

SEC Number 168063  
File Number           

**PRYCE CORPORATION**  
(formerly PRYCE PROPERTIES CORPORATION)

*Company's Full Name*

**17<sup>th</sup> Floor Pryce Center, 1179 Chino Roces Avenue  
corner Bagtikan St., Makati City**

*Company's Address*

899-44-01 (trunkline)  
*Telephone Number*

December 31

*Fiscal Year Ending  
(Month & Day)*

**SEC Form 17-Q**

*Form Type*

N/A

*Amendment Designation (if applicable)*

March 30, 2017

*Period Ended Date*

N/A

*Secondary License Type and File Number*

## SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-Q

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

1. For the quarterly period ended March 31, 2017
  2. Commission identification number 168063
  3. BIR Tax Identification No. 000-065-142-000
  4. PRYCE CORPORATION (formerly Pryce Properties Corporation)
  5. Metro Manila, Philippines
  6. Industry Classification Code:
  7. 17<sup>th</sup> Floor Pryce Center, 1179 Chino Roces Avenue cor. Bagtikan St. Makati City 1203
  8. (0632) 899-44-01 (Trunkline)
  9. N. A.
- 
- Former name, former address and former fiscal year, if changed since last report

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

<u>Title of Each Class</u>	<u>No. of shares / Amount of Outstanding Debt*</u>
Common Shares	2,000,000,000

\*The company has no outstanding debt securities (bonded indebtedness or LTCPs).

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

Yes { / } No { }

Philippine Stock Exchange Common Stock

12. Indicate by check mark whether the registrant:

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

Yes { / } No { }

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

Yes { / } No { }

## PART 1 - FINANCIAL INFORMATION

### Item 1. Financial Statements.

Please see attached.

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

The group welcomed 2017 with a 53.6% growth in net income to P301.7 million (after-tax, unaudited) in the first quarter over the P196.42 million of 2016's first quarter. The group generated a combined revenue of P2.21 billion, registering a similar growth of 52.3% over the P1.45 billion of the same period in 2016. These growths were brought about mainly by the significant increase in sales volume of liquefied petroleum gas (LPG) and the substantial number of LPG cylinders sold to new users of the *PryceGas* brand of the subsidiary Pryce Gases, Inc. (PGI)

Of the consolidated revenues, sales of LPG under the *PryceGas* brand, including sales of cylinders and accessories, was the dominant contributor at P2.08 billion or 94.0% of total consolidated revenues. Sales of industrial gases followed at P102.3 million or 4.6% of consolidated revenues, while sales of real estate, mainly memorial park lots, and of pharmaceuticals contributed P25.5 million and P7.4 million, or 1.15% and 0.33% of revenues, respectively. As previously disclosed, hotel operations had ceased to contribute to revenue in view of the closure of the Pryce Plaza Hotel on December 31, 2016.

LPG and industrial gases, the company's principal source of revenue, are the products of PGI. Sales of real estate, including memorial parks, are under the mother company, Pryce Corporation, while sales of vitamins and supplements and other pharmaceutical products are handled by Pryce Pharmaceuticals, Inc.. Oro Oxygen Corporation, a fully-owned subsidiary of PGI, distributes LPG and industrial gases only in Luzon.

#### Revenue and Volume Growth

Consolidated revenues amounted to P2.21 billion for the first quarter in 2017, a 52.3% increase from the P1.45 billion achieved for the same quarter in 2016. The increase is principally attributable to the 56.6% growth in revenues from sales of LPG over the same periods.

Apart from the substantial hike in the international contract price (CP) of LPG, a 22.1% year-on-year increase in LPG sales volume to 49,560 metric tons (MT), up from 40,583 MT of the same period of last year, brought about the growth in revenues. The 64.7% growth in number of LPG cylinders sold to new users in the first quarter of 2017 over the relevant volume sold in 2016 of the same period greatly aided the volume increase of LPG sales.

The 49,560 MT of LPG sold in the first quarter, is regionally distributed as follows: Luzon - 60.7%; Visayas – 21.2%; and Mindanao – 18.1%.

On industrial gases, first quarter revenues from sales of oxygen, acetylene and other gases rose to P102.3 million in the first quarter of 2017, up 10.6% from P92.5 million of the same period of last year. This rise corresponds to the increase in cylinder-refills sold by 24.3% to 264,516 in 2017 from 212,779 in 2016.

Management believes that similar, if not better, growths in revenues and income can be achieved in the next quarters of 2017, especially in the second half of the year as the later quarters are historically stronger volume-wise. Moreover, continued gains from infrastructure expansions begun the past two years, a determined effort to scale growth in the sales of LPG cylinders to new users, and strong household consumption brought about by higher purchasing power, are seen to boost growths even more in the succeeding quarters.

Real estate sales, or sales of memorial parks, contributed P25.46 million to revenues. This represents a marked improvement of 39.3% over the P18.28 million revenues of the same period of last year. Thus, notwithstanding the closure of the Pryce Plaza Hotel as of December 31, 2016 and its ceasing to contribute to revenues as of that date, revenues of the mother company, Pryce Corporation, was down only by 11.5%. Revenues from sales of pharmaceutical products meanwhile were down by 18.7% to P7.37 million.

#### Price Movement and Market Demand

Revenues evidently grew faster than volume considering the rise in international LPG contract prices (CP) from \$408 per MT in December of 2016 to \$477, \$573, and \$564 per MT in January, February, and March of 2017, respectively. The average CP per quarter of LPG increased by 62.5% at \$538 per MT for 1Q 2017 to \$331 per MT in 1Q 2016, resulting in a 28.2% increase in average selling price per kilogram of LPG year-on-year. Domestic wholesale and retail prices of LPG change accordingly depending on the rise or fall of the CP.

LPG demand was visibly robust chiefly because of strong household consumption brought about by higher purchasing power. Despite the uptrend in LPG prices, it is believed that the increase in LPG prices will not likely curb market demand given apparent strong household incomes. This view is supported by the rise in job creation, stable OFW remittances, and buoyant investment climate within the current fast-growing economy. According to figures from the Department of Energy, LPG demand in 2016 was up 14%, while it was 13.5% in 2015, after practically stagnating for ten years until 2014.

Given the foregoing backdrop and with the company's strategic actions to boost sales volumes, the company market share are expected to further increase. Although Luzon accounts for the largest share of total demand nationwide at about 80%, the company sees that real growth potential lies in the Visayas and Mindanao markets provided the right market penetration strategies are employed.

#### Competition and Market Aspects

Among established brands, competition remains stiff as each try to wrestle market share from one another. As of end of 2016, the Department of Energy reported that PGI has overtaken a competitor, attaining a market share of 12.74%, and has become the third biggest player nationwide. The synergy of its operating units, number and storage capacity of its distribution infrastructure, and its strategic marketing efforts are the strengths that have propelled PGI to become a significant player in the LPG industry.

PGI remained formidable in the Visayas and Mindanao markets as of the end of 2016 with 21.83% and 25.89% market shares, respectively. In Luzon, a growth corridor for the company, PGI's market share slightly improved to almost 10% in 2016 compared to 9.4% in 2015.

#### Profitability

Consolidated gross profit was at P499.47 million for the first quarter of 2017, a jump of 34.8% over the P370.44 million of the same period of 2016. The operating expense ratio decreased from 12.1% of revenues of the past year to 8.5% this quarter. Operating income surged 59.9% to P311.23 million, while pre-tax net income likewise rose 56.6% to P359.79 million.

The significant growth in LPG sales, including the reduced proportion of operating expenses, provided for the aforesaid after-tax net income growth of 53.6% gained in the first quarter of 2017 to P301.7 million from the P196.4 million achieved during the same period in 2016. The net profit margin ratio slightly improved to 13.63% from 13.52% over the same comparable periods.

### Liquidity

Liquid assets consisting of cash and securities increased by 21.1% to P1.28 billion as of March 31, 2017 from P1.06 billion as of December 31, 2016, which was primarily the result of increase in revenues. The company remains highly liquid with the cash portion twice that of short-term debts. There was enhanced collection of receivables as trade and other receivables was greatly reduced to P189.5 million by end of the first quarter of current year from P335.1 million as of end of the previous year. Current ratio improved to 2.62x from 2.21x between March 31, 2017 and December 31, 2016.

### Balance Sheet Changes

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

Account Name	% Increase or (Decrease)	Reason for Change
Cash	33.00%	Due to the increase in revenue and availment of short-term loans
Trade and other receivables	(43.45%)	Improved collection of receivables
Inventories	12.89%	Increase in LPG importation
Prepayments and other current assets	(15.30%)	Amortization of prepayments
Advances to related parties	(33.89%)	Collection of accounts
Trade and other payables	13.98%	Additional purchases of inventories
Income tax payable	(40.89%)	Payment of income tax for 2016 and accrual for 1 <sup>st</sup> quarter of 2017
Short-term debts	(30.43%)	Payment of short term debts
Advances from related parties	(25.00%)	Collection of advances
Retained earnings	41.27%	Due to net income of 2017
Non-controlling interest	7.87%	Due to increase in net income

### **Numerical Performance Indicators**

The measures of revenue growth are presented below.

<b>REVENUE GROWTH</b>			
<b>Pryce Corporation &amp; Subsidiaries</b>			
	<b>2017 (Mar. 31, 2017)</b>	<b>2016 (Mar. 31, 2016)</b>	<b>Percent Growth/ (Decline)</b>
REVENUE	Php 2,213,983,883	Php 14,53,327,081	52.34%

<b>VOLUME GROWTH</b>			
<b>Principal Product – Liquefied Petroleum Gas</b>			
	<b>2017 (Mar. 31, 2017)</b>	<b>2016 (Mar. 31, 2016)</b>	<b>Percent Growth/ (Decline)</b>
LPG (in MT)	49,560	40,583	22.12%

The measurements of profitability are shown below.

	<b>2017 (Mar. 31, 2017)</b>	<b>2016 (Mar. 31, 2016)</b>
Return on Assets (%)	3.55%	3.74%
Return on Equity (%)	5.21%	6.18%
Net profit margin (%)	13.63%	13.52%

The liquidity measurements are shown below:

<b>LIQUIDITY</b>		
<b>Pryce Corporation &amp; Subsidiaries</b>		
	<b>2017 (Mar. 31, 2017)</b>	<b>2016 (Mar. 31, 2016)</b>
Current ratio	2.62	1.92
Debt to equity ratio	0.39	0.51

## **PART II – OTHER INFORMATION**

For the period under review, the company filed reports with the SEC by way of SEC 17-C: a) January 13, 2017 – demise of the independent director Mr. Enerlito de Mesa; b) February 2, 2017 – Results of the Special Stockholders' Meeting.

## **SIGNATURES**

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

**PRYCE CORPORATION**

By:



**JOSE MA. C. ORDENES**  
SVP - Treasurer



**SALVADOR P. ESCAÑO**  
Chairman & CEO

May 15, 2017

# **PRYCE CORPORATION AND SUBSIDIARIES**

## **Financial Statements**

**for the periods ended March 31, 2017 and 2016,  
and December 31, 2016 (audited)**



**PRYCE CORPORATION and SUBSIDIARIES**  
**Consolidated Statements of Financial Position**  
**As at March 31, 2017 (Unaudited) and December 31, 2016 (Audited)**

	2017	Audited 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash - note 5	835,333,039	628,063,041
Financial assets at fair value through profit or loss (FVPL) - note 6	445,610,657	429,594,914
Trade and other receivables (net) - note 7	189,510,420	335,136,056
Inventories - note 8	689,068,439	610,382,212
Real estate projects - note 9	818,501,727	822,603,805
Prepayments and other current assets - note 10	64,665,263	76,342,675
	<b>3,042,689,545</b>	<b>2,902,122,703</b>
<b>Noncurrent assets</b>		
Advances to related parties - note 20	19,361	29,287
Property, plant and equipment (net) - notes 11 and 12	5,437,186,073	5,453,468,840
Investment properties - note 13	113,827,888	109,957,888
Deferred tax assets	67,755,351	67,755,351
Goodwill - note 14	70,668,305	70,668,305
	<b>5,689,456,978</b>	<b>5,701,879,671</b>
<b>TOTAL ASSETS</b>	<b>8,732,146,523</b>	<b>8,604,002,374</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Trade and other payables - note 15	535,395,107	469,728,171
Income tax payable	51,423,335	86,999,021
Customers' deposits - note 16	172,315,358	180,679,468
Short-term debts - note 17	400,000,000	575,000,000
	<b>1,159,133,800</b>	<b>1,312,406,660</b>
<b>Noncurrent liabilities</b>		
Retirement benefit obligation - note 27	220,676,173	225,851,172
Advances from related parties - note 20	45,353,113	60,470,817
Deposit for future stock subscription - note 18	122,500,000	122,500,000
Deferred tax liabilities	789,795,544	789,795,544
	<b>1,178,324,830</b>	<b>1,198,617,533</b>
<b>TOTAL LIABILITIES</b>	<b>2,337,458,630</b>	<b>2,511,024,193</b>
<b>Equity</b>		
Equity attributable to equity holders of the Parent Company		
Capital stock - note 19	2,000,000,000	2,000,000,000
Additional paid-in capital	271,834,820	271,834,820
Retained earnings	943,700,856	668,034,738
Fair value gain on real estate properties - note 29	1,030,726,843	1,030,726,843
Other comprehensive income - note 26	1,791,451,302	1,791,451,302
	<b>6,037,713,821</b>	<b>5,762,047,703</b>
Non-controlling interest	356,974,072	330,930,478
<b>TOTAL EQUITY</b>	<b>6,394,687,893</b>	<b>6,092,978,181</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>8,732,146,523</b>	<b>8,604,002,374</b>

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

**PRYCE CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**For the Period Ended March 31, 2017 and 2016**

	2017	2016
<b>REVENUES</b>		
Liquefied petroleum gases, industrial gases and fuels - note 21	2,181,152,015	1,415,486,423
Real estate - note 21	25,462,741	18,278,281
Hotel operations	-	10,501,573
Pharmaceutical products	7,369,127	9,060,804
	<b>2,213,983,883</b>	<b>1,453,327,081</b>
<b>COST OF SALES - note 22</b>		
Liquefied petroleum gases, industrial gases and fuels	1,704,671,808	1,063,698,686
Real estate	5,048,479	3,476,007
Hotel operations	-	9,821,084
Pharmaceutical products	4,789,933	5,889,523
	<b>1,714,510,220</b>	<b>1,082,885,300</b>
<b>GROSS INCOME</b>	<b>499,473,663</b>	<b>370,441,781</b>
<b>OPERATING EXPENSES - note 23</b>	<b>188,239,893</b>	<b>175,795,140</b>
<b>INCOME FROM OPERATIONS</b>	<b>311,233,770</b>	<b>194,646,641</b>
<b>OTHER INCOME (CHARGES) - Net</b>		
Finance costs - note 24	(5,663,053)	(5,178,178)
Fair value gain (loss) on financial assets at FVPL	30,689,517	15,080,901
Other income (net) - note 25	23,533,781	25,151,597
	<b>48,560,246</b>	<b>35,054,319</b>
<b>NET INCOME BEFORE TAX</b>	<b>359,794,016</b>	<b>229,700,960</b>
Provision for Income Tax	(58,084,306)	(33,282,145)
<b>NET INCOME</b>	<b>301,709,710</b>	<b>196,418,815</b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Parent Company	275,666,115	180,195,833
Non-controlling interests	26,043,594	16,222,982
	<b>301,709,710</b>	<b>196,418,815</b>
<b>EARNINGS PER SHARE - note 28</b>	<b>0.1509</b>	<b>0.1006</b>

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

**PRYCE CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the Period Ended March 31, 2017 and 2016 and December 31, 2016**

	<b>March 31 2017</b>	March 31 2016	December 31 2016 Audited
<b>CAPITAL STOCK</b>	<b>2,000,000,000</b>	2,000,000,000	2,000,000,000
<b>ADDITIONAL PAID-IN CAPITAL</b>	<b>271,834,820</b>	271,834,820	271,834,820
<b>FAIR VALUE GAIN ON REAL ESTATE PROPERTIES</b>	<b>1,030,726,843</b>	1,030,726,843	1,030,726,843
<b>OTHER COMPREHENSIVE INCOME</b>	<b>1,791,451,302</b>	107,964,820	1,791,451,302
<b>RETAINED EARNINGS (DEFICIT)</b>			
At beginning of period	<b>668,034,738</b>	(228,400,903)	(228,400,903)
Net income for the period	<b>301,709,710</b>	196,418,815	966,091,306
Transfer of revaluation reserve deducted from operations through additional depreciation charges	-	-	8,373,431
Reversal of non-controlling interest share on net income in prior years due to PGI's increase in equity interest in OOC	-	-	-
Non-controlling interest share in net income for the period	<b>(26,043,594)</b>	(16,222,982)	(78,029,096)
At end of period	<b>943,700,854</b>	(48,205,070)	668,034,738
<b>TREASURY STOCK</b>	-	(10,352,879)	-
	<b>6,037,713,820</b>	3,351,968,534	5,762,047,703
<b>NON-CONTROLLING INTEREST</b>			
At beginning of period	<b>330,930,478</b>	252,901,382	252,901,382
Addition (reversal) during the period:			
Non-controlling interest share due to dilution of Parent Company's equity ownership in PGI from 98.23% in 2014 to 91.04% in 2015	-	-	-
Non-controlling interest share due to PGI's increase in equity interest in OOC from 74.13% in 2014 to 89.73% in 2015	-	-	-
Non-controlling interest share in net income for the period	<b>26,043,594</b>	16,222,982	78,029,096
At end of period	<b>356,974,073</b>	269,124,364	330,930,478
<b>TOTAL EQUITY</b>	<b>6,394,687,893</b>	3,621,092,898	6,092,978,181

**PRYCE CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**For the Period Ended March 31, 2017 and 2016 and December 31, 2016**

	<b>March 31 2017</b>	<b>March 31 2016 (As Restated)</b>	<b>December 31 2016 Audited</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>359,794,016</b>	229,700,960	1,117,755,277
Adjustments for :			
Depreciation - notes 11 and 12	<b>88,493,621</b>	59,608,248	280,754,118
Retirement benefit expense	<b>6,427,465</b>	4,791,170	31,972,261
Finance costs - note 24	<b>5,663,053</b>	5,178,178	29,539,476
Unrealized gain on financial assets at FVPL - note 6	<b>(30,689,517)</b>	(15,080,901)	(60,220,249)
Gain on sale of financial assets at FVPL - note 25	<b>(2,417,727)</b>	(8,532,741)	(54,602,762)
Dividend income - note 25	<b>(799,992)</b>	(822,710)	(4,935,965)
Interest income - note 25	<b>(51,461)</b>	(95,192)	(975,134)
Unrealized foreign exchange gain	-	-	(354,955)
Operating income before working capital changes	<b>426,419,457</b>	274,747,013	1,338,932,067
Decrease (increase) in assets:			
Trade and other receivables	<b>145,625,636</b>	192,665,809	27,847,223
Inventories	<b>(78,686,227)</b>	20,773,457	(73,796,487)
Prepayments and other current assets	<b>11,677,412</b>	(3,443,921)	(16,305,791)
Real estate projects	<b>4,102,078</b>	4,698,849	30,113,985
Increase (decrease) in liabilities:			
Trade and other payables	<b>65,666,938</b>	(264,765,357)	(674,216,252)
Customers' deposits	<b>(8,364,110)</b>	1,781,818	25,697,991
Net cash generated from operations	<b>566,441,184</b>	226,457,668	658,272,736
Interest received	<b>51,461</b>	95,192	975,134
Income taxes paid	<b>(93,659,992)</b>	(17,387,772)	(145,550,665)
Retirement benefits paid	<b>(11,602,464)</b>	(7,190,166)	(33,176,211)
Net cash generated from operating activities	<b>461,230,189</b>	201,974,922	480,520,994
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment - notes 11 and 12	<b>(72,210,854)</b>	(228,783,040)	(624,922,524)
Additions to financial assets at FVPL - note 6	<b>(42,817,032)</b>	(145,688,213)	(36,738,434)
Proceeds from sale of financial assets at FVPL	<b>59,908,533</b>	80,025,265	114,525,215
Proceeds from sale of property, plant and equipment	-	-	23,633,396
Dividends received - note 25	<b>799,992</b>	822,710	4,935,965
Collection (granting) of advances to related parties	<b>9,926</b>	-	1,610,176
Decrease (increase) in investment properties	<b>(3,870,000)</b>	-	-
Net cash generated from (used in) investing activities	<b>(58,179,435)</b>	(293,623,278)	(516,956,206)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from availment of short-term debts	<b>200,000,000</b>	95,000,000	600,000,000
Proceeds from deposit for future stock subscription	-	-	122,500,000
Availment (settlement) of advances from related parties	<b>(15,117,704)</b>	(120,274,904)	(284,729,004)
Payment of installment contracts payable	-	(3,247,003)	(49,342,686)
Finance costs paid	<b>(5,663,053)</b>	(5,079,835)	(29,539,476)
Payment of short-term debts	<b>(375,000,000)</b>	-	(25,000,000)
Net cash generated from (used in) financing activities	<b>(195,780,757)</b>	(33,601,742)	333,888,834
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	-	-	618,655
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>207,269,998</b>	(125,250,097)	298,072,277
<b>CASH - note 5</b>			
<b>AT BEGINNING OF PERIOD</b>	<b>628,063,041</b>	329,990,764	329,990,764
<b>AT END OF PERIOD</b>	<b>835,333,039</b>	204,740,667	628,063,041

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

## **PRYCE CORPORATION AND SUBSIDIARIES**

### **Notes to Consolidated Financial Statements**

As at and for the periods ended March 31, 2017 and December 31, 2016

(Expressed in Philippine Peso)

#### **1. CORPORATE INFORMATION**

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

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

The Parent Company is primarily engaged in acquiring, purchasing, leasing, holding, selling or otherwise dealing in land and or real estate or any interest or right therein as well as real or personal property of every kind and description including but not limited to shares of stock in industrial, commercial, manufacturing and any other similar corporations. The Parent Company’s shares are listed in the Philippine Stock Exchange (PSE). The Parent Company’s stock price as at March 31, 2017 amounted to ₱4.90 per share.

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

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries, and the corresponding percentages of ownership of the Parent Company as at March 31, 2017 and December 31, 2016:

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

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

Pryce Gases, Inc. (PGI)

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

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

On February 5, 2015, the Board of Directors (BOD) approved the increase in the authorized capital stock (ACS) of PGI from ₱2.5 billion to ₱3.7 billion at ₱1 par value per share. On May 22, 2015, the SEC approved the increase in ACS of PGI. The Parent Company's equity interest was 91.04% as at March 31, 2017 and December 31, 2016.

As at March 31, 2017, PGI has eight (8) liquefied petroleum gas (LPG) marine-fed terminals and forty-five (45) refilling plants of varying storage capacities.

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

Oro Oxygen Corporation (OOC)

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

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

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

As at March 31, 2017, OOC has two (2) liquefied petroleum gas (LPG) refilling plants of varying storage capacities.

OOC’s registered office address is 1<sup>st</sup> Lower Level Pryce Plaza Hotel, Carmen Hill, Cagayan de Oro City.

Pryce Pharmaceuticals, Inc. (PPhI)

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

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

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

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

**Statement of compliance**

The consolidated financial statements of the Group have been prepared in conformity with Philippine Financial Reporting Standards (PFRS), except for the recognition of fair value gain on real estate properties transferred by the Parent Company to PGI as equity contribution, which have been taken up in the books and records of the Parent Company at cost instead of fair value as required under PFRS 3, *Business Combination*. This was a case of an extremely rare circumstance in which management concluded that compliance with a requirement in PFRS would so be misleading that it would conflict with the objectives of the consolidated financial statements set out in the Framework. Because of this circumstance, the management of the Parent Company reduced the perceived misleading aspects of compliance by complying with the disclosures stated in Note 29. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by the former Standing Interpretations Committee (SIC), the Philippine Interpretations Committee (PIC) and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

### **Basis of presentation and measurement**

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

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

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

### **Changes in accounting policies and disclosures**

The accounting policies adopted are consistent with those of the previous financial years except for the following new and amended PFRSs which were adopted as at January 1, 2016.

#### *Annual Improvements to PFRSs 2012-2014 Cycle*

The annual improvements addressed the following issues:

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

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

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

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



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

The above improvements are effective for annual periods beginning on or after January 1, 2016.

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

The amendment has no material impact on the disclosures and amounts recognized on the Group's consolidated financial statements.

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

The amendment has no impact on the consolidated financial statements as the Group's depreciation method are not based on revenue.

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

The amendment has no impact on the consolidated financial statements as the Group has no intangible assets subject to amortization.

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

Moreover, it also clarifies that produce growing on bearer plants remains within the scope of PAS 41. The amendments are effective for annual periods beginning on or after January 1, 2016.

The amendment has no impact on the consolidated financial statements as the Group has no bearer plants.

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

The amendment has no impact on the consolidated financial statements since the Group elects to account for its investment in subsidiaries at cost in accordance with PAS 39 Financial Instruments: Recognition and Measurement.

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

The amendment has no impact on the consolidated financial statements as the Group is not an investment entity and does not have any holding company, subsidiary or joint venture that qualifies as an investment entity.

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

The amendment has no impact on the consolidated financial statements as the Group interest in joint operations was written off in 2015.

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

The standard has no impact on the consolidated financial statements since the Group is no longer a first-time adopter of PFRS on its mandatory effective date.

**New accounting standards and amendments to existing standards effective subsequent to January 1, 2016**

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

*PAS 7 (Amendment), Statement of Cash Flows - Disclosure Initiative.* The amendment requires to provide disclosures to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments are effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.

The amendments will result in added disclosures to reflect the cash and non-cash changes in liabilities arising from financing activities.

*PAS 12 (Amendment), Income Taxes - Recognition of Deferred Tax Assets on Unrealized Losses.* This amendment clarifies the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendment also clarifies that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendment provides guidance on how an entity should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount. The amendment is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.

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

*PFRS 2 (Amendment), Share-based Payment - Classification and Measurement of Share-based Payment Transactions.* The amendment addresses the: (a) accounting for modifications to the terms and conditions of share-based payments that change the classification of the transaction from cash-settled to equity-settled; (b) accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; and (c) the classification of share-based payment transactions with a net settlement feature for withholding tax obligations.

The amendment is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

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

*PFRS 4 (Amendment), Insurance Contracts - Applying PFRS 9 Financial Instruments and PFRS 4 Insurance Contracts.* The amendments provide two options for entities that issue insurance contracts within the scope of PFRS 4: (a) an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach"); and (b) an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4 (the "deferral approach"). The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied. An entity would apply the overlay approach retrospectively to designated financial assets, when it first applies PFRS 9. An entity would apply the deferral approach for annual periods beginning on or after January 1, 2018.

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

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

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

*PFRS 16, Leases.* This new standard introduces a single lessee accounting model to be applied to all leases, whilst substantially carries forward the lessor accounting requirements in PAS 17 Leases. Lessees recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments for all leases with a term of more than twelve (12) months, unless the underlying asset is of low value. Whereas, lessors continue to classify leases as operating leases or finance leases, and to account for those two types of leases differently. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application not permitted until the FRSC has adopted the IFRS 15, Revenue from Contracts with Customers.

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

### **3. 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 presented.

#### **Basis of consolidation**

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

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

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

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

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

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets and liabilities acquired is considered as goodwill, which is presented under 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 bargain purchase and is shown as part of "Other income (net)" account in the consolidated statements of comprehensive income in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized.

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

### **Business Combinations and Goodwill**

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

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

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

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

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

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

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

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the amount of the cash-generating unit (or group of cash-generating units) to which the goodwill has been allocated (or to the aggregate carrying amount of a group of cash-generating units to which the goodwill relates but cannot be allocated), an impairment loss is recognized immediately in the consolidated statements of comprehensive income. Impairment losses relating to goodwill cannot

be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill at the end of each reporting period.

### **Non-controlling interests**

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

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

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

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

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

### **Disposal of subsidiaries**

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

### **Segment reporting**

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

## **Financial instruments**

### *Initial recognition, measurement and classification of financial instruments*

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

### *Initial measurement*

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

### *Classification*

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

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

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

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

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

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



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

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

Financial assets at FVPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial assets and is included in the “Fair value gain (loss)” line item in the consolidated statements of comprehensive income. Fair value is determined in the manner described in Note 33.

This category includes the Group’s investment in listed equity securities presented under “Financial assets at fair value through profit or loss (FVPL)” account in the consolidated statements of financial position (see Note 6).

#### **Determination of fair value and fair value hierarchy**

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

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

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

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

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

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

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

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

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

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

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

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

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

### **“Day 1” Difference**

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

### **Loans and receivables**

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

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

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

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

As at March 31, 2017 and December 31, 2016, included under loans and receivables are the Group's cash, trade and other receivables, and advances to related parties (see Notes 5, 7 and 20).

#### *Cash*

Cash includes cash on hand and in banks.

#### *Trade and other receivables*

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

#### **Other financial liabilities**

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

As at March 31, 2017 and December 31, 2016, included in other financial liabilities are the Group's trade and other payables, customers' deposits, short-term debts and advances from related parties (see Notes 15, 16, 17 and 20).

#### *Trade and other payables*

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

Trade payable and accrued expenses are classified as current liabilities if payment is due within one (1) year or less or in the normal operating cycle of the business if longer, while nontrade

payables are classified as current liabilities if payment is due within one (1) year or less. If not, these are presented as noncurrent liabilities.

*Customers' deposits*

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

**Offsetting of financial assets and financial liabilities**

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

**Derecognition of financial assets and financial liabilities**

*(a) Financial assets*

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

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

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

*(b) Financial liabilities*

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

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

### **Impairment of financial assets**

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

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

#### *(a) Financial assets carried at cost*

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

#### *(b) Loans and receivables*

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

If in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, and the increase or

decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account.

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

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

### **Real estate projects**

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

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

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

### **Inventories**

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

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

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

Pharmaceutical products are composed of medicinal drugs.

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

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

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

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

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

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

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

### **Prepayments and other current assets**

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

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

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

### **Property, plant and equipment**

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

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

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

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

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



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

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

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

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

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

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

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

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

recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of comprehensive income.

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

### **Investment properties**

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

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

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

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

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an

investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

As at December 31, 2016 and 2015, included in investment properties are the Group's land and memorial lawn lots, which are held for lease and capital appreciation, respectively.

### **Impairment of nonfinancial assets other than goodwill**

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

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

### **Borrowings and borrowing costs**

#### *(a) Borrowings*

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

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

#### *(b) Borrowing costs*

Borrowing costs are generally recognized as expense in the year in which these costs are incurred, except for those borrowing costs that are directly attributable to the development of real estate project which are capitalized as part of the cost of the projects. The capitalization of borrowing costs as part of the cost of such assets: (a) commences when the expenditure

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

### **Leases**

#### *Group as a lessee*

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

### **Income taxes**

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

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

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

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the

temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

### **Retirement benefit obligation**

#### *a.) Retirement obligations*

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

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

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

Retirement benefit expense comprises the following:

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

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

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

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

*(b) Termination benefits*

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

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

*(c) Other long-term benefits*

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

*(d) Profit-sharing and bonus plans*

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

**Related party relationships and transactions**

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

**Equity**

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

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

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

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

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

### **Revenue recognition**

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

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

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

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

- *Revenues arising from hotel operations*

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

- *Sale of goods*

Revenue from sale of goods, shown under "Liquefied petroleum gases, and industrial gases" and "pharmaceutical products" accounts, are recognized when the risks and rewards of ownership of the goods have passed to the buyer. Sale of goods is measured at the fair value

of the consideration received or receivable, excluding discounts, returns and value-added tax (VAT).

- *Rental income from operating lease*

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

- *Interest income*

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

- *Dividend income*

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

- *Other comprehensive income*

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

- *Other income*

Other income is recognized when earned.

### **Cost and expense recognition**

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

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

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

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



### **Foreign currency-denominated transactions and translations**

#### *(a) Functional and presentation currency*

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

#### *(b) Transactions and balances*

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

### **Provisions and contingencies**

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

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

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

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

### **Earnings per share**

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

**Events after the reporting period**

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

**4. SIGNIFICANT ACCOUNTING JUDGMENTS AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

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

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

**Significant accounting judgments in applying the Group's accounting policies**

*(a) Functional currency*

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

*(b) Revenue recognition on real estate transactions*

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

*(c) Operating lease*

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

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

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

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

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

*(e) Allowance for impairment of trade and other receivables*

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

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

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

*(f) Allowance for impairment on real estate projects*

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

*(g) Impairment of prepayments and other current assets*

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

*(h) Impairment of property, plant and equipment*

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized whenever there is existing evidence that the carrying amount is not recoverable. Management believes that there are no indications that the property, plant and equipment are impaired as at March 31, 2017 and December 31, 2016.

*(i) Income taxes*

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

*(j) Provisions and contingencies*

The management exercises its judgment to distinguish between provisions and contingencies. Policies on provisions and contingencies are discussed in Note 3.

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

**Significant accounting estimates and assumptions**

*(a) Determining net realizable value of inventories*

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

As at March 31, 2017 and December 31, 2016, the carrying amount of inventories amounted to ₱689.07 million and ₱610.38 million, respectively (see Note 8).

*(b) Determining net realizable value of real estate projects*

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

As at March 31, 2017 and December 31, 2016, the net carrying amounts of real estate projects amounted to ₱818.50 million and ₱822.60 million, respectively (see Note 9).

*(c) Useful lives of property, plant and equipment*

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

As at March 31, 2017 and December 31, 2016, the carrying amounts of property, plant and equipment, net of accumulated depreciation of ₱3.91 billion and ₱3.82 billion, amounted to ₱5.44 billion and ₱5.45 billion, respectively (see Notes 11 and 12).

*(d) Impairment of goodwill*

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

The carrying amount of goodwill amounted to ₱70.67 million as at March 31, 2017 and December 31, 2016 (see Note 14). No impairment was recognized for the periods ended March 31, 2017 and December 31, 2016.

*(e) Retirement benefit obligation*

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

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

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

The carrying amount of the Group's retirement benefit obligation amounted to ₱220.68 million and ₱225.85 million as at March 31, 2017 and December 31, 2016, respectively (see Note 27).

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

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

As at March 31, 2017 and December 31, 2016, the estimates of future taxable income indicate that certain temporary differences will be realized in the future, to which the Group recognized deferred tax assets amounting to ₱67.76 million, net of valuation allowance amounting to ₱9.18 million.

*(g) Impairment of nonfinancial assets other than goodwill*

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

As at December 31, 2016, the Group reassessed any impairment in value of appraised land, buildings and structures, machinery and equipment, and oxygen and acetylene cylinders under industrial gases operation and hotel and office equipment based on value in use. The Group also reassessed any impairment in value on property, plant and equipment carried at cost under LPG operations based on value in use as at December 31, 2016.

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 five percent (5%) in 2016. The result of computation showed that the estimated recoverable amount of such assets exceeded its carrying values by ₱792 million as at December 31, 2016.

## 5. CASH

This account consists of:

	2017	2016
Cash on hand	₱ 2,071,456	₱ 49,436,990
Cash in banks	833,261,583	578,626,051
	<b>₱ 835,333,039</b>	<b>₱ 628,063,041</b>

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from bank deposits is disclosed as part of the “Other income (net)” account in the consolidated statements of

comprehensive income in the amount of ₱51,461 and ₱95,193 for the periods ended March 31, 2017 and 2016, respectively (see Note 25).

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

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

The movement of the account is as follows:

	2017	2016
Cost		
Balance at beginning of year	₱ 356,289,815	₱ 369,120,955
Additions	42,817,032	36,738,434
Disposals	( 57,490,806)	( 49,569,574)
	341,616,041	356,289,815
Fair value gain	103,994,616	73,305,099
Balance at end of year	₱ 445,610,657	₱ 429,594,914

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

Proceeds from the sale of the Group's financial assets at FVPL for the quarters ended March 31, 2017 and 2016 amounted to ₱59.9 million and ₱80 million, respectively, which resulted to gain on sale of ₱2.4 million in 2017 and ₱8.5 million in 2016 and is presented under "Other income (net)" account in the consolidated statements of comprehensive income (see Note 25).

Dividend income earned from financial assets at FVPL is presented under "Other income (net)" account in the consolidated statements of comprehensive income amounting to ₱799,992 and ₱822,710 for the quarters ended March 31, 2017 and 2016, respectively (see Note 25).

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

	2017	2016
Balance at beginning of period	₱ 73,305,099	₱ 13,084,850
Fair value gain (loss) during the period	30,689,517	60,220,249
Balance at end of period	₱ 103,994,616	₱ 73,305,099

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

## 7. TRADE AND OTHER RECEIVABLES (NET)

This account consists of:

	2017	2016
Trade	₱ 109,621,431	₱ 263,265,335
Advances to contractors and suppliers	39,450,547	34,251,292
Advances to officers and employees	32,236,629	30,117,970
Refundable deposits	29,528,524	13,630,854
Cylinder deposits	-	1,903,304
Others	9,263,031	22,557,043
	220,100,162	365,725,798
Less: Allowance for impairment loss	30,589,742	30,589,742
Net	₱ 189,510,420	₱ 335,136,056

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

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

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

	2017	2016
Balance at beginning of period	₱ 30,589,742	₱ 30,589,742
Write-off during the period	-	-
Balance at end of period	₱ 30,589,742	₱ 30,589,742

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

## 8. INVENTORIES

This account consists of:

	2017	2016
Finished goods:		
LPG, cylinders, stoves and accessories	₱ 594,728,205	₱ 466,505,660
Industrial gases	2,704,581	7,649,389
Pharmaceutical products	4,925,220	2,743,015
	602,358,006	476,898,064
In-transit LPG	-	50,332,770
Material and supplies	85,993,152	73,657,763
Raw materials	717,281	9,493,615
	₱ 689,068,439	₱ 610,382,212



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

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

## 9. **REAL ESTATE PROJECTS**

Real estate projects consist of:

	2017	2016
Memorial park lots:		
Zamboanga Memorial Gardens	₱ 71,119,623	₱ 71,312,390
Cagayan de Oro Gardens	66,714,963	71,220,811
Mt. Apo Gardens	63,397,020	63,431,444
Pryce Gardens – Pagadian	49,694,236	49,706,942
Pryce Gardens – Manolo Fortich	39,823,959	38,957,765
Pryce Gardens – Alabel	23,544,096	23,544,096
North Zamboanga Gardens	18,295,674	18,391,581
Ma. Cristina Gardens	17,213,090	17,278,344
Pryce Gardens – Bislig	15,686,595	15,686,595
Ozamis Memorial Gardens	15,491,216	15,513,666
Pryce Gardens – Malita	13,407,322	13,409,232
Pryce Gardens – Malaybalay	11,077,854	11,114,860
	<b>405,465,648</b>	<b>409,567,726</b>
Subdivision lots:		
Villa Josefina Resort Village	68,538,020	68,538,020
Puerto Heights Village	30,770,005	30,770,005
Saint Joseph Homes	11,980,499	11,980,499
	<b>111,288,524</b>	<b>111,288,524</b>
Condominium units:		
Pryce Tower	98,768,412	98,768,412
Land held for future development:		
Cagayan de Oro	127,866,927	127,866,927
Davao	47,133,094	47,133,094
Misamis Oriental	27,979,122	27,979,122
	<b>202,979,143</b>	<b>202,979,143</b>
	<b>₱ 818,501,727</b>	<b>₱ 822,603,805</b>

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

# **10. PREPAYMENTS AND OTHER CURRENT ASSETS**

This account consists of:

	2017	2016
Prepaid rent	₱ 26,615,788	₱ 29,677,485
Prepaid taxes and licenses	12,177,112	12,713,304
Prepaid insurance	5,491,358	8,174,126
Prepaid maintenance	1,229,965	6,865,608
Creditable withholding tax	5,292,486	5,292,524
Inventory materials	2,994,913	2,994,913
Deferred charges	3,097,707	1,643,392
Input tax	1,473,479	1,275,918
Foods and materials inventory	-	593,446
Others	6,292,455	7,111,959
	<b>₱ 64,665,263</b>	<b>₱ 76,342,675</b>

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

Deferred charges represent project development cost in progress.

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

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

Reconciliations of net carrying amounts at the beginning and end of 2017 and 2016, and the gross carrying amounts and the accumulated depreciation of property, plant and equipment at revalued are shown below:

## **As at March 31, 2017**

	Net carrying amounts, January 1, 2017	Appraisal increase (decrease)	Additions	Depreciation	Reclassification	Disposals	Net carrying amounts, March 31, 2017
Land and improvements	₱ 1,374,764,733	-	₱ 204,922	( ₱ 541,274)	₱ -	₱ -	₱ 1,374,428,381
Buildings and structures	797,843,705	-	15,988,909	( 19,381,608)	-	-	794,451,006
Machinery and equipment	1,656,868,174	-	31,455,678	( 45,657,432)	-	-	1,642,666,420
Oxygen and acetylene cylinders	296,444,403	-	5,788,456	( 10,808,109)	-	-	291,424,750
Hotel and office equipment	8,229,839	-	-	( 205,746)	-	-	8,024,093
	<b>₱ 4,134,150,854</b>		<b>₱ 53,437,965</b>	<b>(₱ 76,594,169)</b>	<b>-</b>	<b>-</b>	<b>₱ 4,110,994,650</b>

	Cost	Accumulated depreciation	Net carrying amounts, March 31, 2017
Land and improvements	₱ 1,389,710,007	(₱ 15,281,626)	₱ 1,374,428,381
Buildings and structures	1,252,639,695	( 458,188,689)	794,451,006
Machinery and equipment	3,767,690,598	( 2,125,024,178)	1,642,666,420
Oxygen and acetylene cylinders	948,618,041	( 657,193,291)	291,424,750
Hotel and office equipment	73,278,235	( 65,254,142)	8,024,093
	<b>₱ 7,431,936,576</b>	<b>(₱ 3,320,941,926)</b>	<b>₱ 4,110,994,650</b>

As at December 31, 2016

	Net carrying amounts, January 1, 2016	Appraisal increase (decrease)	Additions	Depreciation	Reclassification	Disposals	Net carrying amounts, December 31, 2016
Land and improvements	₱ 488,102,652	₱ 829,719,465	₱ 57,962,165	(₱ 1,019,549)	₱ -	₱ -	₱ 1,374,764,733
Buildings and structures	160,372,411	650,999,953	20,125,084	( 31,558,984)	-	( 2,094,759)	797,843,705
Machinery and equipment	9,977,485	713,032,094	464,286	( 22,919,028)	956,313,337	-	1,656,868,174
Oxygen and acetylene cylinders	88,778,270	237,888,139	-	( 23,360,857)	-	( 6,861,149)	296,444,403
Hotel and office equipment	9,922,905	( 170,974)	159,746	( 1,681,838)	-	-	8,229,839
	<b>₱ 757,153,723</b>	<b>₱ 2,431,468,677</b>	<b>₱ 78,711,281</b>	<b>(₱ 80,540,256)</b>	<b>₱ 956,313,337</b>	<b>(₱ 8,955,908)</b>	<b>₱ 4,134,150,854</b>

	Cost	Accumulated depreciation	Net carrying amounts, December 31, 2016
Land and improvements	₱ 1,389,505,085	(₱ 14,740,352)	₱ 1,374,764,733
Buildings and structures	1,236,650,786	( 438,807,081)	797,843,705
Machinery and equipment	3,736,234,920	( 2,079,366,746)	1,656,868,174
Oxygen and acetylene cylinders	942,829,585	( 646,385,182)	296,444,403
Hotel and office equipment	73,278,235	( 65,048,396)	8,229,839
	<b>₱ 7,378,498,611</b>	<b>(₱ 3,244,347,757)</b>	<b>₱ 4,134,150,854</b>

Depreciation charged to operations was allocated as follows:

	March 31, 2017	December 31, 2016
Cost of sales	<b>₱59,612,564</b>	₱ 49,413,384
Operating expenses	<b>16,981,605</b>	31,126,872
	<b>₱ 76,594,169</b>	<b>₱ 80,540,256</b>

The fair market value of the properties was determined by an independent appraiser on June 29, 2016 and September 11, 2016. The valuation, which conforms to International Valuation Standards, was determined by reference to recent market transactions between market participants at the measurement date. The revaluation reserves, net of applicable deferred income taxes, were credited to "Revaluation reserves" and are shown in "Other comprehensive income" in the stockholders' equity.

## 12. PROPERTY, PLANT AND EQUIPMENT AT COST (NET)

Reconciliations of the net carrying amounts at the beginning and end of 2017 and 2016, and the gross carrying amounts and the accumulated depreciation of property, plant and equipment at cost are as follows:

### As at March 31, 2017

	Net carrying amounts, January 1, 2017	Additions	Reclassification	Disposals	Depreciation	Net carrying amounts, March 31, 2017
LPG plant machinery and equipment	₱ 78,167,924	₱ 1,954,165	-	-	( ₱ 2,335,667)	₱ 77,786,422
Machinery and equipment	331,483,543	2,469,831	-	-	( 3,455,768)	330,497,606
Transportation equipment	76,229,632	2,614,830	-	-	( 4,381,561)	74,462,901
Leasehold improvement	2,828,888	-	-	-	( 490,002)	2,338,886
Furniture, fixtures and equipment	22,014,906	-	-	-	( 1,014,705)	21,000,201
Construction in progress	801,907,093	11,734,063	-	-	-	813,641,156
Building and structures	6,686,000	-	-	-	( 221,749)	6,464,251
	<b>₱ 1,319,317,986</b>	<b>₱ 18,772,889</b>	<b>-</b>	<b>-</b>	<b>(₱ 11,899,452)</b>	<b>₱ 1,326,191,423</b>

	Cost	Accumulated depreciation	Net carrying amounts, March 31, 2017
LPG plant machinery and equipment	₱ 140,940,788	(₱ 63,154,366)	₱ 77,786,422
Machinery and equipment	467,067,690	( 136,570,084)	330,497,606
Transportation equipment	348,993,369	( 274,530,468)	74,462,901
Leasehold improvement	17,244,551	( 14,905,665)	2,338,886
Furniture, fixtures and equipment	118,206,069	( 97,205,868)	21,000,201
Construction in progress	813,641,156	-	813,641,156
Building and structures	9,239,474	( 2,775,223)	6,464,251
	<b>₱ 1,915,333,097</b>	<b>(₱ 589,141,674)</b>	<b>₱ 1,326,191,423</b>

As at December 31, 2016

	Net carrying amounts, January 1, 2016	Additions	Reclassification	Disposals	Depreciation	Net carrying amounts, December 31, 2016
LPG plant machinery and equipment	₱ 1,029,615,384	₱ 155,450,360	(₱ 956,313,337)	(₱ 938,740)	(₱ 149,645,743)	₱ 78,167,924
Machinery and equipment	353,804,125	2,386,786	-	( 2,354,013)	( 22,353,355)	331,483,543
Transportation equipment	77,717,280	27,556,802	-	( 9,214,359)	( 19,830,091)	76,229,632
Leasehold improvement	3,833,407	297,255	-	-	( 1,301,774)	2,828,888
Furniture, fixtures and equipment	19,059,857	10,036,586	-	( 460,613)	( 6,620,924)	22,014,906
Construction in progress	453,133,402	350,483,454	-	( 1,709,763)	-	801,907,093
Building and structures	7,147,974	-	-	-	( 461,974)	6,686,000
	₱ 1,944,311,429	₱ 546,211,243	(₱ 956,313,337)	(₱ 14,677,488)	(₱ 200,213,861)	₱ 1,319,317,986

	Cost	Accumulated depreciation	Net carrying amounts, December 31, 2016
LPG plant machinery and equipment	₱ 138,986,623	(₱ 60,818,699)	₱ 78,167,924
Machinery and equipment	464,597,859	( 133,114,316)	331,483,543
Transportation equipment	346,378,539	( 270,148,907)	76,229,632
Leasehold improvement	17,244,551	( 14,415,663)	2,828,888
Furniture, fixtures and equipment	118,206,069	( 96,191,163)	22,014,906
Construction in progress	801,907,093	-	801,907,093
Building and structures	9,239,474	( 2,553,474)	6,686,000
	₱ 1,896,560,208	(₱ 577,242,222)	₱ 1,319,317,986

Depreciation charged to operations was allocated as follows:

	March 31, 2017	December 31, 2016
Cost of sales	₱ 7,913,410	₱ 133,146,831
Operating expenses	3,986,042	67,067,030
	₱ 11,899,452	₱ 200,213,861

Construction in progress pertains mainly to LPG and refilling plants.

### 13. INVESTMENT PROPERTIES

This account consists of:

	2017	2016
Memorial lawn lots	₱ 76,800,747	₱ 72,930,747
Land	37,027,141	37,027,141
	₱ 113,827,888	₱ 109,957,888

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

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

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

The fair value of the land is the same as its cost since the management believes that the fair value of the investment properties does not significantly change from the time of acquisition.

The Group considers the carrying amount of the memorial lawn lots to be a reasonable approximation of their fair values. The approximation is assessed by management based on the selling price of memorial lots by the Parent Company.

#### 14. GOODWILL

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

	2017	2016
Attributable to:		
Investment in subsidiaries by Parent Company		
Pryce Gases, Inc. (PGI)	<b>₱ 68,897,066</b>	₱ 68,897,066
Pryce Pharmaceuticals, Inc. (PPhI)	<b>1,771,239</b>	1,771,239
	<b>₱ 70,668,305</b>	₱ 70,668,305

##### Acquisition of PGI

The recoverable amount of PGI's cash generating units (CGUs) was based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to cash flow projections of 8.0%. Cash flows beyond the five-year period are extrapolated using the steady growth rate of 1.0%. The carrying value of goodwill amounted to ₱68,897,066 as at March 31, 2017 and December 31, 2016. No impairment loss was recognized for goodwill arising from the acquisition of PGI.

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

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

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

#### Acquisition of PPhI

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

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

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

### **15. TRADE AND OTHER PAYABLES**

	2017	2016
Accounts payable:		
Trade	₱ 317,200,559	₱ 265,429,636
Nontrade	15,000,707	3,211,285
Accrued expenses:		
Salaries, wages and benefits	18,501,770	12,097,549
Others	20,403,646	17,669,723
Deposits for park internment services	74,836,499	77,727,264
Cylinder deposits	75,650,370	59,506,705
Due to government agencies	4,075,091	22,095,047
Reserve fund liability	9,726,465	9,427,036
Deferred income	-	2,563,926
	₱ 535,395,107	₱ 469,728,171

Cylinder deposits pertain to deposits made by customers for its fifty (50) kg LPG cylinders and industrial gases cylinders lent out by the Group.

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

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

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

## **16. CUSTOMERS' DEPOSITS**

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

The customers' deposits amounted to ₱172,315,358 and ₱180,679,468 as at March 31, 2017 and December 31, 2016, respectively.

## **17. SHORT-TERM DEBTS**

Short-term debts consist of:

### *PGI*

In 2017 and 2016, PGI obtained various short-term debts from local banks with an aggregate amount of ₱140 million and ₱500 million, respectively. These debts bear average interest rate of 4.75% to 5.00% per annum and 5.00% to 5.26% per annum for 2017 and 2016, respectively. These are generally termed for ninety (90) days to one (1) year.

### *OOC*

In 2017 and 2016, OOC obtained short-term debts from a local bank amounting to ₱60 million and ₱100 million, respectively, at an interest rate of 5.00% per annum.

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

## **18. DEPOSIT FOR FUTURE STOCK SUBSCRIPTION**

On November 25, 2016, the Board of Directors (BOD) of the Parent Company approved a resolution authorizing the increase of authorized capital stock from ₱2 billion to ₱2.24 billion or an increase of ₱240 million with par value of ₱1 per share.

On December 7, 2016, the BOD approved a resolution for the placing and subscription transaction of 24,500,000 shares of the Parent Company for a total subscription value of ₱122,500,000. The Parent Company received the ₱122,500,000 subscription value on December 13, 2016 and it was taken up as "Deposit for future stock subscription" in the consolidated statements of financial position. The Parent Company has agreed to issue such number of shares upon approval of the increase in its capital stock by the Securities and



Exchange Commission and it will eventually be applied for listing with the Philippine Stock Exchange (PSE).

On December 21, 2016, the BOD approved a resolution authorizing the increase in authorized capital stock by ₱98 million, amending its previous resolution increasing by ₱240 million dated November 25, 2016.

On February 2, 2017, the stockholders approved and ratified the resolution of the BOD dated December 7, 2016 (a) the amendment of article seventh of the articles of incorporation to increase the Parent Company's authorized capital stock from ₱2 billion divided into 2 billion shares with par value of ₱1 per share to ₱2.098 billion divided into 2.098 billion shares with par value of ₱1 per share (b) approving the placing and subscription transaction where: (i) Josefina Multi-Ventures Corporation sold 24,500,000 shares at the selling price of ₱5 per share through the facilities of PSE, (ii) the proceeds of the sale will be used to subscribe to 24,500,000 shares out of the increase in the capital stock of the Parent Company, (iii) the subscription price is ₱5 per share or a total subscription price of ₱122,500,000, and, (iv) the shares issued will eventually be applied for listing with the PSE.

## 19. CAPITAL STOCK

Details of this account are as follows:

	2017	2016
Common stock – ₱1 par value		
Authorized – 2,000,000,000 common shares	<b>₱ 2,000,000,000</b>	₱ 2,000,000,000
Issued – 1,998,750,000 common shares	<b>₱ 1,998,750,000</b>	₱ 1,998,750,000
Subscribed – 1,250,000 common shares	<b>1,250,000</b>	1,250,000
Total	<b>₱ 2,000,000,000</b>	₱ 2,000,000,000

### Track record of the Parent Company

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

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

The Parent Company's shares are listed in the Philippine Stock Exchange (PSE). As at March 31, 2017 and December 31, 2016, the Parent Company's stock price amounted to ₱4.90 and ₱5 per share, respectively.

As at March 31, 2017 and December 31, 2016, the Parent Company's capital stock is fully subscribed and has 368 and 369 equity holders, respectively.

## 20. **RELATED PARTY TRANSACTIONS**

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

### Relationships

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

### Transactions

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

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

Related parties	Amount of transactions		Outstanding balances	
	2017	2016	2017	2016
JMVC	₱ -	₱ 26,487	₱ -	₱ 26,487
PPI	16,561	-	19,361	2,800
PDC	-	-	-	-
	₱ 16,561	₱ 26,487	₱ 19,361	₱ 29,287

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

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

Related parties	Amount of transactions				Outstanding balances	
	2017		2016		2017	2016
JMVC	₱	-	₱	-	₱ 45,353,113	₱ 60,470,817
	₱	-	₱	-	₱ 45,353,113	₱ 60,470,817

Josefina Multi-Ventures Corporation (JMVC)

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

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

## 21. REVENUES

The details of this account are as follows:

a) Liquefied petroleum gases and industrial gases

	2017	2016
LPG, cylinders, stoves and accessories:		
Content	₱ 1,919,855,073	₱ 1,217,182,787
Autogas	96,574,551	70,331,168
Cylinders	60,297,560	34,057,875
Stove and accessories	2,099,182	1,411,724
	<b>2,078,826,366</b>	<b>1,322,983,554</b>
Industrial gases:		
Oxygen	75,679,377	67,949,643
Acetylene	17,053,461	18,684,014
Other gases	9,592,811	5,869,212
	<b>102,325,649</b>	<b>92,502,869</b>
	<b>₱ 2,181,152,015</b>	<b>₱ 1,415,486,423</b>

b) Real estate

Revenue from real estate amounted to ₱25,462,741 and ₱18,278,281 for the periods ended March 31, 2017 and 2016, respectively.

## 22. COST OF SALES

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

	2017	2016
LPG, cylinders, stoves and accessories:		
Content	<b>₱ 1,543,137,393</b>	₱ 936,848,644
Autogas	<b>59,506,934</b>	45,241,701
Cylinders	<b>56,433,899</b>	35,087,309
Stoves and accessories	<b>1,688,975</b>	969,540
Sub-total	<b>1,660,767,201</b>	1,018,147,194
Industrial gases:		
Oxygen	<b>32,419,970</b>	33,348,804
Acetylene	<b>8,362,571</b>	9,446,493
Other gases	<b>3,122,066</b>	2,756,195
Sub-total	<b>43,904,607</b>	45,551,492
	<b>₱ 1,704,671,808</b>	₱ 1,063,698,686

- b) Cost of real estate amounted to ₱5,048,479 and ₱3,476,007 for the quarters ended March 31, 2017 and 2016, respectively. The cost of real estate recognized in the consolidated statements of comprehensive income on disposal is determined with reference to the specific costs incurred on the property sold.
- c) Cost of sales on hotel operations amounted to NIL and ₱9,821,084 for the quarters ended March 31, 2017 and 2016, respectively.
- d) Cost of sales on pharmaceutical products

	2017	2016
Beginning inventory – note 8	<b>₱ 2,743,015</b>	₱ 4,868,563
Add: Purchases	<b>6,972,138</b>	9,703,419
Total good available for sale	<b>9,715,153</b>	14,571,982
Less: Ending inventory – note 8	<b>4,925,220</b>	8,682,459
	<b>₱ 4,789,933</b>	₱ 5,889,523

## 23. OPERATING EXPENSES

This account consists of:

	2017	2016
Selling expenses:		
Salaries, wages and benefits	₱ 27,676,712	₱ 28,711,714
Freight and handling	6,209,452	5,355,177
Repairs and maintenance	8,747,365	2,054,351
Outside services	4,982,342	8,935,745
Fuel and oil	5,538,221	2,418,859
Depreciation – notes 11 and 12	4,124,090	4,404,310
Rent and utilities	5,518,116	4,510,201
Commissions	3,130,689	1,643,944
Materials and supplies	2,139,943	1,409,346
Travel and transportation	2,468,715	2,073,422
Taxes and licenses	1,784,233	1,723,222
Advertisements	401,891	591,421
Representation and entertainment	379,078	650,735
Insurance	449,032	1,005,790
Training and seminars	172,911	669,162
Professional fees	73,567	229,794
Dues and subscriptions	60,386	41,154
Others	3,964,373	1,320,280
	<b>77,821,116</b>	<b>67,748,627</b>
General and administrative expenses:		
Salaries, wages and benefits	₱ 39,535,190	₱ 38,290,796
Depreciation – notes 11 and 12	16,843,557	10,555,981
Repairs and maintenance	13,532,475	7,741,631
Taxes and licenses	2,789,981	3,050,910
Travel and transportation	4,081,656	2,913,626
Fuel and oil	2,164,506	1,677,254
Outside services	2,486,361	4,239,296
Rent and utilities	3,499,412	3,932,916
Materials and supplies	3,484,219	1,883,518
Freight and handling	896,912	1,930,550
Advertisements	301,465	1,221,287
Insurance	3,357,997	1,861,957
Representation and entertainment	2,902,294	694,389
Dues and subscriptions	2,836,495	699,061
Professional fees	1,077,505	1,173,362
Meetings and conferences	558,521	397,233
Donation	-	677,553
Training and seminars	214,441	98,228
Provision for impairment losses	-	-
Others	9,855,790	25,006,965
	<b>110,418,777</b>	<b>108,046,513</b>
	<b>₱ 188,239,893</b>	<b>₱ 175,795,140</b>

## 24. FINANCE COSTS

This account consists of:

	2017	2016
Importations	₱ 221,051	₱ 4,463,051
Debts		
Short-term – note 17	5,442,002	98,343
Installment contracts payable	-	616,784
	₱ 5,663,053	₱ 5,178,178

## 25. OTHER INCOME (NET)

This account consists of:

	2017	2016
Other income:		
Gain on settlement of debts covered by rehabilitation plan	₱ 15,117,705	₱ 15,208,821
Gain on sale of financial assets at FVPL – note 6	2,417,727	8,532,741
Dividends - note 6	799,992	822,710
Sale of scrap and junked materials	5,146,896	492,132
Interest income from banks – note 5	51,461	95,193
	₱ 23,533,781	₱ 25,151,597

## 26. OTHER COMPREHENSIVE INCOME

	2017	2016
Remeasurement gains on retirement benefit obligation		
At beginning of period	₱ 5,963,396	₱ 18,643,586
Remeasurement loss during the period	-	( 18,114,557)
Effect of deferred income tax	-	5,434,367
At end of period	5,963,396	5,963,396
Revaluation reserve		
At beginning of period	1,785,487,906	89,321,234
Appraisal increase	-	2,431,468,678
Deferred tax effect on revaluation reserve of the appraisal increase	-	( 729,440,604)
Transfer of revaluation reserve deducted from operations through additional depreciation charges	-	( 8,373,431)
Deferred income tax effect on revaluation reserve charged to operations through additional depreciation	-	2,512,029
At end of period	1,785,487,906	1,785,487,906
Total other comprehensive income	₱ 1,791,451,302	₱ 1,791,451,302

## **27. RETIREMENT BENEFIT OBLIGATION**

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

The plan uses the projected unit credit method of actuarial valuation in its retirement benefit cost computation.

The amounts of retirement benefit obligation recognized in the consolidated statements of financial position are the present value of the retirement benefit obligation as the retirement program is unfunded. As at March 31, 2017 and December 31, 2016, the present value of the retirement benefit obligation amounted to ₱220,676,173 and ₱225,851,172, respectively.

The Group has not yet established a formal retirement plan asset for its employees. The Group maintains unfunded defined benefit obligation as at March 31, 2017 and December 31, 2016.

## **28. EARNINGS PER SHARE**

Earnings per share are computed based on the weighted average number of common shares outstanding during the year. The number of shares used to compute basic earnings per share were 2,000,000,000 and 1,952,941,457 in 2017 and 2016, respectively.

	2017	2016
Net income	₱ 301,709,710	₱ 196,418,815
Weighted average number of common shares	2,000,000,000	1,952,941,457
	₱ 0.151	₱ 0.101

## **29. FAIR VALUE GAIN ON TRANSFERRED REAL ESTATE PROPERTIES THRU DACION EN PAGO COVERED BY THE REHABILITATION PLAN**

In 2004, the Parent Company transferred real estate properties to PGI its subsidiary, in exchange for PGI's shares of stock as capital/ equity contribution. The application for the increase in capital stock to ₱2.1 billion by PGI was approved by the SEC on June 30, 2004. Furthermore, the BIR issued a certification on November 5, 2004 and December 29, 2004 certifying the transferred real estate properties in exchange for shares of stock is a tax free exchange.

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

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

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

- i) Both the Parent Company and subsidiary are under rehabilitation and the basis for the measurement of the real estate properties transferred was based on Court Order by the Regional Trial Court handling the rehabilitation and not on the basis of the parties involved;
- ii) At the time of transfer, PGI's net asset carrying amounts was below the par value per share of its shares of stock due to its continued losses which resulted to a deficit amounting to ₱989,836,714 as at December 31, 2004. The fair value recognition on the transfer of Parent Company's real estate properties to PGI in exchange of PGI's shares of stock in the Parent Company's books and records would result to:
  - Recognition of a substantial amount of unrealized fair value gain on real estate properties; and
  - Overvalued carrying amount of its investment in subsidiary (PGI) because of the continued losses incurred by PGI that reduces the net carrying amounts of PGI's net assets.

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

In 2005 and 2004, PGI transferred significant portion of the above real estate properties to its creditors by way of dacion en pago based on fair values as determined in the Court Order issued by the Regional Trial Court on the rehabilitation plan of PGI. The difference between the fair value and cost (as reported in the books and records by the parent company) of these transferred properties amounted to ₱129 million in 2005 and ₱902 million in 2004 or an aggregate amount of ₱1.03 billion. Subsequent to 2005, there was no real estate properties of PGI transferred to creditors by way of dacion en pago.

The ₱1.03 billion as at March 31, 2017 and December 31, 2016 represents the net difference between the fair value and the related cost the parent company's real estate properties transferred to PGI creditors in settlement of its debts covered by the rehabilitation plan. This amount was arrived at in the elimination process of intercompany account balances and such difference was accounted for as "Fair value gain on real estate properties" account and presented under equity section in the consolidated statements of financial position.

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

Had the Parent Company applied the fair value method of accounting on the recognition of its transferred real estate properties to PGI, the fair value gain on real estate properties should have been recognized as income and reduces the consolidated retained earnings (deficit) as at March



31, 2017 and December 31, 2016 by ₱1.03 billion.

### 30. OPERATING LEASE AGREEMENTS

PGI has entered in various operating lease agreements for its Visayas and Mindanao sales offices with various local companies for a period of one (1) year renewable thereafter upon mutual agreement of both parties.

### 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and financing activities. The Group's risk management is in the Board of Directors (BOD), and focuses on actively securing the Group's short-to medium-term cash flows by minimizing the exposure to financial markets.

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

- *Credit risk*

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

*Credit risk exposure*

The Group's trade and other receivables are actively monitored to avoid significant concentration of credit risk. The maximum amount of exposure to credit risk as at March 31, 2017 and December 31, 2016 are as follows:

	2017	2016
Cash in banks (excluding cash on hand)	₱ 833,261,583	₱ 578,626,051
Trade and other receivables	189,510,420	335,136,056
Advances to related parties	19,361	29,287
	<b>₱1,022,791,364</b>	<b>₱ 913,791,394</b>

\*Excluding cash on hand in the amount of ₱2,071,456 and ₱49,436,990 as at March 31, 2017 and December 31, 2016, respectively.

Credit quality information

As at March 31, 2017 and December 31, 2016, the credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and areas.

Based on historical information about customer default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good. The Group classifies advances to related parties as neither past due nor impaired. Advances to related parties generally have no specific credit terms. The Group does not hold any collateral as security on these receivables.

The management continues to review advances to related parties for any legally enforceable right to offset with liabilities with the expressed intention of the borrower related parties to settle on a net basis.

- *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash to meet operating capital requirements. The Group aims to maintain flexibility in funding through an efficient collection of its receivables and from the continuous financial assistance extended by its related parties in the form of loans and advances.

- *Price risk*

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

The Group is exposed to such risk because of its equity securities classified as financial assets at FVPL. The Group is continuously monitoring the market prices of these securities.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

	Increase (Decrease) in Basis Points	Effect in Income After Tax
<b>2017</b>	<b>100</b>	<b>(P31,192,746)</b>
	<b>50</b>	<b>( 15,596,373)</b>
	<b>(100)</b>	<b>31,192,746</b>
	<b>( 50)</b>	<b>15,596,373</b>
<b>2016</b>	<b>100</b>	<b>(P30,071,644)</b>
	<b>50</b>	<b>( 15,035,822)</b>
	<b>(100)</b>	<b>30,071,644</b>
	<b>( 50)</b>	<b>15,035,822</b>

- *Interest rate risk*

The Group's exposure to interest rate risk relates primarily to PGI and OOC's financial instruments with floating interest rate. Floating rate of financial instruments are subject to cash flow interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the PGI and OOC's short-term debts in 2017 and 2016. The impact on the Group's equity is immaterial.

	Increase (Decrease) in Basis Points	Effect in Income After Tax
<b>2017</b>	<b>100</b>	<b>(₱ 28,000,000)</b>
	<b>50</b>	<b>( 14,000,000)</b>
	<b>(100)</b>	<b>28,000,000</b>
	<b>( 50)</b>	<b>14,000,000</b>
<b>2016</b>	<b>100</b>	<b>(₱ 40,250,000)</b>
	<b>50</b>	<b>( 20,125,000)</b>
	<b>(100)</b>	<b>40,250,000</b>
	<b>( 50)</b>	<b>20,125,000</b>

### 32. CAPITAL RISK OBJECTIVE AND MANAGEMENT

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

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

The capital that the Group manages includes all components of its equity as shown in the consolidated statements of financial position.

The Group monitors its capital gearing by measuring the ratio of interest-bearing debt to total capital and net interest-bearing debt to total capital. Interest-bearing debt includes all short term and long term debt while net interest-bearing debt includes all short term and long term debt net of cash and financial assets at FVPL.

The equity ratios as at March 31 and December 31 are as follows:

	<b>2017</b>	<b>2016</b>
Total equity (a)	<b>₱ 6,394,687,893</b>	<b>₱ 6,092,978,181</b>
Total assets (b)	<b>8,732,146,523</b>	<b>8,604,002,374</b>
Equity ratio (a/b)	<b>73%</b>	<b>71%</b>

### 33. FAIR VALUE INFORMATION

#### *Assets measured at fair value*

The following table gives information about how the fair values of the Group's assets, which are measured at fair value at the end of each reporting period, are determined (in particular, the valuation technique(s) and inputs used).

	Fair value as at Mar. 31 and Dec. 31		Fair value hierarchy	Valuation techniques
	2017	2016		
Financial assets at FVPL	<b>₱ 445,610,657</b>	<b>₱ 429,594,914</b>	Level 1	Quoted prices in an active market

*Assets and liabilities not measured at fair value but fair values are disclosed*

The following gives information about how the fair values of the Group's assets and liabilities, which are not measured at fair value but the fair values are disclosed at the end of each reporting period.

- Due to the short-term maturities of cash, trade and other receivables, trade and other payables, and short-term debts, their carrying amounts approximate their fair values.
- The carrying amount and fair value of the categories of noncurrent financial and non-financial assets and financial liabilities presented in the consolidated statements of financial position are shown on the table as follows:

	2017		2016		Fair value hierarchy	Input used
	Carrying Value	Fair Value	Carrying Value	Fair Value		
<b>Assets</b>						
Advances to related parties	<b>₱ 19,361</b>	<b>₱ 16,361</b>	<b>₱ 29,287</b>	<b>₱ 24,820</b>	Level 3	(b)
Investment properties	<b>113,827,888</b>	<b>113,827,888</b>	109,957,888	109,957,888	Level 2	(a)
	<b>113,847,249</b>	<b>113,844,249</b>	109,987,175	109,982,708		
<b>Liability</b>						
Advances from related parties	<b>₱ 45,353,113</b>	<b>₱ 38,326,129</b>	60,470,817	<b>₱ 51,248,173</b>	Level 3	(b)

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

- The fair value is determined by applying the market comparison approach. The valuation model is based on the market price of comparable real estate properties in the area in which the Group's investment properties are located.
- Advances to and from related parties

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Significant unobservable input	Relationship of unfavorable inputs
Discounted cash flows are determined by reference to prevailing market lending rate at 5.772% in 2017 and 5.671% in 2016.	The higher the discount rate, the lower the fair value.

The table below shows the sensitivity analysis of the above unobservable inputs to the valuation model to the carrying amount of the due to and from related parties as at March 31, 2017 and December 31, 2016:

		Increase (Decrease) in carrying amount	
	Change in Unobservable Input to Valuation Model	Advances from related party	Advances to related parties
<b>2017</b>	<b>0.05%</b>	<b>(P 54,301)</b>	<b>(P 23)</b>
	<b>-0.05%</b>	<b>54,403</b>	<b>23</b>
2016	0.05%	(P 72,678)	(P 35)
	-0.05%	72,816	35

There has been no transfer from one fair value hierarchy level to another.

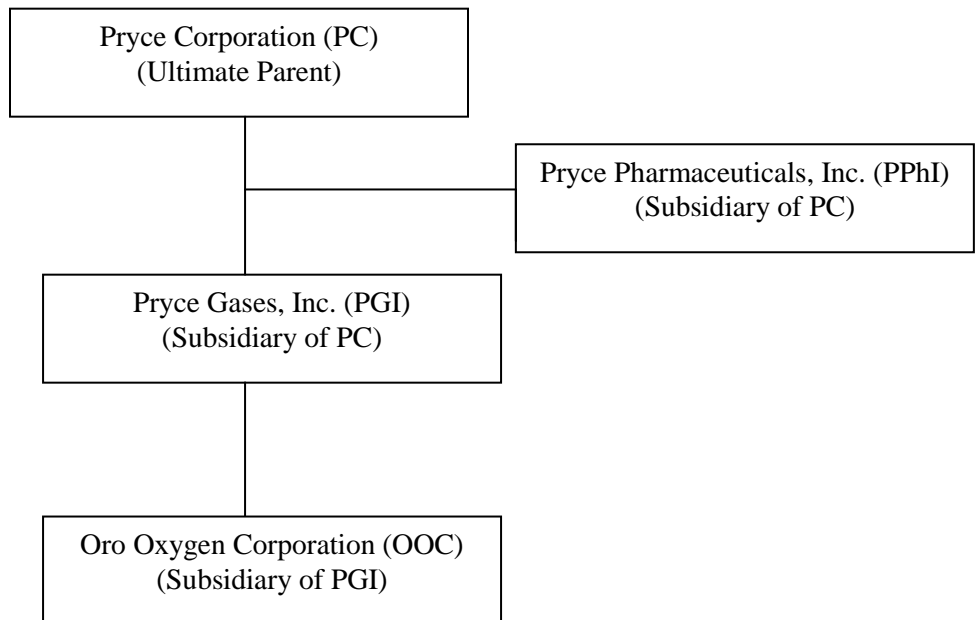
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**PRYCE CORPORATION AND SUBSIDIARIES**  
**ANNEX “A” - FINANCIAL SOUNDNESS**

	<b>Jan to Mar 2017</b>	Jan to Mar 2016
<b>Profitability ratios (after tax):</b>		
Return on assets	<b>3.55%</b>	3.74%
Return on equity	<b>5.21%</b>	6.18%
Net profit margin	<b>13.63%</b>	13.52%

	<b>Mar. 31, 2017</b>	Dec. 31 2016
<b>Solvency and liquidity ratios:</b>		
Current ratio	<b>2.625</b>	2.211
Debt to equity ratio	<b>0.387</b>	0.436
<b>Financial leverage ratio:</b>		
Asset to equity ratio	<b>1.446</b>	1.493
Debt to asset ratio	<b>0.268</b>	0.292
Interest rate coverage ratio	<b>64.534</b>	38.839

**PRYCE CORPORATION AND SUBSIDIARIES**  
**ANNEX “B” – MAP OF CONGLOMERATE OR GROUP**  
**OF COMPANIES WITHIN WHICH THE COMPANY BELONGS**  
MARCH 31, 2017



**PRYCE CORPORATION AND SUBSIDIARIES**  
**MARCH 31, 2017**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as at March 31, 2017		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>				✓
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of	✓		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at March 31, 2017		Adopted	Not Adopted	Not Applicable
	Financial Assets			
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
<b>PFRS 8</b>	Operating Segments	✓		
<b>PFRS 9 (2014)</b>	Financial Instruments		✓	
<b>PFRS 10</b>	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
<b>PFRS 11</b>	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception	✓		
<b>PFRS 13</b>	Fair Value Measurement	✓		
<b>PFRS 14</b>	Regulatory Deferral Accounts			✓
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
<b>PAS 2</b>	Inventories	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at March 31, 2017		Adopted	Not Adopted	Not Applicable
<b>PAS 7</b>	Statement of Cash Flows	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Reporting Period	✓		
<b>PAS 11</b>	Construction Contracts			✓
<b>PAS 12</b>	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
<b>PAS 16</b>	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19 (Revised)</b>	Employee Benefits	✓		
	Amendments to PAS 19 - Defined Benefit Plans: Employee Contributions	✓		
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
<b>PAS 23 (Revised)</b>	Borrowing Costs	✓		
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans	✓		
<b>PAS 27 (Amended)</b>	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
<b>PAS 28 (Amended)</b>	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 32</b>	Financial Instruments: Presentation	✓		

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as at March 31, 2017</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34</b>	Interim Financial Reporting	✓		
<b>PAS 36</b>	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
<b>PAS 39</b>	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
<b>PAS 40</b>	Investment Property	✓		
<b>PAS 41</b>	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as at March 31, 2017</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Instruments			
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease	✓		
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
<b>IFRIC 6</b>	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment	✓		
<b>IFRIC 12</b>	Service Concession Arrangements			✓
<b>IFRIC 13</b>	Customer Loyalty Programmes			✓
<b>IFRIC 14</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners			✓
<b>IFRIC 18</b>	Transfers of Assets from Customers			✓
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments			✓
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			✓
<b>IFRIC 21</b>	Levies			✓
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC-15</b>	Operating Leases – Incentives			✓
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
<b>SIC-29</b>	Service Concession Arrangements: Disclosures.			✓
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services			✓
<b>SIC-32</b>	Intangible Assets - Web Site Costs			✓

Not Applicable – Standards and interpretations that are effective as at January 1, 2016 but will never be applicable to the Company due to the nature of its operations or not relevant to the Company because there are currently no related transactions.

Not Adopted – Standards and interpretations that are already issued but are not effective for the year ended December 31, 2016 and were not early adopted by the Company.

Please refer to Note 4 to the financial statements for related discussion on the assessed impact on the Company's financial statements on the adoption of new standards and interpretations effective in 2016 including standards effective in 2016 and onwards.

**PRYCE CORPORATION AND SUBSIDIARIES**  
**SCHEDULE A – FINANCIAL ASSETS**  
MARCH 31, 2017

Name of issuing entity and associate of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Valued based on market quotation at end of reporting period	Income received and accrued
Top Frontier	652,474	₱ 178,777,876	₱ 178,777,876	₱ -
San Miguel Corporation	1,197,921	124,583,784	124,583,784	-
Century Properties	950,000	465,500	465,500	-
RCBC	1,163,200	44,666,880	44,666,880	-
SMC-Purefoods	73,655	21,212,640	21,212,640	-
Global Estate Res	41,956,000	40,277,760	40,277,760	-
First Philippine Holdings	281,640	20,221,752	20,221,752	-
Phinma Corporation	506,080	5,587,123	5,587,123.20	-
Ginebra San Miguel	630,560	8,134,224	8,134,224	-
Swift Foods	20,000	2,900	2,900	-
Alliance Global Group	100	1,268	1,268	-
Wilcon Depot	315,000	1,678,950	1,678,950	-
Total	47,746,630	₱ 445,610,657	₱ 445,610,657	₱ -

**PRYCE CORPORATION AND SUBSIDIARIES**  
**SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES**  
**AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**  
**March 31, 2017**

Name of Debtor	Debtor desing of the perio	Balance at begin-		Amount		Balance at end	
			Additions	Collected	Current	Non current	of the period
1.Deguit, Ethelbert	Officer	1,000,566	1,400,460	430,831	970,195	1,000,000	1,970,195
2.Sumillano, Jeremy	Officer	-	1,096,735	358,837	155,340	582,558	737,898
3.Dy, Carlitos	Officer	928,526	69,037	283,178	714,385		714,385
4.Villegas, Franz Jonas	Officer	712,007		38,837	116,510	556,660	673,170
5. Escano, Rafael	Officer	581,588		2,371	233,749	345,468	579,217
6.Magallano, Joedim	Officer	599,552	130,357	183,360	71,200	475,349	546,549
7.Competente, Roque	Officer	556,660		45,301	116,510	394,849	511,359
8. Abuyog, Rudy	Officer	521,200		37,400	483,800		483,800
9. Sulatre, Alexis	Officer	524,027		65,404	168,293	290,330	458,623
10. Encabo Erica	Officer	453,095		30,384	116,510	306,201	422,711
11.Parungao, Rustico	Staff	299,247	183,870	73,017	410,100		410,100
12. Villanueva, Raul	Officer	418,094	-	45,000	135,000	238,094	373,094
13.Aguadera, Jonax	Officer	354,185	104,560	110,438	348,307		348,307
14. Angcos, Agnes	Officer	383,231		38,837	116,510	227,884	344,394
15. Gaid, Carmeli	Officer	307,342	52,392	37,370	69,129	253,235	322,364
16. Ramis, Frecil	Officer	352,048		29,847	90,619	231,582	322,201
17. Gubalani, Concepcion	Officer	342,339		30,207	90,619	221,513	312,132
18. Mosquera, Leo	Officer	342,339		30,207	90,619	221,513	312,132
19. Gomez, Roger	Officer	342,339		30,207	90,619	221,513	312,132
20. Villalobos, Randy	Officer	44,733	284,000	51,353	277,380		277,380
21.Demetrio, Yvonne	Officer	23,671	431,480	209,290	245,861		245,861
22. Martin, Emiliano	Officer	264,121	14,835	38,139	90,619	150,198	240,817
23. Delima, Robin	Officer	225,436		20,495	61,482	143,459	204,941
24.Lacson,Zaide	Staff	0.00	210,000	6,867	203,133		203,133
25.Castro, Rechel	Staff	0.00	210,000	7,513	202,487		202,487
26. Logronio, Lucito	Staff	184,393		9,860	174,533		174,533
27. Trazo, Benjie	Staff	174,831	13,995	14,705	174,121		174,121
28. Hatud, Feliciano	Officer	427,204		258,238	168,966		168,966
29.Legaspi, Michael	Staff	0.00	162,232		162,232		162,232
30. Sarraga, Darwin	Officer	144,647	32,900	16,913	89,641	70,993	160,634
31.Sangalang, Alexander	Staff	53,291	367,225	272,121	148,395		148,395
32.Cabello, Joy	Staff	45,535	98,581	11,890	132,226		132,226
33.Velarde, Darrren	Staff	0.00	128,908		128,908		128,908
34.Albaran, Teotimo	Officer	50,970	216,800	145,573	122,197		122,197
35.Astrologo, Danilo	Staff	44,950	168,335	97,800	115,485		115,485
36.Arevalo, Juniffer	Staff	115,304	2,760	11,075	106,989		106,989
37. Pagunsan, Ernesto	Officer	113,305		12,032	101,273		101,273
38.Various Employees	below 100k	19,331,738	4,117,624	4,438,075	13,226,989	5,784,298	19,011,287
<b>TOTAL</b>		<b>30,262,514</b>	<b>9,497,086</b>	<b>7,522,972</b>	<b>20,520,931</b>	<b>11,715,697</b>	<b>32,236,628</b>

**PRYCE CORPORATION AND SUBSIDIARIES**  
**SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES**  
**WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF**  
**FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

Name and designation of creditor	Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non- Current	Balance at end of period
Pryce Gases, Inc.	Oro Oxygen Corporation	300,630,057	58,337,246	198,947,263	-	160,020,040	-	160,020,040
Oro Oxygen Corporation	Pryce Corporation	85,400,000		1,200,000	-	-	84,200,000	84,200,000
Pryce Gases, Inc.	Pryce Pharmaceuticals, Inc.		-	-	-	-	-	-
Pryce Corporation	Pryce Gases, Inc.		-	-	-	-	-	-
Pryce Gases, Inc.	Pryce Corporation	8,502,454	1,654,886	1,315,749	-	8,841,591	-	8,841,591
Pryce Pharmaceuticals, Inc.	Pryce Gases, Inc.	374,073	331,026	-	-	705,099	-	705,099
		394,906,584	60,323,158	201,463,012	-	169,566,730	84,200,000	253,766,730



**PRYCE CORPORATION AND SUBSIDIARIES**  
**SCHEDULE D – INTANGIBLE ASSETS - OTHER ASSETS**  
MARCH 31, 2017

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending balance
Goodwill	P 70,668,305	P -	P -	P -	P -	P 70,668,305

**PRYCE CORPORATION AND SUBSIDIARIES**  
**SCHEDULE E – LONG TERM DEBT**  
MARCH 31, 2017

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption “Current portion of long term debt” in related statement of financial position	Amount shown under caption “Long-term debt” in the related statement of financial position
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Not Applicable

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**PRYCE CORPORATION AND SUBSIDIARIES**  
**SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS**  
**FROM RELATED COMPANIES)**  
MARCH 31, 2017

Name of related party	Balance at beginning of period	Balance at end of period
Josefina Multi-Ventures Corporation	₱ 60,470,817	<b>₱45,353,113</b>
	₱ 60,470,817	<b>₱ 45,353,113</b>

**PRYCE CORPORATION AND SUBSIDIARIES**  
**SCHEDULE G – GUARANTEES OF SECURITIES OF OTHER ISSUERS**  
MARCH 31, 2017

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
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**Not Applicable**

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**PRYCE CORPORATION AND SUBSIDIARIES**  
**SCHEDULE H – CAPITAL STOCK**  
MARCH 31, 2017

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares reversed for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	2,000,000,000	1,998,750,000	–	488,181,212	60,518,786	1,451,300,002

**PRYCE CORPORATION (Parent Company)**  
**Aging of Accounts Receivable**  
**As of March 31, 2017**

Type of Accounts Receivable	Total	1-30 days	31-90 days	91-180 days	Over 180 days	1-2 Years	3-5 years	5 Years - above	Past due accounts
<b>a. Trade Receivables</b>									
1. Subdivision									
2. Low-cost housing	<b>1,328,718</b>	186,221	193,984	310,645	290,084	213,988	133,796		
3. Memorial Parks	<b>38,438,277</b>	3,908,972	4,384,091	5,899,821	5,620,984	5,101,645	5,396,883		8,125,881
4. Hotel									
5. Head Office	<b>147,677</b>	147,677							
Totals	<b>39,914,672</b>	<b>4,242,870</b>	<b>4,578,075</b>	<b>6,210,466</b>	<b>5,911,068</b>	<b>5,315,633</b>	<b>5,530,679</b>	-	<b>8,125,881</b>
Less: Allow. For Doubtful Acct.	<b>7,415,618</b>								7,415,618
<b>Sub Total</b>	<b>32,499,054</b>	<b>4,242,870</b>	<b>4,578,075</b>	<b>6,210,466</b>	<b>5,911,068</b>	<b>5,315,633</b>	<b>5,530,679</b>	-	<b>710,263</b>
<b>b. Non-trade Receivables</b>									
Advances to Officers & Employees	<b>3,566,689</b>	530,825	578,710						2,457,154
Advances to Suppliers & Contractors	<b>1,129,203</b>	316,151	305,626						507,426
Others	<b>2,076,567</b>	184,311	199,419						1,692,837
Totals	<b>6,772,459</b>	<b>1,031,287</b>	<b>1,083,755</b>	-	-	-	-	-	<b>4,657,417</b>
Less: Allow. For Doubtful Acct.	<b>4,612,551</b>								4,612,551
<b>Sub Total</b>	<b>2,159,908</b>	<b>1,031,287</b>	<b>1,083,755</b>	-	-	-	-	-	<b>44,866</b>
<b>Grand Total</b>	<b>34,658,963</b>	<b>5,274,157</b>	<b>5,661,830</b>	<b>6,210,466</b>	<b>5,911,068</b>	<b>5,315,633</b>	<b>5,530,679</b>	-	<b>755,129</b>

**Accounts Receivable Description**

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