 for each of the years 2011, 2010 and 2009.

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

In 2004, the Parent Company transferred real estate properties to PGI its subsidiary, in exchange for PGI's shares of stock as capital/ equity contribution. The application for the increase in capital stock to P2.1 billion by PGI was approved by the SEC on June 30, 2004. Furthermore, the BIR issued a certification on November 5, 2004 and December 29, 2004 certifying the transferred real estate properties in exchange for shares of stock is a tax free exchange.

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

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

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

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

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

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

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

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

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

The P1.03 billion as of December 31, 2010 and 2009 represents the net difference between the fair value and the related cost the parent company's real estate properties transferred to PGI creditors in settlement of its debts covered by the rehabilitation plan. This amount was arrived at in the elimination process of intercompany account balances and such difference was accounted for as "Fair value gain on real estate properties" account and presented under equity section in the consolidated statements of financial position.

Effect of Parent Company's recognition of real estate properties transferred to PGI at cost

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

29. BUSINESS SEGMENTS

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

Segment operating assets consist principally of operating cash, receivables and inventories, net of any allowance for impairment in value, while segment liabilities include all operating liabilities and consist principally of trade payables and other payables.
Financial information about business segments are presented below:

	Real Estate			LPG and Industrial Gases		
	2011	2010	2009	**2011**	2010	2009
	(amount in millions)					
Revenue	**P 80**	P 68	P 63	**P 3,088**	P 2,165	P 1,814
Results						
Income (loss) before income tax	**P 4**	(P 15)	(P 14)	**P 145**	P 145	P 100
Income tax benefit (expense)	**(1)**	(1)	(1)	**(25)**	(5)	(2)
Net income (loss) for the year	**3**	(16)	(15)	**120**	140	98
Other information:						
Segment assets	**P 3,183**	P 3,218	P 1,729	**P 3,205**	P 3,082	P 2,979
Segment liabilities	**1,245**	1,283	1,322	**1,218**	1,219	1,260
Capital expenditures	**2**	1	4	**62**	88	31

30. SIGNIFICANT AGREEMENTS

The Group entered into the following significant agreements:

a. The Parent Company entered into agreements with various investors interested in contributing cash or properties for the development of Pryce Tower (see Note 10). The contributions are being translated into equity participation and participation in the profit or loss derived from the project. Further, the investors have options to convert their equity participations into condominium units in Pryce Tower.

b. Based on subscription agreements executed on December 11, 2006, three of the Parent Company's stockholders made additional subscriptions to the remaining unsubscribed portion of its authorized capital stock amounting to P177,006,250, consisting of 177,006,250 shares at P1 par value. In exchange of the subscriptions, the stockholders transferred and assigned their real estate properties of the same amount to the Parent Company.

c. PGI has entered into agreements executed on February 1, 2005 and March 11, 2005, wherein, the Chairman of the Board and an officer conveyed their real estate properties in favor of PGI's creditors. The transfer value of the properties amounted to P49,293,300 (see Note 20) and is included in Due to related parties account in the consolidated statements of financial position.

d. PGI has entered in various lease agreements for its Makati office and Visayas and Mindanao sales offices with various local companies for a period of one year renewable thereafter upon mutual agreement of both parties.

Total rent charged to operations by PGI in 2011 and 2010 amounted to P16.63 million and P11.03 million, respectively.

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 close cooperation with the Board of Directors, and focuses on actively securing the Group's short-to medium-term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below:

- *Foreign Currency Risk*

  The Group has significant exposure to foreign currency risks as a major portion of its restructured debts and purchase transactions on the part of PGI are in foreign currency.

  The Group has a foreign currency denominated financial liabilities of P657,762,436 (US$14,973,649) in 2011 and P573,348,099 (US$13,064,785) in 2010. In translating the foreign currency denominated financial liability into Philippine Peso, the exchange rates used were PHP43.928 to USD1.00 and PHP43.885 to USD1.00, the US dollar to Philippine peso exchange rates as of December 31, 2011 and 2010, respectively.

  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.

  As of December 31, 2011, if the Philippine peso had weakened by 10% against the US dollar with all other variables held constant, post tax profit for the year would have been P46.04 million (2010: P40.13 million) lower.

  Conversely, if the US dollar had strengthened by 10% against the US dollar with all other variables held constant, post tax profit would have P46.04 million (2010: P40.13 million) higher.

  The foreign currency denominated monetary liabilities and their translated functional currency equivalents are as follows:

	2011		2010	
	US Dollar	**PH Peso**	US Dollar	PH Peso
Liabilities				
Trade payables	**3,672,208**	**161,312,753**	-	-
Loan from bank	**2,561,247**	**112,510,441**	2,561,130	112,395,190
Restructured debts – current	**1,763,461**	**77,465,315**	1,763,461	77,389,497

Restructured debts – non-current				
Debts for dacion en pago	**4,959,735**	**217,871,239**	6,723,196	295,047,455
	2,016,998	**88,602,688**	2,016,998	88,515,958
Total	**14,973,649**	**657,762,436**	13,064,785	573,348,100

The foreign currency exchange rates used for US Dollar (US$) to Peso were P43.928 in 2011 and P43.885 in 2010. As a result of translating these foreign currency denominated balances, the Company reported a net unrealized foreign currency translation gain of P.816 million in 2011 and P68.18 million in 2010, presented as part of "Other income" in the statements of comprehensive income (see Note 24).

- *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 therefore is only disclosed in circumstances where the maximum potential loss differs significantly from the financial assets carrying amount.

The Group's trade and other receivables are actively monitored to avoid significant concentration of credit risk.

	2011	2010
Cash	**P 207,750,259**	P 115,779,424
Investments held for trading	**296,771,694**	298,279,642
Trade and other receivables - current	**193,044,310**	153,745,443
Trade and other receivables - non current	**32,157,885**	40,362,609
Due from related parties	**116,890,607**	116,608,369
	P 846,614,755	P 724,775,487

The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and areas. Based on historical information about customer default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good.

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

- *Price Risk*

This is a risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market.

The Group is exposed to such risk because of its equity securities classified as financial assets at fair value through profit or loss. The Group is continuously monitoring the market prices of these securities.

- *Liquidity Risk*

  The Group has significant exposure to liquidity risk because of debts under dacion en pago and restructured debts covered by the Rehabilitation Plan and payment of finance costs by PGI.

  The Group manages liquidity by identifying events that would trigger liquidity problems, providing contingency plans, identifying potential sources of funds and monitoring compliance of liquidity risk and policy.

Presented below is the maturity profile of Group's financial liabilities as of December 31, 2011 and 2010 based on contractual undiscounted payments:

December 31, 2011

		Contractual undiscounted payments			
	Total carrying value	**On demand**	**Less than 1 year**	**1 – 5 years**	**More than 5 years**
Trade and other payables	**P 935,808,828**	**P 935,808,828**	**P -**	**P -**	**P -**
Customer's deposits	**103,232,962**	**103,232,962**	**-**	**-**	**-**
Debts covered by the Rehabilitation Plan	**1,251,545,088**		**968,576,565**	282,968,523	**-**
Due to related parties	**160,932,785**	**-**	**-**	**160,932,785**	**-**
Total	**P 2,451,519,663**	**P1.039,041,790**	**P 968,576,565**	**P 443,901,308**	**P -**

December 31, 2010

		Contractual undiscounted payments			
	Total carrying value	**On demand**	**Less than 1 year**	**1 – 5 years**	**More than 5 years**
Trade and other payables	**P 845,171,444**	**P 845,171,444**	**P -**	**P -**	**P -**
Customer's deposits	**86,528,686**	**86,528,686**	**-**	**-**	**-**
Debts covered by the Rehabilitation Plan	**1,358,118,778**	**-**	**968,303,877**	**389,814,901**	**-**
Due to related parties	**54,495,862**	**-**	**-**	**54,495,862**	**-**
Total	**P 2,344,314,770**	**P 931,700,130**	**P 968,303,877**	**P 444,310,763**	**P -**

- *Interest Rate Risk*

  The Group's exposure to interest rate risk relates primarily to the Parent Company and PGI's financial instruments with floating interest rate. Floating rate of financial instruments are subject to cash flow interest rate risk. Re-pricing of floating rate financial instruments is done every quarter.

  The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Parent Company and PGI's restructured debts (see Note 18). The impact on the Group's equity is immaterial.

Parent Company

	Increase (Decrease) in Basis Points	Effect on Income After Income Tax
2011	**100**	**(P 197,819)**
	50	**(98,910)**
	(100)	**197,819**
	(50)	**98,910**
2010	100	(194,845)
	50	(97,423)
	(100)	194,845
	(50)	97,423

PGI

	Increase (Decrease) in Basis Points	Effect on Income After Income Tax
2011	**100**	**(P 273,073)**
	50	**(136,536)**
	(100)	**273,073**
	(50)	**136,536**
2010	100	(347,812)
	50	(173,906)
	(100)	347,812
	(50)	173,906

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

December 31, 2011

	1 - < 2 years	2 - < 3 years	3 - < 4 years	4 - < 5 years	Total
Foreign currency-denominated US$15 million loan granted by a foreign financing company	**USD1,406,378**	**USD1,406,378**	**USD1,406,378**	**USD1,142,682**	**USD5,361,816**
Interest rate	**3-month LIBOR**	**3-month LIBOR**	**3-month LIBOR**	**3-month LIBOR**	

	+ 1% margin	**+ 1% margin**	**+ 1% margin**	**+ 1% margin**	
Foreign currency-denominated US$4 million loan granted by a foreign commercial bank	**USD357,083**	**USD357,083**	**USD357,083**	**USD290,130**	**USD1,361,380**
Interest rate	**3-month LIBOR**	**3-month LIBOR**	**3-month LIBOR**	**3-month LIBOR**	
	+ 1% margin	**+ 1% margin**	**+ 1% margin**	**+ 1% margin**	
Peso-denominated loans granted by various local commercial banks	**PhP29,670,150**	**PhP29,670,150**	**PhP29,670,150**	**PhP5,756,996**	**PhP94,767,466**
Interest rate	**91-day Treasury bill**	**91-day Treasury bill**	**91-day Treasury bill**	**91-day Treasury bill**	
	+ 1% margin	**+ 1% margin**	**+ 1% margin**	**+ 1% margin**	

- *Capital risk objective and management*

The primary objective of the Group's management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

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

As of December 31, 2011 and 2010, the Group's ratios of interest-bearing debt to total capital are as follows:

<u>Parent Company</u>

As of December 31, 2011 and 2010, the Parent Company's ratios of interest-bearing debt to total capital are as follows:

	2011	2010
Total interest-bearing debt (a)	**P 278,350,029**	P 278,350,029
Total equity	**1,937,431,014**	1,934,333,037

	2011	2010
Total interest-bearing debt and equity (b)	**P 2,215,781,043**	P 2,212,683,066
Gearing ratio (a/b)	**13%**	13%

As of December 31, 2011 and 2010, the Parent Company's ratios of net interest-bearing debt to total capital are as follows:

	2011	2010
Total interest-bearing debt	**P 278,350,029**	P 278,350,029
Less: Cash	**7,100,986**	4,832,350
Investments held for trading	**-**	14,794,240
Net interest-bearing debt (a)	**271,249,043**	258,723,439
Total equity	**1,937,431,014**	1,934,333,037
Net interest-bearing debt and equity (b)	**P 2,208,680,057**	P 2,193,056,476
Gearing ratio (a/b)	**12%**	12%

PGI

As of December 31, 2011 and 2010, the Company's ratios of interest-bearing debt to total capital are as follows:

	2011	2010
Total interest-bearing debt (a)	**P 390,103,998**	P 496,874,547
Total equity	**1,986,749,750**	1,863,292,637
Total interest-bearing debt and equity (b)	**P 2,376,853,748**	P 2,360,167,184
Gearing ratio (a/b)	**16%**	21%

As of December 31, 2011 and 2010, the Company's ratios of net interest-bearing debt to total capital are as follows:

	2011	2010
Total interest-bearing debt	**P 390,103,998**	P 496,874,547
Less: Cash	**187,650,679**	110,947,074
Investments held for trading	**296,771,694**	283,485,402
Net interest-bearing debt (a)	**(94,318,375)**	102,442,071
Total equity	**1,986,749,750**	1,863,292,637
Net interest-bearing debt and equity (b)	**P 1,892,431,375**	P 1,965,734,708

Gearing ratio (a/b)	**(5%)**	5%

- *Fair value hierarchy*

The table below presents the hierarchy of fair value measurements used by the Company:

	Level 1	Level 2	Level 3	Total
December 31, 2011				
Investments held for trading	**P 296,771,694**	-	-	**P 296,771,694**
December 31, 2010				
Investments held for trading	P 298,279,642	-	-	P 298,279,642

The different levels have been defined as follows:

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

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

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

Categories and Fair Values of Financial Assets and Liabilities

Financial Assets

	2011		2010	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Cash	**P 207,750,259**	**P 207,750,259**	P 115,779,424	P 115,779,424
Investments held for trading	**296,771,694**	**296,771,694**	298,279,642	298,279,642
Trade and other receivables - current	**193,044,310**	**193,044,310**	153,745,443	153,745,443
Trade and other receivables – noncurrent	**32,157,885**	**34,835,496**	40,362,609	43,723,382
Due from related parties	**116,890,607**	**126,705,809**	116,608,369	126,368,495
Total	**P 846,614,755**	**P 859,107,568**	P 724,775,487	P 737,896,386

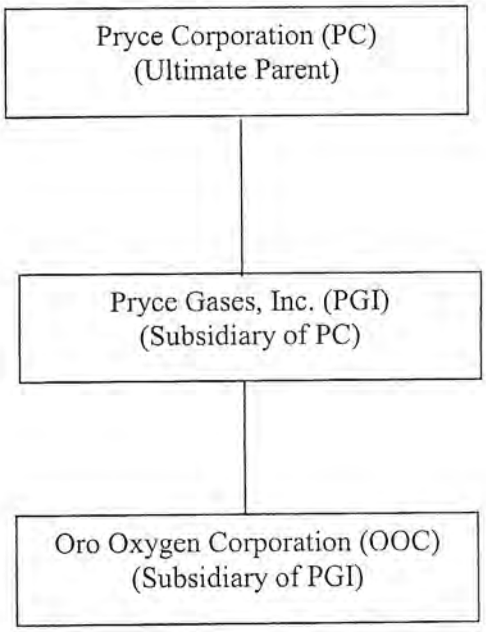
	2011		2010	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Trade and other payables	**P 935,808,827**	**P 935,808,827**	P 845,171,444	P 845,171,447
Customers deposits	**103,232,962**	**103,232,962**	86,528,686	86,528,686
Debts covered by the Rehabilitation Plan	**983,436,768**	**879,871,909**	1,090,097,188	968,301,635
Due to related parties	**160,932,787**	**174,318,053**	54,495,862	59,077,244
Total	**P 2,451,519,663**	**P 2,093,318,657**	P 2,344,314,770	P 1,959,079,009

32. CONTINGENCIES

The Group is involved in litigations, claims and disputes arising in the ordinary course of business. The Group's management believes that the ultimate liability, if any, with respect to such litigations, claims and disputes will not materially affect the financial position and results of operations of the Group. Other litigations involving the Parent Company are more fully discussed in Note 2.

*   *   *

PRYCE CORPORATION AND SUBSIDIARIES
ANNEX A – MAP OF CONGLOMERATE OR GROUP OF COMPANIES WITHIN WHICH THE COMPANY BELONGS
DECEMBER 31, 2011



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

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

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

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE A – FINANCIAL ASSETS
DECEMBER 31, 2011

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
Digital Telecom Phil., Inc.	183,235,000	P 293,176,000	P 293,176,000	P -
Swift Foods, Inc.	9,270,000	1,093,860	1,093,860	
Ionics, Inc.	2,605,000	2,500,800	2,500,800	
Alliance Global Group	100	1,034	1,034	
	195,110,100	P 296,771,694	P 296,771,694	P -

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2011

Name of debtor	Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
ABUYOG, RUDY	Officer	P 602,225	P -	P 132,825		P 469,400		P 469,400
AGUADERA, JONAX	Officer	1,112,820	-	42,933		1,069,887		1,069,887
ECO, SERVILLANO	Officer	30,863	411,081	13,703		428,241		428,241
ESCANO, JOSE MA.	Officer	556,607	-	144,900		411,707		411,707
ESCANO, RAFAEL	Officer	925,929	-	228,333		697,596		697,596
ESCAÑO, SALVADOR	Officer	700,719	-	-		700,719		700,719
FLORES, ARNOLD	Officer	198,435	-	-		198,435		198,435
HATUD, FELICIANO	Officer	166,135	-	45,691		120,444		120,444
LAGUMBAY, LUIS	Officer	-	707,420	295,228		412,192		412,192
MACION, GABRIEL	Officer	44,984	724,500	24,150		745,334		745,334
MORIAL, ROLANDO	Officer	546,900	-	130,812		416,088		416,088
NAGAC, RICHARD	Officer	2,274,555	-	128,800		2,145,755		2,145,755
PALMA, EFREN	Officer	594,329	-	161,000		433,329		433,329
POLIRAN, ELIGIO	Officer	1,202,393	-	128,800		1,073,593		1,073,593
QUISUMBING, GERRY	Officer	124,227	-	-		124,227		124,227
SARRAGA, DARWIN	Officer	346,166	-	-		346,166		346,166
SULATRE, ALEXIS	Officer	488,049	-	144,900		343,149		343,149
JAVELONA, JOSELITO	Employee	185,246	53,707	26,520		212,434		212,434
MACEDA, ALLAN	Employee	110,359	31,996	15,799		126,556		126,556
MANALOTO, JOHN ERROLL	Employee	138,117	40,043	19,773		158,388		158,388
PACANA, BINGLE MAY	Employee	110,862	32,141	15,871		127,133		127,133
RAFISURA, RENANTE	Employee	115,645	33,528	16,556		132,617		132,617
RIVERA, RONNIE	Employee	381,469	110,596	54,611		437,455		437,455
ROSALES, DIOSITO	Employee	165,134	47,876	23,640		189,370		189,370
VELOSO, CELSO JR.	Employee	161,001	46,678	23,049		184,630		184,630
TOTAL		**P 11,283,170**	**P 2,239,567**	**P 1,817,892**		**P 11,704,844**		**P 11,704,844**

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2011

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
Direct Subsidiary							
Pryce Gases, Inc.	P 609,957	P 3,289,741	P 2,910,530		P –	P 989,168	P 989,168

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE D – INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2011

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

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE E – LONG TERM DEBT
DECEMBER 31, 2011

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long term debt" in related statement of financial position	Amount shown under caption "Long-term debt" in related statement of financial position
Debts for dacion en pago:			
Parent Company			
Long-term commercial papers (LTCP's)		P 208,581,499	P -
Loans from bank and other financial institutions		363,804,780	-
Trade and non-trade creditors		20,946,491	-
Subsidiary			
Debts secured by non-operating assets:			
Foreign-currency denominated trade payable		88,602,688	
Peso-denominated bank loan		123,521,054	
Unsecured debts:			
Peso-denominated trade payables		55,984,578	
		P 861,441,090	P -
Restructured debts:			
Subsidiary			
Foreign currency denominated loan granted by a foreign financing company		P 61,779,369	P 173,754,478
Foreign currency denominated loan granted by a foreign commercial bank		15,685,956	44,116,749
Peso denominated loans granted by various local commercial banks		29,670,150	65,097,296
		P 107,135,475	P 282,968,523

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2011

Name of related party	Balance at beginning of period	Balance at end of period
Mindanao Gardens, Inc.	P -	P 105,826,967
PioVeloso	32,766,300	32,766,300
Salvador Escaño	16,527,000	16,527,000
Central Luzon Oxygen and Acetylene Corporation	3,675,253	3,675,253
Pryce Insurance Consultant, Inc.	649,035	649,035
Pryce Finance and Leasing Corporation	635,441	635,441
	P 54,253,029	P 160,079,996

Material increase on indebtedness to related parties is mainly due to cash advances of Oro Oxygen Corporation from Mindanao Gardens, Inc. for the acquisition of gas and cylinders.

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE G – GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2011

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, 2011

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	2,500,000,000	1,998,750,000	–	568,210,657	34,262,761	1,897,526,582

PRYCE CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS
DECEMBER 31, 2011

	2011	2010
Profitability ratios:		
Return on assets	**6.63%**	2.77%
Return on equity	**6.22%**	6.36%
Net profit margin	**4.09%**	5.60%
Solvency and liquidity ratios:		
Current ratio	**1.210**	1.173
Debt to equity ratio	**0.581**	0.672
Financial leverage ratio:		
Asset to equity ratio	**2.229**	2.239
Debt to asset ratio	**0.261**	0.300
Interest rate coverage ratio	**9.598**	5.684

PRYCE CORPORATION (Parent Company)
Aging of Accounts Receivable
As of December 31, 2011

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	**19,920,531**	1,333,520	1,845,464	2,464,391	2,616,141	2,887,098	2,565,565	-	6,208,352
2. Low-cost housing	**11,582,213**	234,560	371,161	747,738	1,320,470	1,726,635	2,198,479	-	4,983,170
3. Memorial Parks	**34,326,901**	1,607,370	2,238,130	2,972,723	3,442,732	5,041,028	3,003,985	-	16,020,932
4. Hotel	**2,275,368**	1,095,685	1,179,683	-	-	-			
5. Head Office	**1,143,268**	236,038	907,230	-	-	-	-	-	
Totals	**69,248,281**	**4,507,174**	**6,541,668**	**6,184,852**	**7,379,343**	**9,654,760**	**7,768,030**	**-**	**27,212,454**
Less: Allow. For Doubtful Acct.	27,212,454								27,212,454
Sub Total	***42,035,827***	***4,507,174***	***6,541,668***	***6,184,852***	***7,379,343***	***9,654,760***	***7,768,030***	**-**	**-**
b. Non-trade Receivables									
Advances to Officers & Employees	4,520,994	97,015	141,317.22						4,282,662
Advances to Suppliers & Contractors	3,428,290	141,438	140,646.03	107,846					3,038,360
Others	4,279,924	150,375	181,401.85	268,666	83,380			-	3,596,101
Totals	**12,229,208**	**388,827**	**463,365**	**376,512**	**83,380**	**-**	**-**	**-**	**10,917,123**
Less: Allow. For Doubtful Acct.	10,917,123								10,917,123
Sub Total	***1,312,085***	***388,827***	***463,365***	***376,512***	***83,380***	**-**	**-**	**-**	**-**
Grand Total	***43,347,911***	***4,896,001***	***7,005,033***	***6,561,365***	***7,462,723***	***9,654,760***	***7,768,030***	**-**	**-**

Accounts Receivable Description

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