# COVER SHEET

| A | S | 9 | 3 | 0 | 0 | 0 | 1 | 2 | 0 |
|---|---|---|---|---|---|---|---|---|---|

SEC Registration No.

| | | | | F | O | R | U | M | | P | A | C | I | F | I | C | , | I | N | C | . | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

(Company's Full Name)

| 3 | 5 | T | H | | F | L | O | O | R | , | O | N | E | | C | O | R | P | O | R | A | T | E | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

| C | E | N | T | E | R | , | D | O | Ñ | A | | J | U | L | I | A | | V | A | R | G | A | S | | C | O | R | . | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

| M | E | R | A | L | C | O | | A | V | E | . | O | R | T | I | G | A | S | | C | E | N | T | E | R | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

(Business Address : No. Street City / Town / Province)

| Atty. Arsenio A. Alfiler Jr. |
|---|

Contact Person

| (632) 706-7888/706-5982 |
|---|

Contact Tel No./Fax No.

| 1 | 2 | | 3 | 1 |
|---|---|---|---|---|

Fiscal Year

| | | | | | 2 | 0 | - | I | S | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | P | R | E | L | I | M | I | N | A | R | Y | |

FORM TYPE

| 3rd Monday of April |
|---|

Month Day

Annual Meeting

Secondary License Type, If Applicable

| | | |
|---|---|---|

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

| 891 |
|---|

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|

File Number

LCU

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

**20-IS Preliminary: FPI**

FORUM PACIFIC INC.

September 22, 2016

Dear Stockholder:

Please be advised that the annual meeting of the stockholders of the Corporation, as fixed by the Board of Directors of FORUM PACIFIC, INC. will be held on Tuesday, November 8, 2016 at 10:30 a.m. at One Café and Events Place, 6th Floor One Corporate Center, Doña Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City for the purpose of transacting the following business:

1. Call to order
2. Report on attendance and quorum
3. Approval of minutes of previous stockholders' meeting
4. Report to stockholders for the year 2015
5. Ratification of all acts and resolutions of the board of directors and management adopted during the preceding year
6. Election of board of directors for the ensuing term
7. Appointment of External Auditors
8. Appointment of External Counsels
9. Other Business as may properly come before the meeting
10. Adjournment

As fixed by the Board of Directors, stockholders of record date as of **October 12, 2016** shall be entitled to notice of, and vote at, said stockholders' meeting and for this purpose, the Board of Directors authorized the closing of the stock and transfer book of the Corporation from **October 13** to **November 8, 2016**.

If you are not attending, you may submit a proxy statement to the office of the Corporate Secretary of this Corporation at the address below not later than ten (10) days before the meeting. Corporate stockholders are requested to attach to the proxy instrument their respective Board Resolutions in support to their proxies.

On the day of the meeting, you or your proxy are hereby required to bring this Notice and any form of identification with picture and signature (e.g. driver's license, SSS ID, company ID, etc.) to facilitate registration.

Atty. Arsenio A. Alfiler Jr
Corporate Secretary

Unit 3104, 31st Floor
Antel Global Corporate Center
#3 Doña Julia Vargas Avenue,
Ortigas Center, Pasig City

**P R O X Y**

The undersigned stockholder of **FORUM PACIFIC, INC.** (the "Company") hereby appoints _____ or in his absence, the Chairman of the meeting, as *attorney* and *proxy*, with power of substitution, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on November 8, 2016 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of minutes of previous meeting held on October 22, 2015.
   ❑Yes ❑No ❑Abstain

2. Approval of annual report.
   ❑Yes ❑No ❑Abstain

3. Ratification of all acts and resolutions of the Board of Directors and Management adopted during the preceding year.
   ❑Yes ❑No ❑Abstain

4. Election of Directors
   ❑Vote for all nominees listed below:
   Rogelio D. Garcia
   Elvira A. Ting
   Peter S. Salud
   Kenneth T. Gatchalian
   Richard L. Ricardo
   Lamberto B. Mercado, Jr.
   Omar M. Guinomla
   Arthur R. Ponsaran
   Joaquin P. Obieta
   Byoung Hyun Suh (Independent)
   Sergio R. Ortiz-Luis, Jr. (Independent)

   ❑Withhold authority for all nominees listed above

   ❑Withhold authority to vote for the nominees listed below:

   _____ _____
   _____ _____
   _____ _____
   _____ _____

5. Election of Diaz Murillo Dalupan and Co., CPAs, as independent auditors.
   ❑Yes ❑No ❑Abstain

6. Election of Corporate Counsels, Phils. As external counsels.
   ❑Yes ❑No ❑Abstain

7. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.
   ❑Yes ❑No ❑Abstain

_____
PRINTED NAME OF STOCKHOLDER

_____
SIGNATURE OF STOCKHOLDER/
AUTHORIZED SIGNATORY

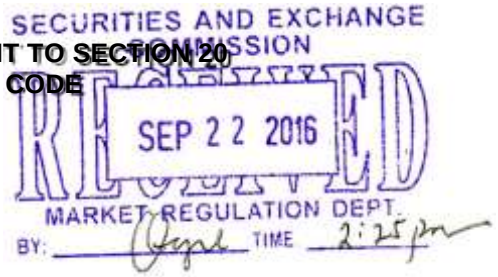
_____
DATE

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE OCTOBER 21, 2016, THE DEADLINE FOR SUBMISSION OF PROXIES.

THIS PROXY IS NOT REQUIRED TO BE NOTARIZED, AND WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED "FOR" THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANYTIME BEFORE THE RIGHTGRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSED HIS INTENTION TO VOTE IN PERSON.

**SECURITIES AND EXCHANGE COMMISSION**
**SEC FORM 20-IS**
**INFORMATION STATEMENT PURSUANT TO SECTION 20**
**SECURITIES REGULATION CODE**




**1.** Check the appropriate box:
- ✓ Preliminary Information Statement
- Definitive Information Statement

**2.** Name of Registrant as specified in its charter : **FORUM PACIFIC, INC. (the "Corporation")**

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

**4.** SEC Identification Number : **SEC Registration No. AS 93000120**

**5.** BIR Tax Identification Code : **TIN No. 002-155-598-000**

**6.** Address of Registrant's Principal Office : **35th Floor One Corporate Center, Doña Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City**

**7.** Registrant's telephone number, including area code : **(632) 706-7888**

**8.** Date, time and place of stockholders meeting : **November 8, 2016 at 10:30 A.M., One Café and Events Place 6th Floor One Corporate Center Doña Julia Vargas Ave. cor. Meralco Ave. Ortigas Center, Pasig City**

**9.** Approximate date on which the Information Statement are first to be sent or given to security holders : **October 14, 2016**

**10.** In case of Proxy Solicitation : **Not applicable**

**11.** Securities registered pursuant to Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

| Title of Each Class | No. of Shares of Common Stock Outstanding or Amount of Debt Outstanding |
|---|---|
| **Common Shares- P1.00 par value Issued and Outstanding** | **– 1,838,943,246** |

**12.** Are any or all of registrant's securities listed on the Philippine Stock Exchange?

Yes X No___

The common shares of the Corporation are listed on the Philippine Stock Exchange.

**PART 1**

**A. GENERAL INFORMATION**

**Item 1. Date, Time and Place of Meeting of Security Holders**

| | | |
|---|---|---|
| Date, Time, and Place of Meeting | : | **November 8, 2016**<br>**10:30 A.M.,**<br>**One Café and Events Place**<br>**6th Floor One Corporate Center**<br>**Doña Julia Vargas Ave. cor.**<br>**Meralco Ave.**<br>**Ortigas Center, Pasig City** |
| Complete Registrant's Mailing Address | : | **35th Floor, One Corporate Center**<br>**DoñaJulia Vargas Ave.cor.**<br>**Meralco Ave., Ortigas Center, Pasig City** |
| The approximate date on which the Information Statement are first to be sent and given to the security holders shall be on | : | **October 14, 2016** |

**Item 2. Dissenters' Right of Appraisal**

Under Section 81 and 42 of the Corporation Code, stockholders who dissent to certain corporate actions are given the right of appraisal. Among others, appraisal rights are available to dissenters in case the corporation invests its funds in another corporation or business for any purpose other than its primary purpose. The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a demand on the corporation within thirty (30) days after the date on which the vote was taken for the payment of the fair value of his shares.

There are no matters or proposed corporate actions to be taken up during the annual stockholders' meeting which may give rise to a possible exercise by security holders of their appraisal rights under Title X of the Corporation of the Philippines.

**THE STOCKHOLDER MUST VOTE AGAINST THE PROPOSED CORPORATE ACTION IN ORDER TO AVAIL HIMSELF OF THE APPRAISAL RIGHT**

**Item 3. Interest of Certain Persons in or Opposition to Matters to be acted upon**

Each of the incumbent Directors or Officers of the Corporation since the beginning of the last fiscal year or any associate of any of the foregoing persons do not have any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon.

None of the incumbent Directors of the Corporation has issued any notice in writing of an intention to oppose any action to be taken by the registrant at the meeting.

**B. CONTROL AND OTHER INFORMATION**

**Item 4. Voting Securities and Principal Holders Thereof**

(a) Class of Voting Shares as of August 31, 2016;

| | Shares Outstanding | No. of Vote Each Share is Entitled |
|---|---|---|
| **Common Shares:** | | |
| **Filipino** | 1,786,088,354 | **One (1) vote per share** |
| **Foreign** | 52,854,892 | **One (1) vote per share** |
| **Total** | 1,838,943,246 | |

The Corporation has 1,838,943,426 outstanding common shares, the only shares traded by the Corporation as of August 31, 2016. Every stockholder shall be entitled to one vote for each share of stock held as of the established record date.

Record Date:

(b) All stockholders of record as of October 12, 2016 are entitled to notice and vote at the Corporation's Annual Meeting of the Stockholders.

(c) Manner of Voting:
The election of directors shall be taken up at the meeting and pursuant to Section 24 of the Corporation Code. The holders of common stock (Class A) are entitled to one vote per share but in connection with the cumulative voting feature applicable to the election of directors, each stockholder is entitled to as many votes as shall equal the number of shares held by such person at the close of business on the record date, multiplied by the number of directors to be elected. A stockholder may cast all such votes for a single nominee or may apportion such votes among any two or more nominees. The shares shall be voted/cast by secret balloting and/or rising of hands. In all matters included in the agenda, except the election of directors, the counting of vote will be done through the regular method.

**The report attached to this SEC Form 20-IS is the management report to stockholders required under SRC Rule 20 to accompany the SEC Form 20-IS and is hereinafter referred to as the "Management Report".**

**Security Ownership of Certain Record and Beneficial Owners and Management**

(1.) Security Ownership of Certain Record and Beneficial Owners

As of August 31, 2016, the Corporation knows of no one who beneficially owns in excess of 5% of the Corporation's common stock except as set forth in the table below.

The percentage of shares held is based on the outstanding shares of 1,838,943,246 plus the treasury shares of 36,056,750.

| Title of Class | Name, address of Record Owner and Relationship with Issuer | Name of Beneficial Owner and Relationship with Record Owner | Citizenship | No. of Shares Held | % of total o/s shares |
|---|---|---|---|---|---|
| Common | International Polymer Corporation, T. Santiago St., Canumay, Valenzuela City (Stockholder) | same as record owner (see note 1) | Filipino | 496,887,494 | 26.501 |
| Common | PCD Nominee Corporation, 37/F Tower 1, The Enterprise Center, 6766 Ayala Ave. Cor. Paseo De Roxas, Makati City (Stockholder) | PCD Participants and their clients (see note 2) | Filipino | 409,949,624 | 21.864 |
| Common | The Wellex Group Inc., 35th Flr., One Corporate Center, Doña Julia Vargas ave., cor, Meralco ave., Ortigas Center, Pasig City (Stockholder) | same as record owner (see note 3) | Filipino | 376,950,000 | 20.104 |

[1] International Polymer Corporation ("IPC") is a significant shareholder of the Company. As per By-laws and the Corporation Code, the Board of Directors of IPC has the power to decide how the IPC shares in Forum Pacific Inc. are to be voted.

[2]Schedule A. The clients of each company have the power to decide how their shares are to be voted.

[3]The Wellex Group, Inc. ("TWGI") is a significant shareholder of the Company. As per By-laws and the Corporation Code, the Board of Directors of TWGI has the power to decide how the TWGI shares in Forum Pacific Inc. are to be voted.

*Schedule A*

| PCD Nominee | No. of Shares Held | % To Total Outstanding Shares |
|---|---|---|
| Westlink Global Equities, Inc. | 78,804,600 | 4.285 |
| Ansaldo, Godinez & Co., Inc. | 26,347,000 | 1.433 |
| COL Financial Group, Inc. | 25,749,906 | 1.400 |
| Abacus Securities Corporation | 23,941,458 | 1.302 |
| Tri-State Securities, Inc. | 13,890,000 | 0.755 |
| Globalinks Securities & Stocks, Inc. | 11,430,754 | 0.622 |
| Quality Investments & Securities Corporation | 11,306,250 | 0.615 |
| Yao & Zialcita, Inc. | 9,490,000 | 0.516 |
| Evergreen Stock Brokerage & Sec., Inc. | 8,807,000 | 0.479 |
| Eastern Securities Development Corporation | 8,615,000 | 0.468 |
| Others | 191,567,656 | 9.989 |
| **Total** | **409,949,624** | **21.864** |

(2.) Security Ownership of Directors and Management (As of August 31, 2016)

| Title of Class | Name of Beneficial Owner | Amount and Nature of Beneficial Ownership | Citizenship | Percent of Class |
|---|---|---|---|---|
| | | | | |
| Common | Peter S. Salud | 29,990 (direct) | Filipino | 0.001 |
| Common | Elvira A. Ting | 400,001 (direct) | Filipino | 0.021 |
| Common | Joaquin P. Obieta | 1 (direct) | Filipino | 0.000 |
| Common | Lamberto A. Mercado | 100 (direct) | Filipino | 0.000 |
| Common | Rogelio D. Garcia | 10 (direct) | Filipino | 0.000 |
| Common | Arthur R. Ponsaran | 1 (direct) | Filipino | 0.000 |
| Common | Kenneth T. Gatchalian | 100 (direct) | Filipino | 0.000 |
| Common | Byoung Hyun Suh | 1,000 (direct) | Korean | 0.000 |
| Common | Sergio R. Ortiz-Luis, Jr. | 100 (direct) | Filipino | 0.000 |
| Common | Omar M. Guinomla | 100 (direct) | Filipino | 0.000 |
| Common | Richard L. Ricardo | 100 (direct) | Filipino | 0.000 |
| | Atty. Arsenio A. Alfiler , Jr. | - | Filipino | 0.000 |
| **All directors and Officers as a group** | | **431,303** | | **0.022** |

(3.) Voting Trust Holders of 5% or more

There are no voting trust holders of 5% or more.

(4.) Changes in Control

There is no change in control of the Corporation and there is no arrangement of which may result in change of control.

(d) No change in control of the corporation has occurred since the beginning of its last year.

**Item 5. Directors and Executive Officers**

**Information required hereunder is incorporated by reference to the section entitled "Directors and Executive Officers of the Registrant" on pages 46 to 49 of the Management Report.**

Presented below is the final list of candidates for directors:

The following are expected to be nominated to the Board of Directors of the Corporation for the ensuing year:

| | | | |
|---|---|---|---|
| 1. | Rogelio D. Garcia | 7. | Lamberto B. Mercado, Jr. |
| 2. | Peter S. Salud | 8. | Omar M. Guinomla |
| 3. | Elvira A. Ting | 9. | Richard L. Ricardo |
| 4. | Kenneth T. Gatchalian | 10. | Sergio R. Ortiz-Luis, Jr. – **Independent Director** |
| 5. | Joaquin P. Obieta | 11. | Byoung Hyun Suh – **Independent Director** |
| 6. | Arthur R. Ponsaran | | |

The aforementioned nominees are all incumbent directors. Their qualifications are presented on pages 46 to 49 of Management Report. The independent directors, Mr. Byoung Hyun Suh and Mr. Sergio R. Ortiz-Luis, Jr. will be serving their 4th and 3rd year, respectively, as independent directors when elected during the annual meeting. The nomination committee will recommend them to undergo a cooling off period for two years after their last term on 2017 and 2018 pursuant to SEC Memorandum Circular No. 9 Series of 2011 (Term Limits for Independent Directors), or when there are no suitable replacements, will be suggested for re-election in 2017 until 2021 pursuant to the advisory issued by the SEC dated March 31, 2016.

The Certifications of Independent Directors executed by the aforementioned independent directors of the Corporation are attached hereto. (Pls. refer to pages 18 to 19)

Ms. Elvira A. Ting recommended the nomination of the foregoing candidates for independent directors and the two regular directors. She has no relationships with these nominees.

None of the candidates for independent directors of the Corporation are related to Forum Pacific Inc.

The members of the Nomination Committee of the Corporation are the following:

1. Rogelio D. Garcia – Chairman
2. Peter S. Salud – Member
3. Sergio R. Ortiz-Luis, Jr. – Member

Information required by the SEC under SRC Rule 38 on the nomination and election of Independent Directors.

**A. Definition**

1. An independent director is a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the corporation and includes, among others, any person who:

    1.1 Is not a director or officer or substantial stockholder of the corporation or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;

    1.2 Does not own more than two percent (2%) of the shares of the corporation and/or its related companies or any of its substantial shareholders;

    1.3 Is not a relative of any director, officer or substantial shareholder of the corporation, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;

    1.4 Is not acting as a nominee or representative of any director or substantial shareholder of the corporation, and/or any of its related companies and/or any of its

substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;

1.5 Has not been employed in any executive capacity by the corporation, any of its related companies and/or by any of its substantial shareholders within the last two (2) years;

1.6 Is not retained, either personally or through his firm or any similar entity, as professional adviser, by the corporation, any of its related companies and/or any of its substantial shareholders, within the last two (2) years; or

1.7 Has not engaged and does not engage in any transaction with the corporation and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial.

2. No person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of this Code, committed within five (5) years prior to the date of his election, shall qualify as an independent director. This is without prejudice to other disqualifications which the corporation's Manual on Corporate Governance provides.

3. Any controversy or issue arising from the selection, nomination or election of independent directors shall be resolved by the Commission by appointing independent directors from the list of nominees submitted by the stockholders.

4. When used in relation to a company subject to the requirements above:

4.1 Related company means another company which is: (a) its holding company, (b) its subsidiary, or (c) a subsidiary of its holding company; and

4.2 Substantial shareholder means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

**B. Qualifications and Disqualifications of Independent Directors**

1. An independent director shall have the following qualifications:

1.1 He shall have at least one (1) share of stock of the corporation;

1.2 He shall be at least a college graduate or he has sufficient management experience to substitute for such formal education or he shall have been engaged or exposed to the business of the corporation for at least five (5) years;

1.3 He shall be twenty one (21) years old up to seventy (70) years old, however, due consideration shall be given to qualified independent directors up to the age of eighty (80);

1.4 He shall have been proven to possess integrity and probity; and

1.5 He shall be assiduous.

2. No person enumerated under Section II (5) of the Code of Corporate Governance shall qualify as an independent director. He shall likewise be disqualified during his tenure under the following instances or causes:

2.1 He becomes an officer or employee of the corporation where he is such member of the board of directors/trustees, or becomes any of the persons enumerated under letter (A) hereof;

2.2 His beneficial security ownership exceeds two percent (2%) of the outstanding capital stock of the corporation where he is such director;

2.3 Fails, without any justifiable cause, to attend at least 50% of the total number of Board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family;

2.4 Such other disqualifications that the Corporate Governance Manual provides.

**C. Number of Independent Directors**

All companies are encouraged to have independent directors. However, issuers of registered securities and public companies are required to have at least two (2) independent directors or at least twenty percent (20%) of its board size, whichever is the lesser.

**D. Nomination and Election of Independent Directors**

1. The Nomination Committee (the "Committee") shall have at least three (3) members, one of whom is an independent director. It shall promulgate the guidelines or criteria to govern the conduct of the nomination. The same shall be properly disclosed in the corporation's information or proxy statement or such other reports required to be submitted to the Commission.

2. Nomination of independent director/s shall be conducted by the Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.

3. The Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s.

4. After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under Part IV (A) and (C) of Annex "C" of SRC Rule 12, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Corporation is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee.

5. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as independent director/s. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained nor allowed on the floor during the actual annual stockholders' meeting.

6. Election of Independent Director/s

   6.1 Except as those required under this Rule and subject to pertinent existing laws, rules and regulations of the Commission, the conduct of the election of independent director/s shall be made in accordance with the standard election procedures of the company or its by-laws.

   6.2 It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent director/s. He shall ensure that independent director/s is elected during the stockholders' meeting.

   6.3 Specific slot/s for independent directors shall not be filled-up by unqualified nominees.

   6.4 In case of failure of election for independent director/s, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

**E. Termination/Cessation of Independent Directorship**

In case of resignation, disqualification or cessation of independent directorship and only after notice has been made with the Commission within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Committee otherwise, said vacancies shall be filled by the stockholders in a regular or special meeting called for that purpose. An independent director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office.

The procedures for the "Nomination and Election of Independent Directors pursuant to SRC Rule 38" are to be incorporated in the By-Laws of the Corporation. The Board of Directors approved the amendments to the Corporation's By-Laws to adopt SRC Rule 38 on December 14, 2004.

The By-Laws of the corporation were amended after the Stockholders' meeting on July 1, 2011 which includes the provisions of SRC Rule 38, as approved by the Board of Directors and Stockholders during the last Stockholders' meeting dated December 14, 2004.

**F. Term Limits for Independent Directors**

Pursuant to its authority under Section 72, in relation to Section 38, of the Securities Regulation Code (Republic Act No. 8799), the Commission, in its meeting on December 2, 2011, and in order to enhance the effectiveness of independent directors, resolved to promulgate the following rules on the election of Independent Directors in listed, public and mutual fund companies:

1. There shall be no limit in the number of covered companies that a person may be elected as Independent Director (ID), except in business conglomerates where an ID can be elected to only five (5) companies of the conglomerate, i.e., parent company, subsidiary or affiliate;

2. IDs can serve as such for five (5) consecutive years, provided that service for a period of at least six (6) months shall be equivalent to one (1) year, regardless of the manner by which the IP position was relinquished or terminated;

3. After completion of the five-year service period, an ID shall be ineligible for election as such in the same company unless the ID has undergone a "cooling off" period of two (2) years, provided, that during such period, the ID concerned has not engaged in any activity that under existing rules disqualifies a person from being elected as ID in the same company;

4. An ID re-elected as such in the same company after the "cooling off" period can serve for another five (5) consecutive years under the conditions mentioned in paragraph 2 above;

5. After serving as ID for ten (10) years, the ID shall be perpetually barred from being elected as such in the same company, without prejudice to being elected as ID in other companies outside of the business conglomerate, where applicable, under the same conditions provided for in this Circular;

**Significant Employees**

There are no other employees other than the officers mentioned in the preceding subsection who are expected to make significant contribution to the business.

**Family Relationships**

Ms. Elvira A. Ting, the Vice Chairman/Director, is Mr. Kenneth T. Gatchalian's aunt, the Treasurer/Director. There are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, persons nominated or chosen by the corporation to become directors, or executive officers other than the above.

**Involvement in Certain Legal Proceedings**

For the past 5 years up to September 14, 2016, the Company is not aware of any bankruptcy proceedings filed by or against any business of a director, person nominated to become a director, executive officer or control person of the Company is a party or of which any of their property is subject.

For the past 5 years up to September 14, 2016, the Company is not aware of any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, of any of its director, person nominated to become a director, executive officer, or control person.

For the past 5 years up to September 14, 2016, the Company is not aware of any order, judgment or decree not subsequently reversed, superseded, or vacated, by any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting the involvement of a director, person nominated to become a director, executive officer, or control person of the Company in any type of business, securities, commodities, or banking activities.

For the past 5 years up to September 14, 2016, the Company is not aware of any findings by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, that any of its director, person nominated to become a director, executive officer, or control person has violated a securities or commodities law.

**Certain Relationships and Related Transactions**
In previous years, Forum Pacific, Inc. extended/obtained advances to/from related parties to finance the exploration activities of the related parties and to fund the overhead expenses of the Company. These advances are, in general, do not have fixed repayment terms and do not carry interest. (See Note 10 of the Audited Financial Statements as of and for the year ended December 31, 2015).

**Ownership Structure and the Company**
Forum Pacific Inc. previously owned 60% of the stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI), a domestic corporation registered with the Philippine SEC on February 3, 2006. Its primary purpose is to acquire, hold and dispose of bonds, debentures, promissory notes, shares of capital and the likes, without engaging as a dealer or broker of securities. Its registered office is located at 14th Floor, Pearlbank Centre, 146 Valero Street, Salcedo Village, Makati City. FCCHI has 60% ownership of Forum Cebu Coal Corporation (FCCC), a domestic corporation which holds 100% interest in one (1) Coal Operating Contract in Cebu-COC 131.

FCCHI sold all of its shareholdings of FCCC on September 23, 2009 and decided to liquidate its business through shortening of its corporate term until November 30, 2009. FCCHI was formally dissolved pursuant to a resolution duly adopted by the FCCHI's Board of Directors and Stockholders representing at least two-thirds (2/3) of the outstanding capital stock dated October 9, 2009. Such dissolution was subsequently approved by the SEC on July 6, 2012.

On July 19, 2012, FPI Board of Directors approved the write-off of the investment in FCCHI. As per Corporation Code of the Philippines, upon approval by the SEC of the amended Articles of Incorporation to shorten the corporate term, the corporation shall be deemed dissolved without any further proceedings. Hence, starting 2012, the Company needs not present consolidated financial statements.

**Resignation of Directors Due to Disagreement**
There are no directors who resigned or decline to stand for re-election because of disagreement.

**Item 6. Compensation of Directors & Executive Officers**
The following table lists the names of the Corporation's Directors and Executive Officers Annual Compensation for the two most recent years including the estimated compensation for year 2016. As observed, there was no compensation, in any form, to all Directors and key officers for the previous years due to the Company's tight cash position.

| Name & Position | Year | Salary (In Php) | Other Variable Pay (In Php) |
|---|---|---|---|
| Peter S. Salud President/CEO/Director | 2016 | – | 100,000 |
| | 2015 | – | 100,000 |
| | 2014 | – | 100,000 |
| Rogelio D. Garcia Chairman of the Board/Director | 2016 | – | 100,000 |
| | 2015 | – | 100,000 |
| | 2014 | – | 100,000 |
| Elvira A. Ting Vice Chairman/Director | 2016 | – | 50,000 |
| | 2015 | – | 50,000 |
| | 2014 | – | 50,000 |
| Kenneth T. Gatchalian Treasurer/Director | 2016 | – | 50,000 |
| | 2015 | – | 50,000 |
| | 2014 | – | 50,000 |
| All other officers & directors as a Group unnamed | 2016 | – | 340,000 |
| | 2015 | – | 340,000 |
| | 2014 | – | 340,000 |

The Chairman, Vice-Chairman, President, Treasurer and two independent directors are the only key officers who will be compensated for 2016.

The members of the Compensation Committee are the following:

1. Peter S. Salud - Chairman/ Director
2. Sergio R. Ortiz-Luis, Jr. - member
3. Kenneth T. Gatchalian – member

**Standard Arrangement**
Except for a nominal amount of per diem amounting to ₱10,000 during attendance in special meetings, there are no standard arrangements to which directors of the Corporation are compensated, or are to be compensated, directly or indirectly for any services provided as a director for the last completed calendar year and ensuing year.

**Other Arrangements**
There are no other arrangements pursuant to which any director of the Corporation was compensated, or is to be compensated directly or indirectly for any services provided as a director for the last completed calendar year and ensuing year, for any service provided as a director.

**Employment Contracts and Termination of Employment and Change-in-Control Arrangements**
There is no employment contract and termination of employees and change-in-control arrangement with directors and executive officers.

**Warrants and Options Outstanding**
There are no warrants and options outstanding held by Forum Pacific Inc.'s CEO, executive officers and all officers and directors as a group.

**Item 7. Appointment of Independent Public Accountants**

a. Diaz Murillo Dalupan and Company, CPAs (DMDC), upon recommendation by the Audit Committee of the Board of Directors composed of Rogelio D. Garcia as Chairman and Ms. Elvira A. Ting and Mr. Byoung Hyun Suh as members, was re-appointed by the stockholders as the principal external auditors for the years 2015 and 2014, and is again being recommended to the stockholders for re-election as the Company's principal external auditors for the year 2016. The selection of external auditors is made on the basis of credibility, professional reputation, accreditation with the Securities and Exchange Commission and affiliation with a reputable foreign partner. The professional fees of the external auditors are approved by the Company after approval by the stockholders of the engagement and prior to the commencement of each audit season.

b. In compliance with SEC Rule 68 paragraph 3(b)(iv) (Rotation of External Auditors), and as adopted by the Company, external auditors or engagement partners are rotated or changed every five years or earlier. Ms. Jocelyn J. Villaflores was the lead engagement partner from 2005 to 2008 and Ms. Rosemary D. De Mesa in 2009 to 2013 and Mr. Jozel Francisco C. Santos in 2014 and 2015 and will be recommended as engagement partner for the year 2016.

c. Representatives of the said firm are expected to be present at the stockholders' meeting and they will have the opportunity to make statement if they desire to do so and are expected to be available to respond to appropriate questions.

d. The members of the Audit Committee of the Corporation are the following:

1. Rogelio D. Garcia - Chairman
2. Elvira A. Ting - member
3. Byoung Hyun Suh – member

**External Audit Fees and Services**

Fees approved in connection with the audit and audit-related services rendered by Diaz Murillo and Company pursuant to the regulatory and statutory requirements for the years ended December 31, 2015 and 2014 amounted to ₱443,520 for both years, inclusive of 12% VAT and 10% out-of-pocket expenses.

No other service such as tax and assurance audit was provided by external auditors to the Company for the calendar year 2015 and 2014.

**The Audit Committee Approval Policies and Procedures for the services rendered by the External Auditors**

The Corporate Governance Manual of the company provides that the audit committee shall, among others:

1.) Evaluate all significant issues reported by the external auditors relating to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company.

2.) Ensure that other non-audit work provided by the external auditors is not in conflict with their functions as external auditors.

3.) Ensure the compliance of the Company with acceptable audit and accounting standards and regulations.

The Company participated in the Corporate Governance Disclosure Survey conducted by the Philippine Stock Exchange per PSE Memorandum Circular No. 2014-0002 and submitted the accomplished survey form on 14 March 2016 covering the year 2015. The Company also submitted its Annual Corporate Governance Report (ACGR) on April 12, 2016 covering the year 2015.

The independent directors have submitted their Certificate of Qualification as required by the SEC vis-à-vis Section 38 of the Securities Regulation Code.

**Changes in and disagreements with Accountants and Financial Disclosure**

There are no changes in and disagreements with accountants on accounting and financial disclosure.

**Item 8. Compensation Plans**

Not applicable.

**Item 9. Financial and Other Information**

Audited Financial Statements as of 31 December 2015, Management's Discussion and Analysis and Market Price of Shares and other date related to the Corporation's financial information are attached hereto. The schedules required under Part IV(c) of Rule 68 are included in the Annual Report.

**Item 10. Mergers, Consolidations, Acquisitions and Similar Matters**

There is no action intended to be taken with respect to any transaction involving the following: (1) the merger or consolidation of the Corporation into or with any other entity; (2) the acquisition by the Corporation or any of its stockholders of securities of another person or entity; (3) the acquisition by the Corporation of any other going business or of the assets thereof; (4) the sale or other transfer of all or any substantial part of the assets of the Corporation; and (5) the liquidation or dissolution of the Corporation.

**Item 11. Acquisition or Disposition of Property**

There is no action to be taken with respect to any material acquisition or disposition of any property of the Corporation.

**Item 12. Restatement of Accounts**

There is no action to be taken with respect to the restatement of any asset, capital, or surplus account of the Corporation.

**OTHER MATTERS**

**Item 13. Action with Respect to Reports**

1) The Annual Report and Audited Financial Statements for the year ended December 31, 2015 will be presented to the stockholders for approval by a majority vote of the stockholders. Approval of the Annual Report and Audited Financial Statements constitutes a ratification of the corporation's performance during the previous fiscal year contained therein.
2) Minutes of the Annual Stockholders' Meeting held last October 22, 2015 will also be presented to the stockholders for approval by a majority vote of the stockholders.
3) Ratification of the corporate acts of the board of directors, committees and executive officers of the Corporation since October 23, 2015 by a majority vote of the stockholders.
4) Election of members of the board of directors for a term of one (1) year.
5) Appointment of Diaz Murillo Dalupan and Company, CPAs (DMDC) as external auditors of the Company.
6) Appointment of Corporate Counsels, Philippines as external legal counsels of the Company.

Below is a summary of the Corporate Acts of the Board of Directors and Executive Officers subject to ratification of the stockholders:

**July 24, 2015**

Approval and authorization to file to SEC the second quarter financial report covering quarter ended June 30, 2015 and discussion of prospect future plans of the Company.

**September 4, 2015**

Setting the date of the annual stockholders' meeting on October 22, 2015 at 10:30 in the morning at One Café and Events Place, 6th Flr. One Corporate Center, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City. The Board also set September 29, 2015 as record date for purposes of determining the shareholders entitled to receive Notice of Meeting and to vote and be elected during the said meeting.

**October 22, 2015**

Annual stockholders' meeting for 2015 agenda of which includes:

a) Approval of minutes of 2014 stockholders' meeting
b) Election of members of the board of directors for the year 2015-2016
c) Approval of 2014 Audited Financial Statements
d) Appointment of External Auditors
e) Appointment of External Counsels

**March 9, 2016**

Approval of the audited financial statements including independent auditor's report for the year ended December 31, 2015.

**September 22, 2016**

Setting the date of the annual stockholders' meeting on November 8, 2016 at 10:30 in the morning at One Café and Events Place, 6th Flr. One Corporate Center, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City. The Board also set October 12, 2016 as record date for purposes of determining the shareholders entitled to receive Notice of Meeting and to vote and be elected during the said meeting.

**Item 14. Matters Not Required to be Submitted**

There is action to be taken with respect to any matter which is not required to be submitted to a vote of the stockholders.

**Item 15. Other Proposed Action**

As of this report, there are no other matters which the Board of Directors intends to present or has reason to believe others will present at the meeting.

**Item 16. Voting Procedures**

(A) An affirmative vote by the stockholders owning at least a majority of the outstanding capital stock shall be sufficient for the approval of:

1) Minutes of the Previous Stockholders' Meeting held on October 22, 2015;
2) 2015 Audited Financial Statements;
3) Ratification of Corporate Acts of the Board of Directors and Officers of the corporation;
4) Appointment of External Counsels;
5) Appointment of External Auditors;
6) Any other proposed action

(B) An affirmative vote by the stockholders owning at least a majority of the outstanding capital stock and majority of the Board of Directors shall be sufficient to amend the By-Laws and adopt new By-Laws. As stated:

> *Article VII of the By-Laws also provides that the By-Laws may be amended or repealed by stockholders owning or representing a majority of the outstanding capital stock and by a majority of the Board of Directors at any regular meeting, or at any special meeting called for the purpose, or the Board of Directors may, in any regular or special meeting thereof amend or repeal these By-Laws or adopt new By-Laws, provided, however, that this power to amend, modify, repeal these By-Laws or adopt new By-Laws may be delegated to the Board of Directors by the affirmative vote of the stockholders representing not less than two-thirds of the outstanding capital stock, provided, however, that any such delegation of powers to the Board of Directors shall be considered as revoked whenever stockholders representing majority of the outstanding capital stock of the Corporation shall so vote at a regular or special meeting called for the purpose.*

**The method by which votes will be counted:**

(C) The holders of the majority interest of all outstanding stocks of the Corporation entitled to vote at the meeting present in present or by proxy shall constitute a quorum for the transaction of business.

(D) The holders of common stock are entitled to one vote per share, but in connection with the cumulative voting feature applicable to the election of directors, each stockholders is entitled to as many votes as shall equal the number of shares held by such person at the close of business on record date, multiplied by the number of directors to be elected. A stockholder may cast all of such votes for a single nominee or may apportion such votes among any two or more nominees. The shares shall be voted/cast by secret balloting and/or raising of hands in all matters included in the agenda. The stockholders are entitled to one vote per share. For the election of directors, the counting will be cumulative. The counting of votes will be done by the Corporate Secretary with the assistance of the representatives of the Corporation's independent auditor, Diaz Murillo Dalupan and Company and Stock Transfer Agent, BDO Unibank, Inc. All votes attaching to the shares owned by stockholders whose proxies were received by the Corporation will be cast in accordance with the instructions given or authority granted under proxies.

The Corporate Secretary shall record all the votes and proceedings of the stockholders and of the Directors in a book kept for that purpose.

**Item 17. Amendment of Charters, By-Laws & Other Documents**

Except for the following, no other amendment was made by the Corporation as of this report:

1) Amendment of the Article III of the Articles of Incorporation, as amended at a meeting of the Board of Directors held on March 11, 2011 and at the stockholders' meeting held on July 8, 2011 and approved by the Securities and Exchange Commission (SEC) on September 30, 2011. (Change of principal office address from 22nd Floor Citibank Tower, 8741 Paseo De Roxas, Makati City to 35th Floor One Corporate Centre, Doña Julia Vargas cor. Meralco Ave., Brgy. San Antonio, Ortigas Center, Pasig City).
2) Amendment of Section 9-13 of the Article III of Corporation's By-Laws as amended at the meeting of the Board of Directors and stockholders held on December 16, 2004 and approved by SEC on September 30, 2011. [Formation of different committees (executive, audit, nomination, compensation and other board committees) including definition of duties and responsibilities].
3) Amendment of the Article I of the Articles of Incorporation (amending the name of the Corporation from Air Philippines International Corp. to Forum Pacific, Inc.) as amended at the meeting held by the Board of Directors held on May 2, 2000 and at the stockholders' meeting held on August 8, 2000 and approved by the SEC on November 20, 2000.

**Undertaking**

**Forum Pacific Inc., as registrant, will provide the stockholders a copy of SEC Form 17- A free of charge. Any written request for a copy of SEC Form 17-A shall be addressed to the Office of the Corporate Secretary c/o FORUM PACIFIC, INC. 35th Floor, One Corporate Center Doña Julia Vargas Ave., cor Meralco Ave. Ortigas Center, Pasig City. Philippines.**

**SIGNATURE PAGE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on September 22, 2016.

**Forum Pacific, Inc. By:**

**Atty. Arsenio A. Alfiler Jr**
Corporate Secretary

## CERTIFICATE OF INDEPENDENT DIRECTOR

I, **SERGIO R. ORTIZ-LUIS, JR.**, Filipino, of legal age and resident of **151 cor. 3rd St., & 10th Ave., Riverside Village, Pasig City,** after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for the position of Independent Director of **FORUM PACIFIC, INC.**

2. I am affiliated with the following companies or organizations:

| Company | Position | Period of Service |
|---|---|---|
| Alliance Global, Inc. | Vice Chair | Since 2007 |
| Waterfront Phils., Inc. | Independent Director | Since 2005 |
| B.A. Securities | Independent Director | Since 2012 |

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **FORUM PACIFIC, INC.**, as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as an independent director under the Securities Regulation Code.

5. I shall inform the corporate secretary of **FORUM PACIFIC, INC.** of any changes in the above mentioned information within five days from its occurrence.

Done this SEP 0 3 2015 of _____, 2015 at MANILA.

**SERGIO R. ORTIZ-LUIS, JR.**
Affiant

SUBSCRIBED AND SWORN TO before me this SEP 0 3 2015 at MANILA, affiant exhibiting his Community Tax Certificate No. 22219356 issued at Manila on January 20, 2015

Doc. No. 172
Page No. 35
Book No. 162
Series of 2015

ATTY. RICHARD L. ANOLIN
NOTARY PUBLIC
COMMISSION NO. [illegible]
ROLL NO. [illegible]
MCLE COMPLIANCE NO. IV-0013505 8/16/14
RIGOLFO ANOLIN & ASSOCIATES LAW OFFICE
2/F YMCA OF MANILA BLDG.
ERMITA MANILA TEL. [illegible]
EMAIL ADD. [illegible]@yahoo.com
TIN: [illegible]

## CERTIFICATE OF INDEPENDENT DIRECTOR

I, **Byoung Hyun Suh**, Korean, of legal age and resident of Unit 2006B The Salcedo Place, Tordesillas St., Salcedo Village, Makati City after having been duly sworn in accordance with law do hereby declare that:

1. I am an Independent Director of **FORUM PACIFIC, INC.**
2. I am affiliated with the following companies or organizations:

| Company | Position | Period of Service |
|---|---|---|
| Pan Islands, Inc. | President | Feb. 1995 – present |
| National Unification Advisory Council Southeast Asia Chapter – R.O.K | President | July 2009 – present |
| Wellex Industries, Incorporated | Independent Director | June 2011 - present |

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **FORUM PACIFIC, INC.**, as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as an independent director under the Securities Regulation Code.
5. I shall inform the corporate secretary of **FORUM PACIFIC, INC.** of any changes in the above mentioned information within five days from its occurrence.

Done this 09 SEP 2016 of _____, 2016 at QUEZON CITY.

**BYOUNG HYUN SUH**
Affiant

SUBSCRIBED AND SWORN TO before me this 09 SEP 2016 at QUEZON CITY, affiant exhibiting his Community Tax No. 05076747 at MAKATI CITY on JAN 7, 2016.

ATTY. BENJAMIN F. ALFONSO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2016
PTR NO. 2147797 1/4/2016 - QUEZON CITY
IBP NO. 1013954 1/4/2016 - QUEZON CITY
ROLL NO. 15296

Doc. No. 98
Page No. 19
Book No. XXII
Series of 2016

Republic of the Philippines
MANILA ) S.S.

## CERTIFICATION

I, **ARSENIO A. ALFILER, JR.**, Filipino, of legal age, with office address at 31st Floor Antel Global Corporate Center, Dona Julia Vargas Ave., Ortigas Center, Pasig City, after having been duly sworn in accordance with law do hereby declare that:

1. I am the Corporate Secretary of **FORUM PACIFIC, INC.** (the 'Company"), a corporation organized and existing under Philippine law, with principal office address at 35th Floor One Corporate Centre, Dona Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City;

2. All incumbent directors and officers of the Company are not connected with any government agency or its instrumentalities.

**ARSENIO A. ALFILER, JR.**
Corporate Secretary

SUBSCRIBED AND SWORN to before me this SEP 03 2015 of _____ 2015, in MANILA, affiant exhibiting to me her Tax Identification No. 108-760-143 issued by the Bureau of Internal Revenue.

Doc. No. 173;
Page No. 35;
Book No. 162;
Series of 2015.

ATTY. RICHARD [illegible]
NOTARY PUBLIC [illegible] 2016
[illegible]
PTR NO. [illegible] MANILA
ROLL NO. [illegible]
MCLE COMPLIANCE NO. [illegible]
ROXAS FOJAS & ASSOCIATES LAW OFFICE
2/F YAKAL CORNER [illegible]
#350 ANONAS ST.,
ERMITA MANILA TEL. NO. [illegible]
EMAIL ADD: [illegible]@yahoo.com
TIN: 116-095-259

**PART 2**

**MANAGEMENT REPORT**
**AS REQUIRED BY SRC RULE 20**
**INCLUDING FINANCIAL INFORMATION FOR 2ND QUARTER OF 2016**

## BUSINESS AND GENERAL INFORMATION

### 1.) Brief Description of the General Nature and Scope of the Registrant's Business and its Subsidiary

Forum Pacific, Inc. (FPI) is a company incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on January 8, 1993, with a principal office at the 35th Floor One Corporate Center, Doña Julia Vargas Ave. corner Meralco Ave., Ortigas Center, Pasig City.

The shares of FPI are listed and traded in the Philippine Stocks Exchange or PSE. Formerly known as Air Philippines International Corporation, FPI was registered to engage in investing, purchasing and acquiring assets of any kind and description with the secondary purpose of engaging in the exploration, development and production of petroleum and related products, as well as other mineral and chemical substances.

The Company previously owns 60% of the stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI), a domestic corporation registered with the SEC on February 3, 2006. Its primary purpose is to acquire, hold and dispose of bonds, debentures, promissory notes, shares of capital and the likes, without engaging as a dealer or broker of securities. FCCHI owns 60% of Forum Cebu Coal Corporation (FCCC), a company holding one coal operating contract in Cebu. On September 23, 2009, FCCHI together with Forum (FEI) Ltd., entered into a Sale and Purchase Agreement (SPA) with CR Nichrome, Inc. for the sale of FCCC. As of September 30, 2009, FCCHI ceased to have control over FCCC. FCCHI then decided through its Board of Directors to liquidate its business through shortening of its corporate term until November 30, 2009.

On November 30, 2009, FCCHI was formally dissolved pursuant to a resolution duly adopted by the FCCHI's Board of Directors and Stockholders representing at least two-thirds (2/3) of the outstanding capital stock dated October 9, 2009. Such dissolution was subsequently approved by the SEC on July 6, 2012.

On July 19, 2012, FPI Board of Directors approved the write-off of the investments in FCCHI. As per Corporation Code of the Philippines, upon approval by the SEC of the amended Articles of Incorporation to shorten the corporate term, the corporation shall be deemed dissolved without any further proceedings. **Hence, starting 2012, the Company needs not present consolidated financial statements.**

In 2008, the Company ceased to have control over ESBI when it did not avail of its pre-emptive rights to subscribe for additional shares in ESBI's increase in capitalization which happened in 2007.

On January 24, 2008, SEC resolved to deny the Company's request that it be allowed to pay a monetary fine in lieu of revocation of the registration of its securities. On March 27, 2008, SEC revoked the Company's registration of securities and permit to sell due to late filing of its annual financial report and other reportorial requirements. On May 5, 2008, the Company filed a petition to lift SEC's order of revocation of the registration of its securities and the permit to sell securities citing its compliance with SEC's directives to pay the assessed penalties in addition to said revocation and the fact that it has no pending case for violation of the provisions of the Securities Regulations Code and its Implementing Rules and Regulations.

On July 31, 2008, the SEC resolved to lift and set aside the revocation of the registration of the Company's securities and the permit to sell its securities.

In 2009, the Company again received an order of revocation of the registration and the permit to sell the Company's securities due to late filing of the Company's 2008 audited financial statements.

On August 31, 2010, the Company received an order of revocation of the registration and the permit to sell the Company's securities due to late filing of the Company's 2009 annual reports. On September 8, 2010, the Company requested for an extension of time until September 30, 2010 for the filing of the Company's 2009 audited financial statements which was granted by SEC in a letter dated September 13, 2010. On October 5, 2010, the Company again requested the SEC an additional thirty (30) working days within which to comply with the letter from the SEC dated August 31, 2010. However, on October 7, 2010, the Company's request was denied and the SEC provided a non-extendible period of three (3) days from receipt of the letter within which to submit the 2009 annual reports.

Subsequently on February 14, 2011, the Company paid fines and penalties in the amount of P2.77 million in lieu of the Company's revocation of Registration of securities and Permit to sell securities.

On May 13, 2011, the Company again paid SEC in the amount of P760,500 as payment for its outstanding fines and penalties. On May 17, 2011, PSE lifted the Company's revocation of Registration of Securities and Permit to sell.

*Business Plans*

To address the foregoing matters that may raise doubt on the Company's ability to continue as a going concern, the shareholders of the Company have committed in principle to provide full financial support to the Company to sustain its operations, meet the working capital requirements and settle obligations as they fall due.

With the volatile situation of metal and oil prices in the global market, the management's previous plan on banking on new petroleum and gas and other mining contracts is temporarily reserved. The management is currently evaluating potential buyers who recently expressed interest to buy out the Company's remaining 33.33% capital stock investment in Forum Exploration, Inc. (FEI), a subsidiary of Pangilinan-led Forum Energy Plc and the project operator for Libertad Gas Field or Service Contract (SC40). The management is currently on talks with three (3) different companies for the negotiation of the possible sale.

The Company will still continue with its research and development to identify mining properties with proven mineral deposits. Management plan of acquiring a mining company with existing Mineral Product Sharing Agreement (MPSA) with the government is temporarily set aside until the prices of oil and minerals in the market become stable.

With the Company's experience in the participation on Department of Energy's (DOE) 4$^{th}$ Philippine Energy Contracting Round (PECR 4) last April 2012, evaluation of which focuses on the Company's financial and technical qualifications, the Company will prioritize the improvement of its financial position and exploring new business opportunities in order to maintain strong and healthy cash flows, and at the same time, aspiring for maximized potential earnings.

For the next twelve months, the Company will do the following:

*Plan of Operation*

a. The Company will outline business target projects, welcome other business opportunities from different industries apart from oil and gas and mineral exploration and improve its financial position. As mentioned above, the management is currently discussing on how they will proceed with its remaining 33.33% capital stock investment in Forum exploration, Inc.: On whether to sell or enter into partnership with potential buyers.

*Capital Generation and Satisfaction*

b. The Company will evaluate outstanding receivables and advances to affiliates and design collection program to improve the Company's financial status. The Board will also evaluate calling for the remaining stock subscription as source of fund for the future projects. The Company has net advances to affiliate of ₱277.5M, subscription receivable of ₱600M and unsubscribed stocks of ₱1.6B as of December 31, 2015. The Officers and major stockholders of the Company have committed to provide full financial support to the Company once its projects will materialize and a definite project is in place. The Company estimates that it will satisfy its capital funding within two (2) years from the finalization of business project plan.

*Project Research and Development*

c. The Company is affiliated with group of mining companies. Research for areas and land mine with potential mineral deposits is being outsourced from the affiliate's group of researchers composed of geologists and mining engineers. As of this report, the management has yet to identify areas and plan of exploration to be presented to the Board for approval and resolution.

*Manpower and Capital Expenditures*

d. The Company is contemplating to purchase equipment needed should the exploration results of the mine sites prove to be favorable. Additional equipment will also be acquired to enhance its operations. Other equipment needed will be provided also by its exploration partner, Forum Exploration, Inc. (FEI).

To date, the Company's main source of revenue came from its 33.33% capital stock investment in Forum Exploration, Inc. (FEI). With the new development on its management, the Company is hoping for a positive return on its investment.

The Company's management believes that such financial support and management plan are sufficient to provide the Company the ability to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

## 2.) Properties and Other assets

Forum Pacific Inc. carries financial assets at fair value. This account consists of:

| **As of December 31, 2015** | | **Forum Exploration, Inc. (FEI)** | | **Philippine Estates Corporation (PHES)** | | **Total** |
|---|---|---|---|---|---|---|
| **Net carrying amount, December 31, 2014** | **₱** | **63,890,638** | **₱** | **19,576,656** | **₱** | **83,467,294** |
| **Write-Off** | | **–** | | **–** | | **–** |
| **Impairment loss** | | **–** | | **–** | | **–** |
| **Unrealized fair value gain (loss)** | | **–** | | **(5,270,638)** | | **(5,270,638)** |
| **Net carrying amount, December 31, 2015** | **₱** | **63,890,638** | **₱** | **14,306,018** | **₱** | **78,196,656** |
| | | | | | | |
| **Acquisition cost** | **₱** | **73,211,573** | **₱** | **7,529,480** | **₱** | **80,741,053** |
| **Unrealized fair value gain (loss)** | | **–** | | **6,776,538** | | **6,776,538** |
| **Accumulated impairment loss** | | **(9,320,935)** | | **–** | | **( 9,320,935)** |
| **Net carrying amount, as of December 31, 2015** | **₱** | **63,890,638** | **₱** | **14,306,018** | **₱** | **78,196,656** |

| As of December 31, 2014 | | Forum Exploration, Inc. (FEI) | | Philippine Estates Corporation (PHES) | | Total |
|---|---|---|---|---|---|---|
| Net carrying amount, December 31, 2013 | ₱ | 63,890,638 | ₱ | 18,321,742 | ₱ | 82,212,380 |
| Write-Off | | – | | – | | – |
| Impairment loss | | – | | – | | – |
| Unrealized fair value gain (loss) | | – | | 1,254,914 | | 1,254,914 |
| Net carrying amount, December 31, 2014 | ₱ | 63,890,638 | ₱ | 19,576,656 | ₱ | 83,467,294 |
| | | | | | | |
| Acquisition cost | ₱ | 73,211,573 | ₱ | 7,529,480 | ₱ | 80,741,053 |
| Unrealized fair value gain (loss) | | – | | 12,047,176 | | 12,047,176 |
| Accumulated impairment loss | | (9,320,935) | | – | | ( 9,320,935) |
| Net carrying amount, as of December 31, 2014 | ₱ | 63,890,638 | ₱ | 19,576,656 | ₱ | 83,467,294 |

***Forum Exploration, Inc. (FEI)***

This investment is classified as available-for-sale financial assets as the Company does not participate in the financial and operating policy of the investee which manifests control or significant influence. As of December 31, 2015, FPI has 33.33% ownership in Forum Exploration, Inc.

The investment in FEI is stated at cost less impairment loss since there is no quoted price in an active market.

***Philippine Estates Corporation (PHES)***
This pertains to the Company's investment in 50,196,553 common shares which are registered and traded in the PSE and constitutes 3% ownership.

The fair value of PHES investment as of December 31, 2015 has been determined directly by reference to published prices in the active market. Consequently, an unrealized fair value gain was recognized amounting to ₱1,254,914 and charged to "other comprehensive gain" account in the 2014 statement of comprehensive income and shown separately as "Unrealized fair value gain on available-for-sale financial assets" in equity.

The Company's AFS financial assets as at December 31, 2015 and 2014 are not held as collateral for its financial liabilities.

## 3.) Risks

The Company is exposed to a variety of financial risks, which result from both its operating and financing activities. The Company's risk management is coordinated with the Board of Directors, and focuses on actively securing the short-term cash flows to finance its operations.

The Company's principal financial instruments comprise of cash, advances to related parties, AFS financial assets, accounts payable and other liabilities (excluding local and other taxes and other liabilities to government agencies) and advances from related parties. The main purpose of these financial instruments is to raise financing for the Company's operations. The Company does not actively engage in trading of financial assets for speculative purposes nor does it have options.

The most significant financial risks to which the Company is exposed to are described below:

***Credit risk***

Credit risk arises from cash and advances to related parties.

The maximum credit risk exposure of the financial assets is the carrying amount of the financial assets shown on the face of statement of financial position, as summarized below:

| | **2015** | 2014 |
|---|---|---|
| Cash in bank | **₱ 131,186** | ₱ 131,186 |
| Advances to related parties, net of allowance | **284,071,347** | 284,071,347 |
| | **₱ 284,202,533** | ₱ 284,202,533 |

The credit quality of financial assets is discussed below:

*Cash in bank*

The Company deposits its cash balance in a universal bank to minimize credit risk exposure.

*Advances to related parties*

As at December 31, 2015 and 2014, the Company classifies the credit quality of advances to related parties based on the following:

| | **2015** | 2014 |
|---|---|---|
| Group 1 | **₱ 281,216,291** | ₱ 284,071,347 |
| Group 2 | **213,009,332** | 213,009,332 |
| Group 3 | – | – |
| | **₱ 494,225,623** | ₱ 497,080,679 |

- Group 1 – Past due but not impaired with expectation of collection.
- Group 2 – Past due and impaired with expectation of collection.
- Group 3 – Past due and impaired without expectation of collection.

Group 1 and 2 mainly relates to the advances to related parties which are in difficult economic situation.

The details of the Company's aging analysis of financial assets as at December 31, 2015 and 2014 are as follows:

| | | | Past due but not impaired | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **December 31, 2015** | **Total** | **Neither past due nor impaired** | **< 30 days** | **31-90 days** | **91-180 days** | **181-360 days** | **1-3 years** | **> 3 years but not impaired** | **Impaired** |
| Cash in bank | **₱ 514,110** | **₱ 514,110** | **₱-** | **₱-** | **₱-** | **₱-** | **₱-** | **₱-** | **₱-** |
| Advances to related parties - note 10 | **494,225,623** | **-** | **-** | **-** | **-** | **-** | **-** | **281,216,291** | **213,009,332** |
| | **₱494,739,733** | **₱ 514,110** | **₱-** | **₱-** | **₱-** | **₱-** | **₱-** | **₱281,216,291** | **₱213,009,332** |

| | | | Past due but not impaired | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| December 31, 2014 | Total | Neither past due nor impaired | < 30 days | 31-90 days | 91-180 days | 181-360 days | 1-3 years | > 3 years but not impaired | Impaired |
| Cash in bank | ₱ 131,186 | ₱ 131,186 | ₱- | ₱- | ₱- | ₱- | ₱- | ₱- | ₱- |
| Advances to related parties - note 10 | 497,080,679 | - | - | - | - | - | - | 284,071,347 | 213,009,332 |
| | ₱497,211,865 | ₱ 131,186 | ₱- | ₱- | ₱- | ₱- | ₱- | ₱284,071,347 | ₱213,009,332 |

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

As at December 31, 2015 and 2014, the Company has entered into an agreement with its related party to settle the advances.

***Liquidity risk***

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company is mainly exposed to liquidity risk through its maturing liabilities. The Company has a policy of regularly monitoring its cash position to ensure that maturing liabilities will be adequately met.

The Company manages liquidity risk through continuous collection of advances to related parties which is considered as cash inflow to finance its operation. The Company continuously monitoring forecast and actual cash flows and matching the maturity profiles of liabilities.

The details of the maturity analysis of the Company's liabilities are as follows:

| **December 31, 2015** | **Total** | **On demand** | **Less than three months** | **3-12 months** | **1-5 years** |
|---|---|---|---|---|---|
| **Account payable and other liabilities** | **₱ 355,941** | **₱ –** | **₱ –** | **₱ 355,941** | **₱ –** |
| **Advances from related parties** | **3,911,110** | **–** | **–** | **–** | **3,911,110** |
| | **₱ 4,267,051** | **₱ –** | **₱ –** | **₱ 355,941** | **₱ 3,911,110** |

| December 31, 2014 | Total | On demand | Less than three months | 3-12 months | 1-5 years |
|---|---|---|---|---|---|
| Account payable and other liabilities | ₱ 426,653 | ₱ – | ₱ – | ₱ 426,653 | ₱ – |
| Advances from related parties | 3,699,742 | – | – | – | 3,699,742 |
| | ₱ 4,126,395 | ₱ – | ₱ – | ₱ 426,653 | ₱ 3,699,742 |

***Price risk***

The Company is exposed to price risk on the fluctuation on the price or fair value of available-for-sale financial asset. It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments. The fair value of available-for-sale financial asset is based on published prices in the market.

If the price of the available-for-sale financial asset had been 10% higher/lower the net income before tax for the year ended December 31, 2015 and 2014 would decrease/increase by ₱7,819,666 and ₱8,346,729, respectively.

***Foreign currency risk***

The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to the U.S. Dollars and other foreign currencies. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. Significant fluctuation in the exchange rates could significantly affect the Company's financial position.

The Company is mainly exposed to credit risk through its advances from a related party which amounted to ₱3,911,110 and ₱3,699,742 as at December 31, 2015 and 2014, respectively.

The sensitivity rate used on reporting foreign currency risk internally to key management personnel is 10% and it represents management's assessment of reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary assets and liabilities and adjusts their translation at the period end for a 10% in foreign exchange rates. A positive number indicates an increase in net income when the Philippine Peso strengthens at 10% against the relevant currency. For 10% weakening of the Philippine Peso against the relevant currency, there would be an equal and opposite impact on the net income. If foreign exchange rates had been 10% higher/lower, the net loss before tax would decrease /increase by ₱391,111 and ₱369,974 in 2015 and 2014, respectively.

***Capital Risk Objective and Management***

The primary objective of the Company's capital management is to ensure its ability to continue as a going concern and that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder value.

The Board of Directors has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including accrued and other payables and advances from related parties as shown in the Company statement of financial position) less cash. Total capital is calculated as Equity as shown in the Company statement of financial position plus Net Debt.

Gearing ratio compares some form of owner's equity to borrowed funds. It is a measure of financial leverage demonstrating the degree to which the Company's activities are funded by owner's funds versus creditors' funds.

The gearing ratio as at December 31, 2015 and 2014 were as follows:

| | **2015** | 2014 |
|---|---|---|
| **Debt** | **₱ 4,267,051** | ₱ 4,126,395 |
| **Cash** | **( 514,110)** | ( 131,186) |
| **Net debt** | **3,752,941** | 3,995,209 |
| **Equity** | **355,718,219** | 363,581,662 |
| **Gearing ratio** | **1.06%** | 1.10% |

***Fair Value Information***

***Assets measured at fair value***

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

| | Fair value as at December 31 | | | | | |
|---|---|---|---|---|---|---|
| | **2015** | 2014 | Fair value hierarchy | Valuation techniques | Significant unobservable input | Relationship of unobservable inputs to fair value |
| **AFS financial assets** | **₱14,306,018** | ₱19,576,656 | Level 1 | Quoted bid prices in an active market | Not applicable | Not applicable |

***Assets and liabilities not measured at fair value***

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

| | **2015** | | | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | Fair value hierarchy | Valuation techniques |
| **Financial Assets** | | | | |
| Advances to related parties -noncurrent | **₱281,216,291** | **₱232,003,440** | **(n/a)** | **(a)** |
| **Financial Liabilities** | | | | |
| Advances from related parties | **₱ 3,911,110** | **₱ 3,226,666** | **(n/a)** | **(a)** |

| | 2014 | | | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Fair value hierarchy | Valuation techniques |
| Financial Assets | | | | |
| Advances to related parties -noncurrent | ₱120,875,454 | ₱106,152,824 | (n/a) | (a) |
| Financial Liabilities | | | | |
| Advances from related parties | ₱ 3,699,742 | ₱ 3,248,674 | (n/a) | (a) |

The carrying amounts of cash, advances to related parties (current) and accounts payable and other liabilities approximate their fair values due to the relatively short term maturities of these financial instruments.

For the long-term financial assets, the fair value of the non-interest bearing noncurrent assets is determined based on the discounted value of the future cash flows using the prevailing credit adjusted PDEx rates that are specific to the tenor of the instruments' cash flow as at reporting date. Discount rates used range from 3.93% in 2015 and 3.30% in 2014.

**4.) Legal Proceedings**

- The Company has a legal case involvement under the "Complaint-Affidavit" (the "Complaint") filed by the Filed Investigation Office of the Ombudsman dated July 26, 2013, "Field Investigation Office v. Prospero Pichay, et. al., docketed as OMB-C-C-13-0212. The Order was received by the Company (the "Petitioner") on August 7, 2013, directing it to submit their respective counter-affidavits and supporting documents. The case involves a complaint Malversation, violation of R.A. No. 3019, otherwise known as the Anti-Graft and Corrupt Practices Act," and violation of the Manual of Regulations for Banks in relation to Section 36 and 37 of R.A. No. 7653, otherwise known as the "New Central Bank Act," wherein the Board of Directors of the Local Water Utilities Administration (LWUA), FPI and The Wellex Group, Inc. (TWGI), among others, are charged with conspiring to (a) effect LWUA's supposed anomalous purchase in June 2009 from FPI (127,415 shares), TWGI (310,036 shares) and other individual stockholders (78,767 shares) of their total 445,377 shares, representing approximately 60% of the total shares, in Express Savings Bank, Inc. (ESBI) in the total amount of P101,363,302.85; and (b) infuse fresh capital in ESBI amounting to a total of P700,000,000.

  On September 2, 2013, the petitioner filed their Joint Counter-Affidavit. On October 17, 2015, petitioners received a copy of the FIO's "Consolidated Reply-Affidavit" dated October 13, 2014. In turn, the petitioner filed a "Joint Rejoinder-Affidavit" dated December 2, 2014.

In its Joint Resolution dated March 16, 2015, the Office of the Ombudsman found probable cause against FPI's directors: Mr. Peter S. Salud, Mr. Weslie T. Gatchalian, Atty. Lamberto B. Mercado, Jr., Mr. Rogelio D. Garcia and Ms. Evelyn De la Rosa for the alleged crimes. On March 25, 2015, the FPI directors, through its legal counsel, filed their "Consolidated Motion for Reconsideration" dated March 23, 2015. On May 7, 2015, the FPI directors, through its legal counsel, filed their "Supplement Consolidated Motion for Reconsideration" dated May 4, 2015.

On April 4, 2016, the Office of the Ombudsman issued a Joint Order to assail its previous resolutions.

On May 30, 2016, the petitioners filed Petition for *Certiorari* and Prohibition (With Prayer for the Issuance of a Temporary Restraining Order and/or Writ for Preliminary Injunction) and Urgent Ex-Parte Motion for Special Raffle in the Court of Appeals (CA) stating that the acts of the Ombudsman showed an unjustified desire to persecute rather than prosecute having issued the assailed Joint Resolution dated March 16, 2015 and Joint Order dated April 4, 2016 with grave abuse of discretion amounting to lack or excess of jurisdiction.

On June 16, 2016, the petitioner filed a Motion to Withdraw dated June 14, 2016 on its Petition for Certiorari and Prohibition dated May 30, 2016 in view of the Supreme Court's explicit pronouncements in a number of cases that the Ombudsman's resolutions in criminal cases may be assailed through a petition for certiorari under Rule 65 of the Rules of Court with the Supreme Court.

In its resolution dated July 5, 2016, CA required the legal counsel to secure petitioner's conformity on the Motion to Withdraw filed on June 16, 2016 and required them to comment thereof.

On July 15, 2016, the petitioners filed a Motion for Judicial Determination of Probable Cause.

On July 25, 2016, the petitioners filed their compliance of conformity dated July 21, 2016 on the filed Motion to Withdraw dated June 14, 2016.

On Sandiganbayan's Order dated July 21, 2016, a hearing on the petitioner's filed "Motion for Judicial Determination of Probable Cause" will be held on July 22, 2016. Prior to said court hearing, the petitioner filed a Manifestation and Motion Ex Abundanti Cautela for Voluntary Surrender, Posting of Bail and Written Undertaking to Comply with the Conditions of Bail dated July 19, 2016. The Sandiganbayan Fourth Division directed the prosecution, the Ombudsman, to comment/oppose on the said motion filed by the petitioners within twenty (20) days from notice. Thereafter, and unless the Court shall require further submissions from the parties or decide this matter for hearing, the subject motions will be submitted for resolutions.

The Company considers this as a contingency.

- A case of illegal dismissal and claims for unpaid salaries, back wages, separation pay and damages was filed by an employee (logistic coordinator), on February 1996. The respondents on the said case are James Dale Hood, Air Philippines International (Formerly), Cophil Exploration & Drilling Co., Air Philippines International, Inc. and Forum Exploration, Inc. The management is still coordinating with legal department of Forum Exploration, Inc. to handle the case since James Dale Hood was their former Assistant Drilling Manager. The management believes that it is not liable for the claims. As of reporting date, the plaintiff has not yet appeared in the Company's office for the claims nor informed the office of her intention for settlement.

**5.) Submission of Matters to a Vote of Security Holders**

There was no matter submitted to a vote of security holders during 2015.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

***A copy of the Audited Financial Statements as of December 31, 2015 and Unaudited Second Quarter of 2016 Financial Statements are herein attached.***

## PLAN OF OPERATION

The following discussion and analysis should be read in conjunction with the accompanying financial statements and related notes as of December 31, 2015, 2014 and 2013, included elsewhere in this Annual Report. Our financial statements, and the financial information discussion below, have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Forum Pacific, Inc. suffered losses for the past years due to country's economic crisis that greatly affect the stock market. Management believes that the going concern assumption is appropriate despite the existence of material uncertainty caused by recurring substantial losses of the Company. The Company incurred losses amounting to ₱2,592,805, ₱19,304,676 and ₱2,900,248 in 2015, 2014 and 2013, respectively. However, the Company is optimistic that 2015 will be a better year than the past years. The Company is also aware that the road to recovery is a long process due to various risks such as exchange rates, crude oil prices, and natural disasters that pose challenges in the year ahead. Despite these, the Company will continue looking for opportunities for new businesses to recover from its losses and be active in the market.

*Business Plans*

To address the foregoing matters that may raise doubt on the Company's ability to continue as a going concern, the shareholders of the Company have committed in principle to provide full financial support to the Company to sustain its operations, meet the working capital requirements and settle obligations as they fall due.

With the volatile situation of metal and oil prices in the global market, the management's previous plan on banking on new petroleum and gas and other mining contracts is temporarily reserved. The management is currently evaluating potential buyers who recently expressed interest to buy out the Company's remaining 33.33% capital stock investment in Forum Exploration, Inc. (FEI), a subsidiary of Pangilinan-led Forum Energy Plc and the project operator for Libertad Gas Field or Service Contract (SC40). The management is currently on talks with three (3) different companies for the negotiation of the possible sale.

The Company will still continue with its research and development to identify mining properties with proven mineral deposits. Management plan of acquiring a mining company with existing Mineral Product Sharing Agreement (MPSA) with the government is temporarily set aside until the prices of oil and minerals in the market become stable.

With the Company's experience in the participation on Department of Energy's (DOE) 4$^{th}$ Philippine Energy Contracting Round (PECR 4) last April 2012, evaluation of which focuses on the Company's financial and technical qualifications, the Company will prioritize the improvement of its financial position and exploring new business opportunities in order to maintain strong and healthy cash flows, and at the same time, aspiring for maximized potential earnings.

For the next twelve months, the Company will do the following:

*Plan of Operation*

e. The Company will outline business target projects, welcome other business opportunities from different industries apart from oil and gas and mineral exploration and improve its financial position. As mentioned above, the management is currently discussing on how they will proceed with its remaining 33.33% capital stock investment in Forum exploration, Inc.: On whether to sell or enter into partnership with potential buyers.

*Capital Generation and Satisfaction*

f. The Company will evaluate outstanding receivables and advances to affiliates and design collection program to improve the Company's financial status. The Board will also evaluate calling for the remaining stock subscription as source of fund for the future projects. The Company has net advances to affiliate of ₱277.5M, subscription receivable of ₱600M and unsubscribed stocks of ₱1.6B as of December 31, 2015. The Officers and major stockholders of

the Company have committed to provide full financial support to the Company once its projects will materialize and a definite project is in place. The Company estimates that it will satisfy its capital funding within two (2) years from the finalization of business project plan.

*Project Research and Development*

g. The Company is affiliated with group of mining companies. Research for areas and land mine with potential mineral deposits is being outsourced from the affiliate's group of researchers composed of geologists and mining engineers. As of this report, the management has yet to identify areas and plan of exploration to be presented to the Board for approval and resolution.

*Manpower and Capital Expenditures*

h. The Company is contemplating to purchase equipment needed should the exploration results of the mine sites prove to be favorable. Additional equipment will also be acquired to enhance its operations. Other equipment needed will be provided also by its exploration partner, Forum Exploration, Inc. (FEI).

To date, the Company's main source of revenue came from its 33.33% capital stock investment in Forum Exploration, Inc. (FEI). With the new development on its management, the Company is hoping for a positive return on its investment.

The Company's management believes that such financial support and management plan are sufficient to provide the Company the ability to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

**Key Performance Indicators**

The company set performance measures to gauge its operating performance periodically and to assess its overall state of corporate health. Listed below are the major performance measures, which the company has identified as reliable performance indicators.

1. Advances from Related Parties – currently, The Wellex Group, Inc. (TWGI) is funding all operational expenses of the Company. Total advances made as of December 31, 2015 and 2014 are ₱2,855,056 and ₱2,091,233, respectively. These advances are offset against the outstanding receivable of the company from TWGI.

2. Current Ratios - Current Assets against the Current Liabilities of the Company. It measures the company's ability to pay short-term obligations.

   Current Ratio for the Y2015 is 161% and 3959% for Y2014.

   A significant decrease in the ratio by 3798% was mainly due to reclassification of the outstanding receivable from TWGI, a stockholder of the Company, from current asset in 2014 to noncurrent asset in 2015. This account pertains to advances obtained by TWGI from the Company to finance its working capital requirements on previous years. On December 15, 2012, to settle its outstanding obligations to the Company, TWGI issued a promissory note to the Company maturing on December 15, 2015 amounting to ₱327,540,836 without interest. On December 16, 2015, the promissory note was renewed for another three (3) years maturing on December 16, 2018 amounting to ₱322,594,547.

3. Cash Ratio - the most conservative liquidity ratio. It excludes all current assets except the most liquid: cash and cash equivalents. It measures the amount of cash and cash equivalents there are in the current assets to cover current liabilities.

   The cash ratio of the company for the Y2015 is 144% and 30.75% for Y2014.

4. Debt ratio - It is one of the financial leverage ratios which measure the extent to which the firm is using long term debt. Formula is total debt divided by total assets. Debt ratio for theY2015 is 1.19% and 1.12% for Y2014.

5. Debt-to-equity ratio - The formula is total debt divided by total equity. It indicates what proportion of equity and debt that the company is using to finance its assets. The debt to equity ratio for the Y2015 is 1.20% and 1.08% for Y2014.

**Financial Highlights**

**A. Full Calendar Year**

The following table shows the comparative operating data and financial statements of the Company for the years ended December 31, 2015, 2014 and 2013.

| | Years Ended December 31 | | |
|---|---|---|---|
| ***Income Statement*** | **2015** | **2014** | **2013** |
| Revenues | ₱ – | ₱ – | ₱ – |
| Cost and Expenses | 2,154,452 | 2,125,076 | 2,663,872 |
| Gross Profit (Loss) | (2,154,452) | (2,125,076) | (2,663,872) |
| Other income (expenses) | (438,353) | (17,179,600) | (266,808) |
| Net income (loss) before tax | (2,592,805) | (19,304,676) | (2,930,680) |
| Benefit from (provision for) income tax | | | |
| - Current | – | – | – |
| - Deferred | – | – | (30,432) |
| **Net income (loss) for the year** | **(2,592,805)** | **(19,304,676)** | **(2,900,248)** |
| Other comprehensive loss: | | | |
| Unrealized gain (loss) on AFS financial asset | (5,270,638) | 1,254,914 | (14,306,017) |
| **Total comprehensive income (loss) for the year** | **(₱7,863,443)** | **(₱18,049,762)** | **(₱17,206,265)** |
| **Earnings (loss) per share** | **(₱ 0.002)** | **(₱ 0.016)** | **(₱ 0.002)** |
| | **Years Ended December 31** | | |
| ***Balance Sheet*** | **2014** | **2014** | **2013** |
| | | | |
| Current assets | ₱572,323 | ₱163,365,309 | ₱863,553 |
| Available-for-sale financial assets | 78,196,656 | 83,467,294 | 82,212,380 |
| Advances to related parties | 281,216,291 | 120,875,454 | 302,476,084 |
| Other noncurrent assets | – | – | 33,444 |
| **Total Assets** | **₱359,985,270** | **₱367,708,057** | **₱385,585,461** |
| | | | |
| Current liabilities | 355,941 | 426,653 | 271,128 |
| Noncurrent liabilities | 3,911,110 | 3,699,742 | 3,682,909 |
| Stockholder's equity | 355,718,219 | 363,581,662 | 381,631,424 |
| **Total Liabilities and Stockholders' Equity** | **₱359,985,270** | **₱367,708,057** | **₱385,585,461** |

**Calendar Year Ended December 31, 2015 vs. Calendar Year Ended December 31, 2014**

**CHANGES IN RESULTS OF OPERATION**

**Revenues and Earnings per share**

- Since the parent company ceased to have control over Express Savings Bank, Inc. and still banking on new petroleum and gas service contracts, the company has no revenues recorded in the year 2013, 2014 and 2015.
- The company incurred losses of ₱2.6M in year 2015, ₱19.3M in year 2014 and ₱2.9M in 2013. Loss per share for 2015, 2014 and 2013 were (₱0.002), (₱0.016) and (₱0.002), respectively. In line with the plan for the next twelve months, the Board will continue to explore business opportunities to aspire for maximized potential earnings.

**Cost and Expenses**

- Cost and expenses consisted primarily of professional fees, taxes and licenses, PSE annual maintenance fee, management fee and office rental. For the Y2015 and Y2014 amounts recorded were ₱2.2M and ₱2.1M respectively. Increase of ₱0.1M is attributable to the legal expenses paid in 2014 in connection with the legal case (see Item 3). See notes to financial statement for the breakdown of the expenses.

**Other Income (Expenses)**

- This account is composed of provision for doubtful accounts on advances to related parties and provision for impairment of input tax, net of unrealized foreign exchange gain (loss), interest income and other income.

- For 2015 and, the Company provided an allowance for impairment of input tax amounting to ₱227,446 and ₱849,604, respectively. The Company provided an additional allowance for doubtful account on its receivable from Forum Exploration, Inc. (FEI) amounting to nil and ₱16,313,504 in 2015 and 2014, respectively. Unrealized foreign exchange gain (loss) for 2015 and 2014 are (₱211,368) and (₱16,833), respectively. It arises from the fluctuation of Peso to U.S. dollar exchange rates on the Company's payable to FEI, Ltd. amounting to $82,229.24 as of December 31, 2015. Interest and other income for 2015, 2014 and 2013 amounted to ₱461, ₱341 and ₱368, respectively.

**CHANGES IN FINANCIAL CONDITION**

***ASSETS***

***Current Assets***

*Cash*

Cash in bank carries interest at respective bank deposit rate. For the year 2015 and 2014, the total cash and cash equivalents were ₱514,110 and ₱131,186, respectively. On July 19, 2012, the Board of Directors approved the opening of a deposit account with Banco De Oro-Meralco Ave. Branch to facilitate the collection and disbursement processes of the company.

*Prepayments and other current assets*

The account is composed of advances to officers and employees amounting to ₱58,213 and input tax of ₱1,077,050 with provision for valuation allowance of the same amount.

Input tax is stated at face value less provision for impairment, if any. Allowance for unrecoverable input tax, if any, is maintained by the Company at a level considered adequate to provide potential uncollectible portion of the claims. The Company, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses. The account has no outstanding balance for the year ended December 31, 2015 and 2014. The Company has provided full valuation allowance on all its input tax for 2015 and 2014 as it sees no economic use for it in the future.

*Advances to related parties (net)*

Advances to TWGI

The account with outstanding balance of nil and ₱163.2M as of December 31, 2015 and 2014 respectively, pertains to outstanding receivable from TWGI, a stockholder of the Company, In 2015, the balance was reclassified from current asset to noncurrent asset. This account pertains to advances obtained by TWGI from the Company to finance its working capital requirements on previous years.

On December 15, 2012, to settle its outstanding obligations to the Company, TWGI issued a promissory note to the Company maturing on December 15, 2015 amounting to ₱327,540,836 without interest. On December 16, 2015, the promissory note was renewed for another three (3) years maturing on December 16, 2018 amounting to ₱322,594,547, gross of allowance for doubtful accounts amounting to ₱162,253,710.

In addition, the Company subleases an office space from TWGI starting April 2012. The lease is for a period of two years but renewable thereafter upon mutual agreement of both parties. The contract was renewed on May 2014 for another two (2) years. Total rental and utilities expense charged to operations amounted to ₱222,000 for both years ended December 31, 2015 and 2014, respectively. Payment for rental and utilities are being offset against advances to TWGI outstanding balance.

Also in April 2012, the Company has entered into a consultancy agreement with TWGI, whereby the latter will provide corporate planning and financial services on its various corporate functions and undertakings. Total management fee charged to operations amounted to ₱480,000 for both years ended December 31, 2015 and 2014, respectively. Likewise, payments for management fee are being offset against advances to TWGI outstanding balance.

Total collections of advances to TWGI amounted to ₱2,855,056 and ₱2,091,235 in 2015 and 2014, respectively.

***Noncurrent Assets***

*Advances to Affiliates*

The Company, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with definite terms of repayment periods. This account consists of advances to Forum Exploration, Inc. (FEI) and The Wellex Group, Inc. (TWGI). Total amount recorded for the year 2015 and 2014, net of allowance for impairment loss of ₱213M, were ₱281.2M and ₱120.9M, respectively. Increase of ₱160.3M or 133% pertains to the reclassification of advances to TWGI from current asset in 2014 to noncurrent asset in 2015.

Advances to FEI

Advances to FEI pertain to the carrying value of exploration net assets transferred by the Company. Balance for the years ended December 31, 2015 and 2014 amounted to ₱120,875,454, net of allowance for impairment loss of ₱50,755,622. The Company recognized an impairment loss amounting to ₱16,313,504 for the year 2014 as review on the FEI financial status and operations showed an unlikely possibility of collection considering that FEI own evaluation shows that Service Contract 40 (SC40) resource estimate was downgraded. Allowance for

Available-For-Sale Financial Assets

Available-for-sale financial assets as at December 31 consist of:

| | **2015** | 2014 |
|---|---|---|
| **Unquoted shares** | | |
| Cost | **₱ 73,211,573** | ₱ 73,211,573 |
| Impairment loss | **( 9,320,935)** | ( 9,320,935) |
| | **63,890,638** | 63,890,638 |
| **Quoted shares** | | |
| Cost | **7,529,480** | 7,529,480 |
| Net unrealized fair value gain | **6,776,538** | 12,047,176 |
| | **14,306,018** | 19,576,656 |
| | **₱ 78,196,656** | ₱ 83,467,294 |

*Unquoted shares - Forum exploration, Inc. (FEI)*

Investment in unquoted shares of stock represents 33.33% ownership or 62,500,000 shares of the Company in Forum Exploration, Inc. (Inc.) as at December 31, 2015. Previously 100% owned, the Company sold its 66.67% ownership, or 125 million shares to Tracer Petroleum Corporation (TCP), now Forum Energy, Inc. in 2003. Subsequent to sale, the Company did not have any material transaction with FEI, which manifests that it has ceased to have significant influence on the financial and operating policy decisions of FEI. Thus, it is now classified as available-for-sale financial assets in compliance with PAS 39. Investment cost and post-acquisition charges are used to determine the carrying amount of this investment as of reclassification date. The fair value of available-for-sale financial assets approximates its carrying value.

The investment in FEI is stated at cost since there is no quoted price in an active market.

*Quoted shares - Philippine Estates Corporation (PHES)*

Investment in quoted shares of stock represents investment in Philippine Estates Corporation (PHES), a publicly listed company. The Company owns 50,196,553 common shares and constitutes 3% ownership in PHES. The fair value of these shares has been determined directly by reference to published prices in the active market.

***LIABILITIES***

*Advances from Affiliate*

Advances from Forum Exploration, Inc. Ltd. (FEI – Ltd.)

The Company received cash advances from Forum (FEI) Ltd. to finance its acquisition of 60% stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI; Company's subsidiary which was formally dissolved last July 6, 2012). Outstanding balance of account as of December 31, 2015 and 2014 were ₱3,911,110 and ₱3,699,742 respectively.

*Accounts Payable and other liabilities*

These accounts consist of Accounts Payable, Withholding tax Payable and Accrued Expense accounts. Total amounted recorded for 2015 and 2014 were to ₱355,941 and ₱426,653 respectively. See notes to the Notes to the Financial Statements.

**Undertaking**

**Forum Pacific, Inc., as registrant, will provide the stockholders a copy of Annual report (SEC Form 17-A) free of charge. Any written request for a copy of Annual Report shall be addressed to the Office of the Corporate Secretary c/o Forum Pacific, Inc., 35th Flr. One Corporate Centre, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City.**

**Calendar Year Ended December 31, 2014 vs. Calendar Year Ended December 31, 2013**

**CHANGES IN RESULTS OF OPERATION**

**Revenues and Earnings per share**

- Since the parent company ceased to have control over Express Savings Bank, Inc. and still banking on new petroleum and gas service contracts, the company has no revenues recorded in the year 2012, 2013 and 2014.
- The company incurred losses of ₱19.3M in year 2014, ₱2.9M in year 2013 and ₱1.2M in 2012. Loss per share for 2014, 2013 and 2012 were (₱0.016), (₱0.002) and (₱0.001), respectively. In line with the plan for the next twelve months, the Board will continue to explore business opportunities to aspire for maximized potential earnings.

**Cost and Expenses**

- Cost and expenses consisted primarily of professional fees, taxes and licenses, PSE annual maintenance fee, management fee and office rental. For the Y2014 and Y2013 amounts recorded were ₱2.1M and ₱2.6M respectively. Decrease of P0.5M is attributable to the legal expenses paid in 2013 in connection with the legal case (see Item 3). See notes to financial statement for the breakdown of the expenses.

**Other Income (Expenses)**

- This account is composed of provision for doubtful accounts on advances to related parties and provision for impairment of input tax, net of unrealized foreign exchange gain (loss), interest income and other income. For 2014, the management provided an additional allowance for doubtful account on its receivable from Forum Exploration, Inc. (FEI) amounting to ₱16,313,504 and impaired its input tax amounting to ₱849,604. Unrealized foreign exchange gain (loss) for 2014, 2013 and 2012 are (₱16,833), (₱267,176) and ₱226,875, respectively. It arises from the fluctuation of Peso to U.S. dollar exchange rates on the Company's payable to FEI, Ltd. amounting to $82,229.24 as of December 31, 2014. Interest and other income for 2014, 2013 and 2012 amounted to ₱341, ₱368 and ₱920,293, respectively. Other income in 2012 mainly represents the reversal of long outstanding accruals and payables.

**CHANGES IN FINANCIAL CONDITION**

***ASSETS***

***Current Assets***

*Cash*

Cash in bank carries interest at respective bank deposit rate. For the year 2014 and 2013, the total cash and cash equivalents were ₱131,186 and ₱114,471, respectively. On July 19, 2012, the Board of Directors approved the opening of a deposit account with Banco De Oro-Meralco Ave. Branch to facilitate the collection and disbursement processes of the company.

*Input Tax*

Input tax is stated at face value less provision for impairment, if any. Allowance for unrecoverable input tax, if any, is maintained by the Company at a level considered adequate to provide potential uncollectible portion of the claims. The Company, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses. Balance of the account for the year ended December 31, 2014 and 2013 are nil and ₱666,906, respectively. The Company has provided full valuation allowance on all its input tax for 2014 as it sees no economic use for it in the future.

*Advances to related parties (net)*

Advances to TWGI

The account pertains to reclassification of the outstanding receivable from TWGI, a stockholder of the Company, from noncurrent asset in 2013 to current asset in 2014. This account pertains to advances obtained by TWGI from the Company to finance its working capital requirements on previous years.

On December 15, 2012, to settle its outstanding obligations to the Company, TWGI issued a promissory note to the Company maturing on December 15, 2015 amounting to ₱327,540,836 without interest.

In addition, the Company subleases an office space from TWGI starting April 2012. The lease is for a period of two years but renewable thereafter upon mutual agreement of both parties. Total rental and utilities expense charged to operations amounted to ₱222,000 for both years ended December 31, 2014 and 2013, respectively. Payment for rental and utilities are being offset against advances to TWGI outstanding balance.

Also in April 2012, the Company has entered into a consultancy agreement with TWGI, whereby the latter will provide corporate planning and financial services on its various corporate functions and undertakings. Total management fee charged to operations amounted to ₱480,000 for both years ended December 31, 2014 and 2013, respectively. Likewise, payments for management fee are being offset against advances to TWGI outstanding balance.

Total collections of advances to TWGI amounted to ₱2,091,235 and ₱2,954,547 in 2014 and 2013, respectively.

***Noncurrent Assets***

*Advances to Affiliates*

The Company, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with definite terms of repayment periods. This account consists of advances mainly to Forum Exploration, Inc. (FEI). Total amount recorded for the year 2014 and 2013, net of allowance for impairment loss, were ₱120.9M and ₱302.5M, respectively. Decrease of ₱181.60M or 60% pertains to the reclassification of advances to TWGI from noncurrent asset in 2013 to current asset in 2014.

Advances to FEI

Advances to FEI pertain to the carrying value of exploration net assets transferred by the Company. No transaction in the account balance was recognized for the years ended December 31, 2014 and 2013. The Company recognized an impairment loss amounting to ₱16,313,504 for the year 2014 as review on the FEI financial status and operations showed an unlikely possibility of collection considering that FEI own evaluation shows that Service Contract 40 (SC40) resource estimate was downgraded.

Available-For-Sale Financial Assets

Available-for-sale financial assets as at December 31 consist of:

| | 2014 | 2013 |
|---|---|---|
| **Unquoted shares** | | |
| Cost | **P 73,211,573** | P 73,211,573 |
| Impairment loss | **( 9,320,935)** | ( 9,320,935) |
| | **63,890,638** | 63,890,638 |
| **Quoted shares** | | |
| Cost | **7,529,480** | 7,529,480 |
| Net unrealized fair value gain | **12,047,176** | 10,792,262 |
| | **19,576,656** | 18,321,742 |
| | **P 83,467,294** | P 82,212,380 |

*Unquoted shares - Forum exploration, Inc. (FEI)*

Investment in unquoted shares of stock represents 33.33% ownership or 62,500,000 shares of the Company in Forum Exploration, Inc. (Inc.) as at December 31, 2014. Previously 100% owned, the Company sold its 66.67% ownership, or 125 million shares to Tracer Petroleum Corporation (TCP), now Forum Energy, Inc. in 2003. Subsequent to sale, the Company did not have any material transaction with FEI, which manifests that it has ceased to have significant influence on the financial and operating policy decisions of FEI. Thus, it is now classified as available-for-sale financial assets in compliance with PAS 39. Investment cost and post-acquisition charges are used to determine the carrying amount of this investment as of reclassification date. The fair value of available-for-sale financial assets approximates its carrying value.

The investment in FEI is stated at cost since there is no quoted price in an active market.

*Quoted shares - Philippine Estates Corporation (PHES)*

Investment in quoted shares of stock represents investment in Philippine Estates Corporation (PHES), a publicly listed company. The Company owns 50,196,553 common shares and constitutes 3% ownership in PHES. The fair value of these shares has been determined directly by reference to published prices in the active market.

***LIABILITIES***

*Advances from Affiliate*

Advances from Forum Exploration, Inc. Ltd. (FEI – Ltd.)

The Company received cash advances from Forum (FEI) Ltd. to finance its acquisition of 60% stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI; Company's subsidiary which was formally dissolved last July 6, 2012). Outstanding balance of account as of December 31, 2014 and 2013 were P3,699,742 and P3,682,909 respectively.

*Accounts Payable and other liabilities*

These accounts consist of Accounts Payable, Withholding tax Payable, Income Tax Payable and Accrued Expense accounts. Total amounted recorded for 2014 and 2013 were to P426,653 and P271,128 respectively. See notes to the Notes to the Financial Statements.

**B. Interim Period as of Quarter Ended June 30, 2016**

**The following are the discussions for the interim report covering the period for the 2nd quarter ended June 30, 2016.**

**Key Performance Indicators:**

1. Advances to Related Parties – currently, TWGI is funding all operational expenses of the Company.
2. Current Ratios – Current Assets against the Current Liabilities of the Company. It measures the company's ability to pay short-term obligations. Current Ratio for the 2nd Quarter of 2016 and 2015 are 793% and 972%, respectively.
3. Cash Ratio – the most conservative liquidity ratio. It excludes all current assets except the most liquid: cash and cash equivalents. It measures the amount of cash and cash equivalents there are in the current assets to cover current liabilities. The cash ratio of the company for the 2nd Quarter of 2016 and 2015 are 536% and 689%, respectively.
4. Debt ratio - It is one of the financial leverage ratios which measure the extent to which the firm is using long term debt. Formula is total debt divided by total assets. Debt ratio for the 2nd Quarter of 2016 and 2015 are 1.10% and 1.02%, respectively.
5. Debt-to-equity ratio - The formula is total debt divided by total equity. It indicates what proportion of equity and debt that the company is using to finance its assets. The debt to equity ratio for the 2nd Quarter of 2016 and 2015 are 1.11% and 1.03%, respectively.

**Financial Highlights**

- ❑ Unaudited Statement of Comprehensive Income

| | **April – June 2016** | **April – June 2015** | **January – June 2016** | **January – June 2015** |
|---|---|---|---|---|
| Revenues | – | – | **–** | – |
| Less: Cost and Expenses | 291,962 | 317,227 | **968,058** | 981,527 |
| Loss from Operation | (291,962) | (317,227) | **(968,058)** | (981,527) |
| Add: Other Income | – | – | **168** | 105 |
| Loss before Income Tax | (291,962) | (317,227) | **(967,890)** | (981,422) |
| Income Tax Expense | – | – | **–** | – |
| Net Income(Loss) | (291,962) | (312,227) | **(967,890)** | (981,422) |
| Earnings (Loss) Per Share | (₱0.00025) | (₱0.00027) | **(₱0.00083)** | (₱ 0.00084) |

- ❑ Unaudited Balance Sheet

| | **As of June 30, 2016** | As of June 30, 2015 |
|---|---|---|
| Current Assets | **₱ 572,323** | ₱ 200,432 |
| Advances to related parties | **281,216,291** | 282,652,881 |
| Available-for-sale financial assets - net | **78,196,656** | 83,467,295 |
| Other noncurrent assets | **–** | – |
| Total Assets | **359,985,270** | 366,320,608 |
| | | |
| Current liabilities | **355,941** | 20,625 |
| Noncurrent liabilities | **3,911,110** | 3,699,742 |
| Total Liabilities | **4,267,051** | 3,720,367 |
| Stockholders' Equity | **355,718,219** | 362,600,241 |
| Total Liabilities & Stockholders' Equity | **₱ 359,985,270** | ₱ 366,320,608 |

**Interim Quarter ended June 30, 2016 Compared with quarter ended June 30, 2015**

**RESULTS OF OPERATION**

***Revenue and Earnings per share***

- Since the company is still exploring new business opportunities given the volatile situation of metal and oil prices in the global market, the Company has no revenues for the second quarter of 2016 and 2015.
- The company incurred losses of ₱0.3 million for both quarters ended June 30, 2016 and 2015, respectively. Earnings (loss) per share for the 2nd quarter of 2016 and 2015 were (₱0.00025) and (₱0.00027), respectively. In line with the plan for the next twelve months, the Board will continue to explore business opportunities to aspire for maximized potential earnings.

***Cost and Expenses***

- Cost and expenses consisted primarily of professional fees, taxes and licenses, PSE annual maintenance fee, management fee and office rental.
  Cost and expenses recorded for the 2nd quarter of 2016 and 2015 were ₱291,962 and ₱317,227 respectively. Decrease of ₱25,265 or 8% pertains to expenses incurred last year for training and development of its officers, office supplies and other administrative expenses.

**FINANCIAL CONDITION**

***Current Assets***

- Current assets consist of Cash in Bank and Input Tax. Cash in Bank carries interest at respective bank deposit rate. On July 19, 2012, the Board of Directors approved the opening of a deposit account with Banco De Oro to facilitate the collection and disbursement processes of the company. Input tax is stated at face value less provision for impairment, if any. Allowance for unrecoverable input tax, if any, is maintained by the Company at a level considered adequate to provide potential uncollectible portion of the claims. The Company, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses. Balance of cash in bank as of June 30, 2016 and 2015 were ₱121,296 and ₱142,092, respectively. The Company provided full valuation on its Input tax as of June 30, 2016 amounting to ₱1,192,119.

***Available-For-Sale Financial Assets***

Available-for-sale financial assets as at June 30 consist of:

| | | **2016** | | 2015 |
|---|---|---|---|---|
| **Unquoted shares** | | | | |
| Cost | ₱ | 73,211,573 | ₱ | 73,211,573 |
| Impairment loss | | (9,320,935) | | (9,320,935) |
| | | 63,890,638 | | 63,890,638 |
| **Quoted shares** | | | | |
| Cost | | **7,529,480** | | 7,529,480 |
| Net unrealized fair value gain | | **6,776,538** | | 12,047,176 |
| | | **14,306,018** | | 19,576,656 |
| | **₱** | **78,196,656** | ₱ | 83,467,294 |

*Forum Exploration, Inc. (FEI)*

Investment in unquoted shares of stock represents 33.33% ownership of the Company in Forum Exploration, Inc. (FEI) as at June 30, 2016 and 2015. This investment is classified as AFS financial assets as the Company does not participate in the financial and operating policy of the investee which manifests control or significant influence. These investments are stated at cost less impairment loss since there is no quoted price in an active market.

*Philippine Estates Corporation (PHES)*

Investment in quoted shares of stock represents investment in Philippines Estates Corporation (PHES), a publicly listed Company. The Company owns 50,196,553 common shares and constitutes 3.4% ownership in PHES.

The fair value of these shares as of June 30, 2016 and 2015 has been determined directly by reference to published prices in the active market.

*Express Savings Bank, Inc. (ESBI)*

On July 8, 2011, the Monetary Board (MB) of the Bangko Sentral ng Pilipinas placed Express Savings Bank, Inc. under receivership of the Philippine Deposit Insurance Corporation (PDIC) by virtue of MB resolution No. 987.B. As receiver, PDIC took over the bank on July 8, 2011. In 2011, the management, upon recommendation of the Audit Committee, has written off its remaining investment in ESBI. The Company reclassified the corresponding unrealized fair value loss amounting to ₱3,710,917 from unrealized fair value loss on available-for-sale financial assets in equity to the statement of comprehensive income.

The Company's AFS financial assets as at June 30, 2016 and 2015 are not held as collateral for its financial liabilities.

***Investments in Subsidiary***

The Company owns 60% of the stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI), a domestic corporation registered with the SEC on February 3, 2006. Its primary purpose is to acquire, hold and dispose of bonds, debentures, promissory notes, shares of capital and the likes, without engaging as a dealer or broker of securities. Its registered office is located at 14th Floor Pearlbank Center, 146 Valero Street, Salcedo Village, Makati City.

On November 30, 2009, FCCHI was formally dissolved pursuant to a resolution duly adopted by the FCCHI's Board of Directors and Stockholders representing at least two-thirds (2/3) of the outstanding capital stock dated October 9, 2009. Such dissolution was subsequently approved by the SEC on July 6, 2012.

In a special meeting held last November 21, 2011, the Company has decided to provide full valuation allowance on its investment in a subsidiary. Consequently, the Company recognized impairment loss of ₱3,888,000 in 2011.

On July 19, 2012, the Board of Directors approved the write-off of the investments in a subsidiary. As per Corporation Code of the Philippines, upon approval by the SEC of the amended Articles of Incorporation to shorten the corporate term, the corporation shall be deemed dissolved without any further proceedings. **Hence, starting 2012, the Company did not present consolidated financial statements.**

***Related Party Transaction Account***

The Company, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms of repayment period. The Company did not provide nor received any guarantee on its transaction with related parties. All outstanding balances are to be settled through cash or offsetting.

Relationships, Transactions and Account Balances

| | | Outstanding Balance | |
|---|---|---|---|
| **Related Parties** | **Relationship** | **June 30, 2016** | June 30, 2015 |
| The Wellex Group, Inc. | Common key management | **₱ 159,432,446** | **₱ 161,777,427** |
| Forum Exploration, Inc. | Common key management | **120,875,454** | **120,875,454** |
| Forum Exploration, Ltd. | Common key management | **(3,911,110)** | **( 3,699,742)** |

*Advances to The Wellex Group, Inc. (TWGI)*

Transactions between the Company and TWGI primarily consist of interest bearing advances granted to finance TWGI's working capital requirements.

On December 15, 2012, to settle its outstanding obligations to the Company, TWGI issued a three-year promissory note to the Company amounting to ₱330,495,385 without interest. Both parties agreed to renew the promissory note, with all terms and conditions to remain the same, on December 16, 2015 with outstanding balance of ₱322,594,547 for another three years maturing on December 16, 2018.

In addition, the Company subleases an office space from TWGI starting April 2012. The lease is for a period of two (2) years but renewable thereafter upon mutual agreement of both parties. Total rental and utilities expense charged to operations amounted to ₱55,500 for both periods ended June 30, 2016 and 2015. The lease contract was renewed for another two (2) years when the contract expired last May 2014.

Also in April 2012, the Company has entered into a consultancy agreement with TWGI, whereby the latter will provide corporate planning and financial services on its various corporate functions and undertakings. Total management fee charged to operations amounted to ₱120,000 for both periods ended June 30, 2016 and 2015. The contract was also renewed for another two (2) years when the contract expired last May 2014.

Total collections of advances from TWGI amounted to ₱908,391 and ₱2,314,320 for the 2nd quarter of 2016 and 2015, respectively.

The carrying amount of advances to TWGI as at June 30 as follows:

| | **2016** | 2015 |
|---|---|---|
| Advances | **₱ 321,686,156** | ₱ 324,031,137 |
| Allowance for impairment loss | **( 162,253,710)** | ( 162,253,710) |
| Net carrying amount | **₱ 159,432,446** | ₱ 161,777,427 |

The Company originally provides allowance for impairment amounting to ₱162,253,710 as at March 31, 2016 and 2015 on advances to TWGI prior to agreements entered to settle the outstanding advances. Allowance for impairment will be reversed once the unimpaired portion of advances is substantially collected and upon assessment by the management on the continuity of the existing agreements.

*Advances to Forum Exploration Inc. (FEI)*

Advances to FEI pertain to the carrying value of exploration net assets transferred by the Company. No transaction in the account balance was recognized for the quarter ended June 30, 2016 and 2015.

FEI is a legal and beneficial owner of 100% interest in Service Contract (SC 40), an upstream oil and gas contract area in the Philippines, entered into with the Philippine Government through the Department of Energy (DOE). Annual gas production from field on SC 40 totaled 41.09 million standard cubic feet (MMSCF) and 78.66 MMSCF since the start of production in 2012.

FEI has also implemented Work Program and Budget as approved by DOE on November 17, 2014 which includes, among others, a commitment to perform land gravity survey over the Dalingding Structure starting March 2015. Since 2014, FEI has performing geological and geophysical study aimed to identify and prioritize highly prospective areas for future exploration.

The Company has outstanding advances to FEI pertaining to the value of exploration assets transferred by the Company as follows:

| | **2016** | 2015 |
|---|---|---|
| Advances | **₱ 171,631,076** | ₱ 171,631,076 |
| Allowance for impairment loss | **( 50,755,622)** | ( 50,755,622 ) |
| Net carrying amount | **₱ 120,875,454** | ₱ 120,875,454 |

The Company is positive on FEI's success on its exploration and future development work in providing the viability of its oil properties to produce oil in commercial quantities.

Accordingly, the Company has not provided additional allowance for impairment on the advances.

*Advances from Forum (FEI), Ltd.*

The Company received cash advances from Forum (FEI), Ltd. to finance its acquisition of 60% stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI). The advances have no definite terms of payment. Outstanding balance as at June 30, 2016 and 2015 amounted to ₱3,911,110 and ₱3,699,742 respectively.

*Remuneration to key management personnel*

With the Company's tight cash position, management decided to suspend any form of compensation given to key management personnel for the period ended June 30, 2016 and 2015. The administrative function of the Company is performed by its related party, TWGI.

***Current liabilities***

- This is primarily consists of Trade and Other Payable. Outstanding balance as at June 30, 2016 and 2015 amounted to ₱22,626 and ₱20,626, respectively. This includes payable for retainer fees of legal counsel and stock transfer agent of the Company and withholding taxes payable.

**Undertaking**

**A copy of 2nd Quarter Report for the period ended June 30, 2016 or SEC Form 17-Q will be made available during the Annual Stockholders' Meeting.**

**(i) Summary of Material Trends, Events and Uncertainties**

**Forum Pacific, Incorporated**

The shares of FPI are listed and traded in Philippine Stock Exchange (PSE). The company was registered to engage in investing, purchasing and acquiring assets of any kind and description with the secondary purpose of engaging in the exploration, development and production of petroleum and related products, as well as other mineral and chemical substances. It is presently a holding company and owning shares of stocks of an exploration company.

On July 13, 2005, the PSE suspended the trading of its shares for failure to comply with certain reporting requirements. Also on July 25, 2006, the Securities and Exchange Commission suspended the registration of the Company's securities for a period of 60 days for non-filing /late filing of financial reports for 2004 and 2005.

On January 24, 2008, SEC resolved to deny the Company's request that it be allowed to pay a monetary fine in lieu of revocation of the registration of its securities. On March 27, 2008, SEC revoked the Company's registration of securities and permit to sell due to late filing of its annual financial report and other reportorial requirements. On May 5, 2008, the Company filed a petition to lift SEC's order of revocation of the registration of its securities and the permit to sell securities citing its compliance with SEC's directives to pay the assessed penalties in addition to said revocation and the fact that it has no pending case for violation of the provisions of the Securities Regulations Code and its Implementing Rules and Regulations.

On July 31, 2008, the SEC resolved to lift and set aside the revocation of the registration of the Company's securities and the permit to sell its securities.

In 2009, the Company again received an order of revocation of the registration and permit to sell the Company's securities due to late filing of the Company's 2008 audited financial statements.

On August 31, 2010, the Company received an order of revocation of the registration and the permit to sell the Company's securities due to late filing of the Company's 2009 annual reports. On September 8, 2010, the Company requested for an extension of time until September 30, 2010 for the filing of the Company's 2009 audited financial statements which was granted by SEC in a letter dated September 13, 2010. On October 5, 2010, the Company again requested the SEC an additional thirty (30) working days within which to comply with the letter from the SEC dated August 31, 2010. However, on October 7, 2010, the Company's request was denied and the SEC provided a non-extendible period of three (3) days from receipt of the letter within which to submit the 2009 annual reports.

Subsequently on February 14, 2011, the Company paid fines and penalties in the amount of P2.77 million in lieu of the Company's revocation of Registration of Securities and Permit to sell securities.

On May 13, 2011, the Company again paid SEC in the amount of P760,500 as payment for its outstanding fines and penalties. On May 17, 2011, PSE lifted the Company's revocation of Registration of Securities and Permit to sell securities.

***Writing-Off of Investments***

Express Savings Bank, Inc. (ESBI)

ESBI was 56% owned by the Company as of December 31, 2007. During 2007, the Company did not avail of its pre-emptive right to subscribe for additional shares in ESBI's increase in capitalization. This diluted the Company's interest in ESBI. In 2008, the Company eventually ceased to have control in ESBI.
On June 3, 2009, the Company executed a deed of absolute sale for its 127,415 shares in ESBI for P179.63 per share or equivalent to P22,887,556. The carrying amount of 289,806 shares in ESBI as of December 31, 2008 amounted to P1,22,592,758 or P423.02 per share. The difference between selling price and cost per share multiply by the number of ESBI shares as of December31, 2008 was recognized as impairment loss in 2008.

The investment had been recorded for P22,887,556 in the 2008 audited financial statements but the said amount represent only 127,415 shares out of 289,806 shares or 44%. An impairment loss of P99,705,202 was recorded which resulted to understatement of available-for-sale financial assets and overstatement of impairment loss in 2008 amounting to P29,170,296.

The fair value of ESBI investment as of December31, 2009 was based on the actual partial sale that occurred on July 13, 2010 in which 46,602 shares were sold for P4,660,200 at P100/share.

On August 12, 2010, the Company executed a deed of absolute sale for its 115,789 shares in ESBI at P100 per share or equivalent to P11,578,900 which is equal to the carrying value as of December 31, 2009 of P11,578,900. The Company reclassified the corresponding unrealized fair value loss amounting to P9,220,278 from unrealized fair value loss on available-for-sale financial assets in equity to the statement of comprehensive income.

On July 8, 2011, the Monetary Board (MB) of the Bangko Sentral ng Pilipinas placed Express Savings Bank, Inc. under receivership of the Philippine Deposit Insurance Corporation (PDIC) by virtue of MB resolution No. 987.B. As receiver, PDIC took over the bank on July 8, 2011. The remaining book value of investment in Express Savings Bank amounting to P4,660,200 was recognized as impairment loss for the year 2011.

Forum Coal Cebu Holdings, Inc. (FCCHI)

The Company owns 60% of the stockholdings of FCCHI, a domestic corporation registered with the SEC on February 3, 2006. Its primary purpose is to acquire, hold and dispose of bonds, debentures, promissory notes, share of capital and the likes, without engaging as a dealer or broker of securities. Its registered office is located at 14th Flr. Pearlbank Center, 146 Valero St., Salcedo Village, Makati City.

On November 30, 2009, FCCHI was formally dissolved pursuant to a resolution duly adopted by the FCCHI's Board of Directors and stockholders representing at least two-thirds (2/3) of the outstanding capital stock dated October 9, 2009. Such dissolution was subsequently approved by the SEC on July 6, 2012.

In a special meeting held last November 21, 2011, the Company has decided to provide full valuation allowance on its investment in subsidiary. Consequently, the Company recognized impairment loss of P3,888,000 in 2011.
On July 19, 2012, the Board of Directors approved the write-off of the investments in subsidiary. As per Corporation Code of the Philippines, upon approval by the SEC of the amended Articles of Incorporation to shorten the corporate term, the corporation shall be deemed dissolved without any further proceedings. **Hence, starting 2012, the Company did not present consolidated financial statements.**

**(ii) Events that will Trigger Direct of Contingent Financial Obligation**

Since the Forum Pacific Inc. are still looking a strategic partner to enhance the development of the company specially in exploration business, the company are have no events that will trigger direct or contingent financial obligation that is material to Forum Pacific Inc. including any default or acceleration of an obligation.

**(iii) Material Off-Balance Sheet Transactions, Arrangements, Obligations**

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of Forum Pacific Inc. with unconsolidated entities or other persons created during the reporting period.

**(iv) Any Known Trends, Events of Uncertainties (Material Impact on Liquidity)**

The Company is mainly exposed to liquidity risk through its maturing liabilities. The Company has a policy of regularly omonitoring its cash position to ensure that maturing liabilities will be adequately met. Liquidity refers to the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The details of the maturity analysis of the Company's liabilities are as follows:

| **December 31, 2015** | **Total** | **On demand** | **Less than three months** | **3-12 months** | **1-5 years** |
|---|---|---|---|---|---|
| Advances from related parties | **P 3,911,110** | **P –** | **P –** | **P** | **P 3,911,110** |
| Trade and other payables | **355,941** | **–** | **–** | **355,941** | **–** |
| | **P 4,267,051** | **P –** | **P –** | **P 355,941** | **P 3,911,110** |

| December 31, 2014 | Total | On demand | Less than three months | 3-12 months | 1-5 years |
|---|---|---|---|---|---|
| Advances from related parties | P 3,699,742 | P – | P – | P | P 3,699,742 |
| Trade and other payables | 426,653 | – | – | 426,653 | – |
| | P 4,126,395 | P – | P – | P 426,653 | P 3,699,742 |

**(v) Significant Element of Income or Loss That Did Not Arise From Continuing Operation**

*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 debts 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 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, 2017, with earlier application permitted.

The management is still evaluating the impact of PFRS 9 on the Company financial assets and liabilities as of the reporting period.

**(vi) Material Changes on Line Items in Financial Statements**

Material changes on line items in financial statements are presented under the captions Changes in Financial Condition" and Changes in Operating Results" above, see attached Notes to Financial Statements.

**(vii) Effect of Seasonal Changes in the Financial Condition or Results of Operations**

The financial condition or results of operations is not affected by any seasonal change.

## MARKET INFORMATION

The principal market of Forum Pacific, Inc.'s common equity is traded is the Philippine Stock Exchange (PSE) where it was listed last December 19, 1994. The high and low sales prices by quarter for the last three (3) years are as follows:

**"CLASS A"**

| 2016 | | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|---|---|---|---|---|---|
| | High | 0.240 | 0.235 | – | – |
| | Low | 0.231 | 0.210 | – | – |

| 2015 | | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|---|---|---|---|---|---|
| | High | 0.325 | 0.208 | 0.295 | 0.225 |
| | Low | 0.300 | 0.208 | 0.250 | 0.225 |

| 2014 | | | | | |
|---|---|---|---|---|---|
| | High | 0.180 | 0.163 | 0.215 | 0.330 |
| | Low | 0.180 | 0.154 | 0.189 | 0.315 |

| 2013 | | | | | |
|---|---|---|---|---|---|
| | High | 0.235 | 0.219 | 0.209 | 0.217 |
| | Low | 0.215 | 0.151 | 0.165 | 0.214 |

The high, low and close market prices as of June 30, 2016 (latest practicable trading date) are ₱0.231, ₱0.210 and ₱0.230, respectively.

There were no stock price quotations for the 1st quarter of 2011 because PSE suspended the trading of Forum Pacific Inc. shares during the period covered due to non-compliance of various reports. After compliance, the trading suspension on the shares of Forum Pacific Inc. has been lifted last May 17, 2011.

The Corporation has only one class of registered security, "Class A – Common Shares".

## HOLDERS

There are approximately 891 holders of common shares of the Company as of June 30, 2016. Total shares outstanding as of June 30, 2016 were 1,838,943,246 shares with a par value of P 1.00.

**Top 20 Stockholders**
**Forum Pacific, Inc.**
**As of June 30, 2016**

| | Name | Number of Shares Held Class A | Percentage to Total |
|---|---|---|---|
| 1 | International Polymer Corporation | 496,887,494 | 26.501 |
| 2 | PCD Nominee Coporation | 416,456,624 | 22.211 |
| 3 | The Wellex Group, Inc. | 376,950,000 | 20.104 |
| 4 | E.F. Durkee & Associates, Inc. | 77,838,563 | 4.151 |
| 5 | Intra-Invest Sec., Inc. | 48,159,000 | 2.568 |
| 6 | Forum Pacific, Inc. | 36,056,750 | 1.923 |
| 7 | Metropolitan Management Corporation | 30,000,000 | 1.600 |
| 8 | Juanito C. Uy | 22,625,001 | 1.207 |
| 9 | Pacrim Energy N.L. | 21,000,000 | 1.120 |
| 10 | Sapphire Securities, Inc. | 19,433,500 | 1.036 |
| 11 | PCD Nominee Corporation (Non-Filipino) | 19,310,000 | 1.030 |
| 12 | Benito Ong And/Or Zita Y. Ong | 18,000,000 | 0.960 |
| 13 | Nestor S. Mangio | 12,500,000 | 0.667 |
| 14 | Li Chih-Hui | 12,100,000 | 0.645 |
| 15 | A & A Securities, Inc. | 11,911,320 | 0.635 |
| 16 | Mark Securities Corporation | 10,772,800 | 0.575 |
| 17 | Globalinks Sec. & Stocks, Inc. (A/C# CWUSO001) | 9,400,000 | 0.501 |
| 18 | Belson Securities, Inc. | 9,200,000 | 0.491 |
| 19 | Wealth Securities, Inc. | 8,240,000 | 0.439 |
| 20 | Ruben M. Gan | 7,610,000 | 0.406 |

## Cash and Stock Dividend Declared

The Company haven't declared and paid dividends due to substantial losses suffered by the Company for the year 2014, 2013 and 2012.

## Restriction That Limits The Payment Of Dividends On Common Shares

There are no restrictions that limit the payment of dividends on Common Shares.

## Recent Sales Of Unregistered Securities

There are no recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction.

**Directors and Executive Officers of the Registrants**

**Directors and Executive Officers**

Names, ages, citizenship and position and office of all directors and executive officers:

| Name | Age | Citizenship | Position and Office |
|---|---|---|---|
| Rogelio D. Garcia | 75 | Filipino | Chairman of the Board |
| Elvira A. Ting | 56 | Filipino | Vice Chairman/Director |
| Peter S. Salud | 60 | Filipino | President / Director |
| Kenneth T. Gatchalian | 40 | Filipino | Treasurer/Director |
| Atty. Arthur R. Ponsaran | 73 | Filipino | Director |
| Atty. Lamberto B. Mercado, | 51 | Filipino | Director |
| Byoung Hyun Suh | 58 | Filipino | Independent Director |
| Joaquin Obieta | 82 | Filipino | Director |
| Sergio R. Ortiz-Luis, Jr. | 72 | Filipino | Independent Director |
| Omar M. Guinomla | 44 | Filipino | Nominee/Regular Director |
| Richard L. Ricardo | 54 | Filipino | Nominee/Regular Director |
| Atty. Arsenio A. Alfiler Jr. | 70 | Filipino | Corporate Secretary |

A brief description of the directors' and executive officers' business experience for the last five (5) years and other directorships held in other reporting companies are provided as follows:

| Name | Business Experience for the Last Five (5) Years | |
|---|---|---|
| **Rogelio D. Garcia** | **Present:** | |
| Director | Forum Pacific, Inc. | Director since 2004 |
| Filipino | Wellex Industries, Inc. | Director since 2004 |
| 75 years old | | Chairman since 2005 |
| Bachelor of Laws (LLB) | Metro Alliance Holdings & Equities Corp. | Director since 2003 |
| University of the Philippines | | |
| | **Previous:** | |
| | ConyBio Philippines, Inc. | CEO 1997-2000 |
| | NIR Placement Center, Inc. | Executive Consultant 1998-2000 |

| Name | Business Experience for the Last Five (5) Years | |
|---|---|---|
| **Elvira A. Ting** | **Present:** | |
| Director/Vice Chairman | Forum Pacific, Inc. | Director since 1996 |
| Filipino | Philippine Estates Corporation | President/CEO 1997-2010 |
| 56 years old | | President/CEO Sept. 2011 - present |
| BSBA major in Management Phil. School of Business Administration | Waterfront Philippines, Inc. | Treasurer/Director since 2001 |
| | Wellex Industries, Inc. | Vice President/Director since 1999 |
| | Acesite (Hotels) Phils., Inc. | Vice Chairman/Director since 2000 |
| | Orient Pacific Corporation | Chairman/President/Director since 2010 |
| | Crisanta Realty Devt. Corp. | Chairman/President/Director since 2011 |
| | Recovery Devt. Corp. | Vice President/Director since 2011 |
| | The Wellex Group, Inc. | Treasurer/Director since 2011 |
| | Plastic City Industrial Corp. | Director since 1991 |
| | **Previous:** | |
| | PCI Bank | Director 1989-1991 |
| | Express Savings Bank, Inc. | Director 1996-2009; Chairman 1999-2000 |
| | Air Philippines International Corp. | Treasurer/Director 1997-1999 |

| Name | Business Experience for the Last Five (5) Years | |
|---|---|---|
| **Peter S. Salud** | **Present:** | |
| President/ Director | Forum Pacific Inc. | President/ Director since 1996 |
| Filipino | | |
| 60 years old | **Previous:** | |
| | Air Philippines | President 1995-1996 |
| | New Phil. China Corp. | President 1990 -1997 |
| | Metrobank | Senior Manager 1978-89 |

| Name | Business Experience for the Last Five (5) Years | |
|---|---|---|
| **Kenneth T. Gatchalian** | **Present:** | |
| Director/Treasurer | Forum Pacific, Inc. | Director since 2002 |
| Filipino | | Treasurer since 2010 |
| 40 years old | The Wellex Group, Inc. | Director since 2002 |
| B.S. in Architecture | | VP for Special Projects 2011 |
| University of Texas, USA | Wellex Industries, Inc. | Director since 2002 |
| | | Treasurer since 2010 |
| | Waterfront Philippines Incorporated | Vice Chairman since 2001 |
| | **Previous:** | |
| | Philippine Estates Corporation | President/CEO 2010-2011 |
| | | EVP & COO 2000-2010 |
| | | Director 2000-2011 |
| | Metro Alliance Holdings and Equities Corporation | Director/Treasurer 2002-2009 |
| | Express Savings Bank Incorporated | Director 2002-2009 |
| | Mabuhay Vinyl Corporation | Director 2003-2004 |

| Name | Business Experience for the Last Five (5) Years | |
|---|---|---|
| **Atty. Arthur Ponsaran** | **Present:** | |
| Director | Forum Pacific, Inc. | Director since 2000 |
| Filipino | Wellex Industries, Inc. | Corp. Sec. up to 2003 |
| 73 years old | Wellex Industries, Inc. | Director since 2000 |
| CPA Lawyer | Philippine Estate Corporation | Director |
| University of the East | Corporate Counsels, Phil. Law Offices | Managing Partner |
| Business Administration | | |
| Major in Accounting | **Previous:** | |
| University of the Philippines | Forum Pacific, Inc. | Corporate Secretary up to 2007 |
| Bachelor of Laws | | |

| Name | Business Experience for the Last Five (5) Years | |
|---|---|---|
| **Atty. Lamberto A. Mercado Jr.** | **Present:** | |
| Director | Forum Pacific, Inc. | Director since 1998 |
| Filipino | MAHEC and CPDSI | Director since 2003 |
| 51 years old | AHI, FEZ and ZDI | Director since 2004 |
| Bachelor of Laws (L.L.B.) | Wellex Industries, Inc. | Director since 2005 |
| Ateneo de Manila University School of Laws Lawyer - 1991 | Waterfront Phil., Inc. | Director since 1999 |
| | **Previous:** | |
| | Subic Bay Metropolitan Authority | Deputy Administrator for Administration 1997-98 |

| Name | Business Experience for the Last Five (5) Years | |
|---|---|---|
| **Byoung Hyun Suh** | **Present:** | |
| Independent Director | Forum Pacific, Inc. | Independent Director since June 2011 |
| Korean | Pan Islands, Inc. | President since 1995 |
| 58 years old | Three Seven Foods & Products, | President since 1995 |
| B.S. in Business Administration Korea University, Seoul Korea | Golden Jin Shan Farm | President since 1995 |
| | Overseas Korean Traders Associations | President since 2004 |
| | **Previous:** | |
| | KIA Inter-trade Asia Regional Office | President 1995-1997 |
| | Samsung Corporation Philippines | Resident Manager 1988-1995 |
| | Samsung Corporation Seoul Korea | Manager – Chemical Division |

| Name | Business Experience for the Last Five (5) Years | |
|---|---|---|
| **Joaquin P. Obieta** | **Present:** | |
| Director | Forum Pacific, Inc. | Director since 2001 |
| Filipino | Corporate Counsels, Philippines Law Office | Managing Partner |
| 82 years old | Ateneo de Manila University | Law Professor |
| Bachelor of Laws Ateneo de Manila | | |
| Chemical Engineering De La Salle University | | |
| Bachelor of Theology University of Sto. Tomas | | |

| Name | Business Experience for the Last Five (5) Years | |
|---|---|---|
| **Sergio R. Ortiz-Luis, Jr.** | **Present:** | |
| Independent Director | Forum Pacific, Inc. | Independent Director since June 24, 2013 |
| Filipino | Philippine Exporters Confederation | President |
| 72 years old | Inc. (PHILEXPORT) | |
| De La Salle University | Alliance Global, Inc. | Vice Chairman since 2007 |
| Bachelor of Arts | Waterfront Philippines, Inc. | Independent Director since 2005 |
| Bachelor of Science in Business Administration | BA Securities | Independent Director since 2012 |
| Masters of Business Administration | | |
| Central Luzon University | | |
| PhD Humanities | | |
| EARIST | | |
| PhD Business Technology | | |

| Name | Business Experience for the Last Five (5) Years | |
|---|---|---|
| **Richard L. Ricardo** | **Present:** | |
| Nominee – Regular Director | Forum Pacific, Inc. | On Nov. 2011, 2014 ASM |
| Filipino | Wellex Industries, Inc. | Treasurer since Sept. 13, 2012 |
| 54 years old | | Director since 2002 |
| Bachelor of Science | Waterfront Phils., Inc. | Corporate Affairs Officers since 2007 |
| Management Economics | | Compliance Officer |
| Ateneo De Manila University | Acasite (Phils.) Hotel Corp. | Vice President for Corporate Compliance Officer |

| Name | Business Experience for the Last Five (5) Years | |
|---|---|---|
| **Omar Guinomla** | **Present:** | |
| Nominee – Regular Director | Forum Pacific, Inc. | On Nov. 11, 2014 ASM |
| Filipino | Wellex Industries, Inc. | Director since 2010 |
| 44 years old | Recovery Real Estate Corp. | Chairman and President |
| A.B. Management | Pacific Rehouse Corp. | Vice President |
| De La Salle University | Orient Pacific Corp. | Assistant Corporate Secretary |
| Masters in Business Administration | Recovery Development Corp. | Assistant Corporate Secretary |
| Ateneo De Manila University | | |

| Name | Business Experience for the Last Five (5) Years | |
|---|---|---|
| **Atty. Arsenio A. Alfiler, Jr.** | **Present:** | |
| Corporate Secretary | Forum Pacific, Inc. | Since 2007 |
| Filipino | Acesite (Phils.) Hotel Corporation | Assistant Corporate Secretary |
| 70 years old | Waterfront Philippines, Inc. | Assistant Corporate Secretary |
| Bachelor of Laws | Iloilo City Development Bank | Assistant Corporate Secretary |
| University of the Philippines | | |
| B.A. in Public Administration | | |
| University of the Philippines | | |

## CORPORATE GOVERNANCE

The Corporation adheres to the principles and practices of good corporate governance, as embodied in its Corporate Governance Manual and related SEC Circulars. Continuous improvement and monitoring of governance and management policies have been undertaken to ensure that the Corporation observes good governance and management practices. This is to assure the shareholders that the Corporation conducts its business with the highest level of integrity, transparency and accountability.

The board of Directors has approved its Corporate Governance Compliance Evaluation System in order to check and assess the level of compliance of the Company with leading practices on good corporate governance as specified in its Corporate Governance Manual and pertinent SEC Circulars. The System likewise highlights areas for compliance improvement and action to be taken. One of the systems's output is the Annual Corporate Governance Compliance Evaluation Form submitted by the Corporation every year to the SEC and PSE.

Forum Pacific, Inc. has consistently strives to raise its financial reporting standards by adopting and implementing prescribed Philippine Financial Reporting Standards.

The Company participated in the Corporate Governance Disclosure Survey conducted by the Philippine Stock Exchange per PSE Memorandum Circular No. 2014-0002 and submitted the accomplished survey form on 14 March 2016 covering the year 2015. The Company also submitted its Annual Corporate Governance Report (ACGR) on April 12, 2016 covering the year 2015.

The independent directors have submitted their Certificate of Qualification as required by the SEC vis-à-vis Section 38 of the Securities Regulation Code.

# *Forum Pacific, Inc.*

## *Financial Statements*
## *December 31, 2015 and 2014*

## *And*

## *Independent Auditor's Report*

# COVER SHEET

for

## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

| A | S | 9 | 3 | 0 | 0 | 0 | 1 | 2 | 0 | |
|---|---|---|---|---|---|---|---|---|---|---|

COMPANY NAME

FORUM PACIFIC, INC

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

35TH FLOOR ONE CORPORATE CENTER, DOÑA JULIA VARGAS AVE. COR. MERALCO AVE., ORTIGAS CENTER, PASIG CITY

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| FS15 | SEC | NA |

### COMPANY INFORMATION

| Company's email Address | Company's Telephone Number | Mobile Number |
|---|---|---|
| forumpacific010393@yahoo.com.ph | 706-7888 | NA |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| 889 | Third Monday of April | December 31 |

### CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| Atty. Arsenio A. Alfiler Jr. | forumpacific010393@yahoo.com.ph | 706-7888 | NA |

### CONTACT PERSON's ADDRESS

35th Floor One Corporate Center, Doña Julia Vargas Ave. Cor. Meralco Ave., Ortigas Center, Pasig City, Philippines

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

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

FORUM PACIFIC INC.

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **FORUM PACIFIC, INC.** is responsible for the preparation and fair presentation of the financial statements for the years ended **December 31, 2015 and 2014**, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

**ROGELIO D. GARCIA**
Chairman of the Board

**PETER S. SALUD**
President

**KENNETH T. GATCHALIAN**
Corporate Treasurer

**SUBSCRIBED AND SWORN** to before me in _____ City/Province, Philippines on MAR 10 2016 QUEZON CITY affiants personally appeared before me and exhibited to me their

| Name | Tax Identification Number |
|---|---|
| 1. ROGELIO D. GARCIA | 108-672-299 |
| 2. PETER S. SALUD | 107-777-803 |
| 3. KENNETH T. GATCHALIAN | 167-406-526 |

**WITNESS MY HAND AND SEAL** on the date and at the place above written.

DOC NO: 163
PAGE NO: 33
BOOK NO: IIIA
SERIES OF 2016

**NOTARY PUBLIC FOR** _____ City/Province
Notarial Commission No. _____
Commission expires on December 31, _____
Roll of Attorney Number _____
PTR No. _____
IBP No. _____
Office Address: _____

ATTY. BENJAMIN P. ALFONSO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2016
PTR NO. 2147792 1/4/2016 - QUEZON CITY
IBP NO. 1015954 1/4/2016 - QUEZON CITY
ROLL NO. 13296
COMMISSION NO. NP-144 (2015-2016) QUEZON CITY
TIN NO. 177-967-619
MCLE EXEMPTED

**Diaz Murillo Dalupan and Company**
Certified Public Accountants

## Independent Auditor's Report

To the Board of Directors and Stockholders of
**FORUM PACIFIC, INC.**
35th Floor, One Corporate Center
Doña Julia Vargas Avenue
corner Meralco Avenue, Ortigas Center
Pasig City, Philippines

### Report on the Financial Statements

We have audited the accompanying financial statements of **Forum Pacific, Inc.**, which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

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

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

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

**Local in Touch, Global in Reach**
Head Office : 5th Floor, Don Jacinto Building, Dela Rosa corner Salcedo Sts., Legaspi Village, Makati City 1200 Philippines
Telephone: +63(2) 894 5892 - 95 / 894 0273 / 844 9421 - 23 / Fax: +63(2) 818 1872
Cebu Office : Unit 504 Cebu Holdings Building, Cebu Business Park, Mabolo, Cebu City 6000 Phone: +63(32) 415 8108 - 10 / Fax: +63(32) 232 8029
Davao Office : 3rd Floor Building B Plaza De Luisa, Ramon Magsaysay Avenue, Davao City 8000 Phone/Fax: +63(82) 222 6636
Website : www.dmdcpa.com.ph
an independent member of HLB International. A worldwide organization of accounting firms and business advisers

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Forum Pacific, Inc.**, as at December 31, 2015 and 2014, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

*Emphasis of Matter*

We draw attention to Note 2 to the financial statements which indicate that the Company has been incurring losses in current and prior years and has accumulated a deficit of about ₱823 million and ₱820 million as at December 31, 2015 and 2014, respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern, therefore, it may be unable to realize its assets and settle its liabilities in the normal course of the business. To address the foregoing matters, the Company will continue to research for areas and land mine with potential mineral deposits using affiliated Group's geologist and engineers, will evaluate acquisition of equipment should the mine sites proved to be favourable. To improve the Company's financial status, the Company will evaluate potential buyer of investment in Forum Exploration, Inc., evaluate advances to affiliates and design collection program, and evaluate calling the remaining subscriptions receivable. Further, the officers and major stockholders of the Company have committed to provide full financial support to the Company to sustain its operations, meet the working capital requirements and settle obligations as they fall due. We have performed audit procedures to evaluate management's plan for future action as to their likelihood to improve the situation under circumstances. Our opinion is not qualified with respect to the matter emphasized.

**Report on Supplementary Information required under Revenue Regulations 15-2010 and 19-2011**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 17 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Diaz Murillo Dalupan and Company**
Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until December 31, 2017
SEC Accreditation No. 0192-FR-1, Group A, effective until April 30, 2016
BIR Accreditation No. 08-001911-000-2013, effective until April 1, 2016

By:

Jozef Francisco C. Santos, Jr.
Partner
CPA Certificate No. 89044
SEC Accreditation No. 1070-AR-1, Group A, effective until December 16, 2016
Tax Identification No. 170-035-673
PTR No. 5330422, January 8, 2016, Makati City
BIR Accreditation No. 08-001911-009-2013 effective until April 1, 2016

March 9, 2016

**FORUM PACIFIC, INC.**
**Statements of Financial Position**

| | As at December 31 | |
|---|---|---|
| | **2015** | 2014 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash - note 5 | **₱ 514,110** | ₱ 131,186 |
| Advances to related parties (net) - note 10 | **-** | 163,195,893 |
| Prepayments and other current assets - note 6 | **58,213** | 38,230 |
| | **572,323** | 163,365,309 |
| **Noncurrent Assets** | | |
| Available-for-sale financial assets (net) - note 7 | **78,196,656** | 83,467,294 |
| Advances to related parties (net) - note 10 | **281,216,291** | 120,875,454 |
| | **359,412,947** | 204,342,748 |
| **TOTAL ASSETS** | **₱ 359,985,270** | ₱ 367,708,057 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable and other liabilities - note 8 | **₱ 355,941** | ₱ 426,653 |
| **Noncurrent Liability** | | |
| Advances from related parties - note 10 | **3,911,110** | 3,699,742 |
| | **4,267,051** | 4,126,395 |
| **Equity** | | |
| Capital stock - note 9 | **1,207,543,621** | 1,207,543,621 |
| Unrealized fair value gain on AFS financial assets - note 7 | **6,776,538** | 12,047,176 |
| Deficit - note 2 | **( 822,545,190)** | ( 819,952,385) |
| | **391,774,969** | 399,638,412 |
| Treasury shares - note 9 | **( 36,056,750)** | ( 36,056,750) |
| | **355,718,219** | 363,581,662 |
| **TOTAL LIABILITIES AND EQUITY** | **₱ 359,985,270** | ₱ 367,708,057 |

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

**FORUM PACIFIC, INC.**
**Statements of Comprehensive Income**

| | For the Years Ended December 31 | | |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| **COSTS AND EXPENSES** - note 11 | **(₱ 2,154,452)** | (₱ 2,125,076) | (₱ 2,663,872) |
| **OTHER EXPENSES** - net - note 12 | **( 438,353)** | ( 17,179,600) | ( 266,808) |
| **LOSS BEFORE INCOME TAX** | **( 2,592,805)** | ( 19,304,676) | ( 2,930,680) |
| **BENEFIT FROM INCOME TAX** - note 13 | | | |
| Current | **-** | - | - |
| Deferred | **-** | - | 30,432 |
| | **-** | - | 30,432 |
| **NET LOSS FOR THE YEAR** | **( 2,592,805)** | ( 19,304,676) | ( 2,900,248) |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | |
| **Subject to reclassification to profit or loss:** | | | |
| Unrealized fair value gain (loss) on AFS financial assets - note 7 | **( 5,270,638)** | 1,254,914 | ( 14,306,017) |
| **TOTAL COMPREHENSIVE LOSS** | **(₱7,863,443)** | (₱ 18,049,762) | (₱ 17,206,265) |
| **LOSS PER SHARE** - note 14 | **(₱ 0.002)** | (₱ 0.016) | (₱ 0.002) |

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

**FORUM PACIFIC, INC.**
**Statements of Changes in Equity**

| | Capital Stock (Note 9) | Treasury Shares (Note 9) | Deficit (Note 2) | Unrealized Fair Value Gain (Loss) on AFS Financial Assets (Note 7) | Total |
|---|---|---|---|---|---|
| **Balance as at January 1, 2013** | ₱ 1,207,543,621 | (₱ 36,056,750) | (₱ 797,747,461) | ₱ 25,098,279 | ₱ 398,837,689 |
| **Comprehensive income** | | | | | |
| Net loss for the year | - | - | ( 2,900,248) | - | ( 2,900,248) |
| Other comprehensive loss | - | - | - | (14,306,017) | ( 14,306,017) |
| **Total comprehensive loss for the year** | - | - | ( 2,900,248) | (14,306,017) | ( 17,206,265) |
| **Balance as at December 31, 2013** | 1,207,543,621 | ( 36,056,750) | ( 800,647,709) | 10,792,262 | 381,631,424 |
| **Comprehensive income** | | | | | |
| Net loss for the year | - | - | ( 19,304,676) | - | ( 19,304,676) |
| Other comprehensive income | - | - | - | 1,254,914 | 1,254,914 |
| **Total comprehensive loss for the year** | - | - | ( 19,304,676) | 1,254,914 | ( 18,049,762) |
| **Balance as at December 31, 2014** | 1,207,543,621 | ( 36,056,750) | ( 819,952,385) | 12,047,176 | 363,581,662 |
| **Comprehensive income** | | | | | |
| Net loss for the year | - | - | ( 2,592,805) | - | ( 2,592,805) |
| Other comprehensive loss | - | - | - | ( 5,270,638) | ( 5,270,638) |
| **Total comprehensive loss for the year** | - | - | ( 2,592,805) | ( 5,270,638) | ( 7,863,443) |
| **Balance as at December 31, 2015** | **₱1,207,543,621** | **(₱ 36,056,750)** | **(₱ 822,545,190)** | **₱ 6,776,538** | **₱ 355,718,219** |

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

**FORUM PACIFIC, INC.**
**Statements of Cash Flows**

| | For the Years Ended December 31 | | |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Loss before income tax | **(₱ 2,592,805)** | (₱ 19,304,676) | (₱ 2,930,680) |
| Adjustments for: | | | |
| Provision for impairment of input tax - note 12 | **227,446** | 849,604 | - |
| Unrealized foreign exchange loss - note 10 | **211,368** | 16,833 | 267,176 |
| Write-off of other asset - note 11 | **-** | 33,444 | - |
| Provision for doubtful accounts on advances to related parties - note 10 | **-** | 16,313,504 | - |
| Operating loss before working capital changes | **( 2,153,991)** | ( 2,091,291) | ( 2,663,504) |
| Increase in prepayments and other current assets | **( 247,429)** | ( 138,752) | ( 313,638) |
| Increase (decrease) in accounts payable and other liabilities | **( 70,712)** | 155,525 | ( 135,656) |
| Net cash used in operations | **( 2,472,132)** | ( 2,074,518) | ( 3,112,798) |
| Income tax paid | **-** | - | ( 18,406) |
| Net cash used in operating activities | **( 2,472,132)** | ( 2,074,518) | ( 3,131,204) |
| **CASH FLOW FROM INVESTING ACTIVITY** | | | |
| Collection of advances to related parties - note 10 | **2,855,056** | 2,091,233 | 2,954,548 |
| **CASH FLOW FROM FINANCING ACTIVITY** | | | |
| Payments of advances from related parties | **-** | - | ( 666) |
| **NET INCREASE (DECREASE) IN CASH** | **382,924** | 16,715 | ( 177,322) |
| **CASH** | | | |
| At beginning of year | **131,186** | 114,471 | 291,793 |
| At end of year | **₱ 514,110** | ₱ 131,186 | ₱ 114,471 |

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

**FORUM PACIFIC, INC.**
**Notes to Company Financial Statements**
As at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015

## 1. CORPORATE INFORMATION

**Forum Pacific, Inc.** (the 'Company'), formerly known as Cophil Exploration, Inc., was incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on January 8, 1993 primarily to engage in investing, purchasing and acquiring assets of any kind and description with the secondary purpose of engaging in the exploration, development and production of petroleum and related products as well as other mineral and chemical substance.

The Company's shares are listed and traded in the Philippine Stock Exchange (PSE). Its registered office address is located at 35th Floor, One Corporate Center, Doña Julia Vargas Ave., corner Meralco Avenue, Ortigas Center, Pasig City.

The accompanying financial statements of the Company as at and for the year ended December 31, 2015 (including the comparatives for 2014 and 2013) were approved and authorized for issue by its Board of Directors (BOD) on March 9, 2016.

## 2. MANAGEMENT ASSESSMENT OF THE GOING CONCERN ASSUMPTION AND BUSINESS PLANS

*Management's Assessment of the Going Concern Assumption*

The nature of the Company's operations requires it to spend significant amount of funds to support exploration programs and operating expenses for it to operate profitably in the future. The Company incurred losses amounting to ₱2,592,805, ₱19,304,676, and ₱2,900,248 in 2015, 2014, and 2013, respectively. The Company had accumulated a deficit of ₱822,545,190 and ₱819,952,385 as at December 31, 2015 and 2014 respectively. To continue as going concern, the officers and major stockholders of the Company has committed to provide full financial support to the Company to sustain its operations, meet the working capital requirements and settle obligations as they fall due.

*Business Plans*

With the volatile situation of metal and oil prices in the global market, the management's previous plan on banking on new petroleum and gas and other mining contracts is temporarily reserved. For 2016 the Company plans to undertake the following:

- Continue research for areas and land mine with potential mineral deposits using affiliated Group's geologists and engineers.
- Evaluate acquisition of equipment should the mine sites proved to be favorable.
- Evaluate potential buyers to buy out investment with Forum Exploration, Inc. (FEI). The Company owns 33.33% of FEI's outstanding shares with a carrying amount of ₱63,890,638 (see Note 7).
- Evaluate advances to affiliates and design collection program to improve the Company's financial status. As at December 31, 2015 and 2014, the Company has entered into contracts with TWGI to collect outstanding advances (see Note 10).
- Evaluate calling for the remaining stock subscription as source of fund for future projects. The Company has outstanding ₱667,456,375 subscription receivable (see Note 9).

The Company's management believes that the financial support and its business plans are sufficient to provide the Company the ability to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### Statement of Compliance

The financial statements of the Company have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

### Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for the Company's available-for-sale financial assets, which are stated at fair value.

### Functional and Presentation Currency

The financial statements are presented in Philippine Peso (₱), the Company's functional 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, 2015.

*Annual Improvements to PFRSs 2010 – 2012 Cycle*

The annual improvements address the following issues:

*PFRS 2 (Amendment), Share-based Payment – Definition of vesting condition*, focuses on the amendment of the definitions of 'vesting condition' and 'market condition' and added definitions for 'performance condition' and 'service condition' which are previously included in the definition of vesting conditions.

*PFRS 3 (Amendment), Business Combinations – Accounting for contingent consideration in a business combination,* clarifies that contingent consideration that is not classified as equity shall be measured at fair value at each reporting date and changes in fair value shall be recognized in profit or loss, irrespective of whether it is within the scope of PFRS 9, Financial Instruments.

*PFRS 8 (Amendments), Operating Segments – Aggregation of operating segments and Reconciliation of the total of the reportable segments' assets to the entity's assets,* requires disclosure of judgments made by management in applying the aggregation criteria to operating segments which includes (a) a brief description of the operating segments that have been aggregated and (b) the economic indicators that have been assessed in determining that

the aggregated operating segments share similar economic characteristics. These amendments also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly to the chief operating decision maker.

*PAS 16 (Amendment), Property, Plant and Equipment – Revaluation method: proportionate restatement of accumulated depreciation,* clarifies that when an item of property, plant and equipment is revalued, the carrying amount of asset is adjusted to the revalued amount. At the date of revaluation, the asset is treated in one of the following ways: (a) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses, or (b) the accumulated depreciation is eliminated against the gross carrying amount of the asset.

*PAS 24 (Amendment), Related Party Disclosures – Key management personnel,* clarifies that a management entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

*PAS 38 (Amendment), Intangible Assets – Revaluation method: Proportionate restatement of accumulated amortization.* This amendment clarifies that when an intangible asset is revalued, the carrying amount of asset is adjusted to the revalued amount. At the date of revaluation, the asset is treated in one of the following ways: (a) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses, or (b) the accumulated amortization is eliminated against the gross carrying amount of the asset.

The application of the above improvement has no impact on the disclosures and amounts recognized on the Company's financial statements. The above improvements are effective for annual periods beginning on or after July 1, 2014 and shall be applied retrospectively.

*Annual Improvements to PFRSs 2011 – 2013 Cycle*

The annual improvements address the following issues:

*PFRS 3 (Amendment), Business Combinations – Scope exceptions for joint ventures.* This amendment clarify that PFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

*PFRS 13 (Amendment), Fair Value Measurement – Portfolio exception,* clarifies that the scope of the portfolio exception defined in paragraph 52 of PFRS 13 applies to all contracts within the scope of, and accounted for in accordance with, PAS 39 Financial Instruments: Recognition and Measurement or PFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in PAS 32 Financial Instruments: Presentation.

*PAS 40 (Amendment), Investment Property*. These amendments clarify the interrelationship between PAS 40 and PFRS 3 Business Combinations. The amendment states that judgement is needed in determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. Determining whether a specific transaction meets the definition of a business combination and includes an investment property requires the separate application of both PFRS 3 and PAS 40.

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

The above improvements are effective for annual periods beginning on or after July 1, 2014 and shall be applied retrospectively.

*PAS 19 (Amendment), Employee Benefits – Defined Benefit Plans: Employee Contributions.* The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. If contributions from employees or third parties are linked to service, those contributions reduce the service cost as follows:(a) if the amount of the contributions is dependent on the number of years of service, an entity shall attribute the contributions to periods of service, i.e. either using the plan's contribution formula or on a straight-line basis; or (b) if the amount of the contributions is independent of the number of years of service, the entity is permitted to recognize such contributions as a reduction of the service cost in the period in which the related service is rendered. The amendments are effective for annual periods beginning on or after July 1, 2014.

The amendment has no impact on the financial statements as the Company does not have contributions from employees or third parties that are linked to period of service.

**New accounting standards and amendments to existing standards effective subsequent to January 1, 2015**

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

*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 add 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 amendments provide 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 amendments clarify 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 amendments clarify 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 amendments require 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 improvement has no impact on the disclosures and amounts recognized on the Company's financial statements. The above improvements are effective for annual periods beginning on or after January 1, 2016 and shall be applied retrospectively. However, early application of these amendments is permitted.

*PFRS 11 (Amendment), Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*. The amendments require 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 amendments apply 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 amendments apply 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. This amendment is effective for annual periods beginning on or after January 1, 2016.

The amendment will not have impact on the financial statements as the Company does not have interests in joint operations.

*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 chose 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. This new standard is effective and applicable on first annual financial statements for annual periods beginning on or after January 1, 2016.

This new standard will not have an impact on the financial statements since the Company is no longer a first-time adopter of PFRS on its mandatory effective date.

*PAS 16 (Amendment), Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation*. These amendments clarify 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 reflects 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 will not have impact on the financial statements as the Company's depreciation method is not based on revenue.

*PAS 38 (Amendment), Intangible Assets – Clarification of Acceptable Methods of Amortization.* These amendments introduce 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). This amendment is effective for annual periods beginning on or after January 1, 2016.

This amendment will not have impact on the financial statements as the Company's amortization method is not based on revenue.

*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. This amendment is effective for annual periods beginning on or after January 1, 2016.

This amendment will not have impact on the financial statements as the Company has no bearer plants.

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

This amendment will not have impact on the Company's financial statements.

*PFRS 10, Consolidated Financial Statements*, and *PAS 28, Separate Financial Statements – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)*. The amendments clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows: (1) require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in PFRS 3 Business Combinations); or (2) require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. This amendment is effective and applicable on a prospective basis to a sale or contribution of assets occurring in annual periods beginning on or after January 1, 2016.

This amendment will not have impact on the Company's financial statements.

*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 clarify 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. This amendment is effective and applicable for annual periods beginning on or after January 1, 2016.

This amendment will not have impact on the financial statements as the Company is not an investment entity and does not have any associate, subsidiary or joint venture that qualifies as an investment entity.

*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 statement of financial position and statement 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 management does not anticipate that the application of these amendments will have a material impact on the Company's 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 a significant impact on the application of PFRS 9 on the Company's financial statements as the AFS financial assets will continue to be measured at fair value with fair value changes recognize in the other comprehensive income, and advances to related parties, accounts payable and other liabilities and advances from related parties will continue to be measured at amortized cost.

**Financial Instruments**

*Initial recognition, measurement and classification of financial instruments*

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

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

On initial recognition, the Company classifies its financial assets in the following categories: financial assets at fair value through profit and loss (FVPL), loans and receivables, available-for-sale (AFS) financial assets and held to maturity (HTM) investment. The Company also classifies its financial liabilities into 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.

As at December 31, 2015 and 2014, the Company did not hold any financial assets at FVPL and HTM investment, and financial liabilities at FVPL.

**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 Company.

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

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

The Company 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 financial statements on a recurring basis, the Company 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 Company determines the policies and procedures for both recurring fair value measurement, such as financial assets at FVPL, and for non-recurring measurement, such as investment properties.

For the purpose of fair value disclosures, the Company 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 AFS financial assets are presented in Note 15.

**"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 Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the Company statement of comprehensive income unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the Company statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

**Amortized Cost of Financial Instruments**

Amortized cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

**Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognized in the 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 Company's loans and receivables comprise of cash and advances to related parties (see Notes 5 and 10).

**Cash**

The Company's cash represents cash in bank that are not legally restricted for use, which carries interest at respective bank deposit rate.

**AFS Financial Assets**

AFS financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the three other categories. The Company designates financial instruments as AFS if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS financial assets are measured at fair value with unrealized gain or loss being recognized in other comprehensive income as "Unrealized fair value gain (loss) on AFS financial assets", net of deferred income tax effect. When fair value cannot be reliably measured, AFS financial assets are measured at cost less any impairment in value.

When the investment is disposed or determined to be impaired, the cumulative gains or losses recognized as other comprehensive income is reclassified from other comprehensive income in equity to profit or loss as reclassification adjustment. The amount of the cumulative loss that is to be reclassified from equity to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial assets previously recognized in the Company's statement of comprehensive income.

Interests earned on the investments are reported as interest income using the effective interest method. Dividends earned on investments are recognized in the Statement of comprehensive income when the right of payment has been established. These financial assets are classified as noncurrent assets unless the intention is to dispose of such assets within twelve (12) months from the end of reporting period.

The Company's AFS financial assets include equity securities as at December 31, 2015 and 2014 (see Note 7).

**Other Financial Liabilities**

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

As at December 31, 2015 and 2014, included in other financial liabilities are the Company's accounts payable and other liabilities (excluding government liabilities), and advances from related parties (see Notes 8 and 10).

**Offsetting of Financial Instruments**

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

**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 Company 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 Company 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 Company 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 Company'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 Company 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 Statement of comprehensive income.

**Impairment of Financial Assets**

The Company assesses at each reporting date 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 Company 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 is reduced through the use of an allowance account. The amount of loss is recognized in the Statement of comprehensive income.

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

*(c) AFS financial assets*

For AFS financial assets, the Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in fair value of the investments below its cost. The determination of what is "significant" or "prolonged" requires judgment. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in other comprehensive income is removed from equity and recognized in the Statement of comprehensive income.

Impairment losses on equity investments are not reversed through the statement of comprehensive income. Increases in fair value after impairment are recognized directly as

other comprehensive income. In the case of debt instruments classified as AFS financial assets, increase in fair value after impairment is reversed in statement of comprehensive income.

**Input Tax**

The Company's input tax is stated at face value less provision for impairment, if any. Allowance for unrecoverable input tax, if any, is maintained by the Company at a level considered adequate to provide for potential uncollectible portion of the claims. The Company, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses.

**Impairment of Non-financial Assets**

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income.

**Retirement Benefits**

The Company does not provide any retirement benefits because it does not have any employee as at December 31, 2015 and 2014. The Company's administrative functions are performed by its related party, The Wellex Group, Inc. (TWGI).

**Current and Deferred Income Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the Company statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.
Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from

initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

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, carryforward 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 assets and liabilities are offset when there is a legally enforceable right to offset current tax assets 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.

**Leases**

Leases which transfer to the Company substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the Company statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized in statements of comprehensive income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the Company statement of comprehensive on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Company is a party to an operating lease as a lessee. Payments made under operating leases (less any incentives given by the lessor) are charged to statement of comprehensive income.

**Equity**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

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

*Subscribed capital stock* represents the par value of the subscribed shares.

*Subscription receivable* represents par value of the shares subscribed but the Company has not yet received the payments from the subscriber.

*Treasury shares* are own equity instruments which are reacquired, are recognized at cost and deducted from equity. No gain or loss is recognized in the statement of comprehensive income 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 in additional paid-in capital. Voting rights related to treasury shares are nullified for the Company 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 when the shares were issued and to retained earnings for the remaining balance.

*Unrealized fair value gain on AFS financial assets* represents gains from increase in the market value of AFS financial assets.

*Deficit* includes all current and prior period accumulated losses as disclosed in the statements of comprehensive income.

**Revenue Recognition**

Revenue is recognized to the extent that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable.

**Cost and Expense Recognition**

Cost and expenses are recognized in statements of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in statements of comprehensive income: on the basis of a direct association between the costs 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 benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.
Expenses in the statements of comprehensive income are presented using the nature of expense method.

**Foreign Currency-denominated Transactions and Translations**

*(a) Functional and Presentation Currency*

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

*(b) Transactions and Balances*

Foreign currency transactions are initially recognized by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in terms of historical cost are translated using the foreign exchange rate at the date of the transaction. Non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value was determined. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

**Related Party Relationships and Transactions**

Related party relationship exists when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

**Basic Earnings (Loss) Per Share**

Basic earnings/ (loss) per share is calculated by dividing the profit (loss) by the weighted average number of common shares in issue during the year, excluding common shares purchased by the Company and held as treasury shares.

**Provisions and Contingencies**

Provisions are recognized when the Company 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 Company expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the Company statement of comprehensive income, net of any reimbursement.

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

**Events After the Reporting Date**

The Company identifies post-year events as events that occurred after the reporting date but before the date when the financial statements were authorized for issue. Post year-end events

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

## 4. SIGNIFICANT ACCOUNTING JUDGMENTS, AND ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments and estimates that affect amounts reported in the Company financial statements. These judgments and estimates 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. The Company believes the following represent a summary of these significant judgments and estimate and related impact and associated risks in the Company financial statements.

### Significant Accounting Judgments in Applying the Company's Accounting Policies

*a) Functional currency*

The Company 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 Company operates. It is the currency in which the Company measures its performance and reports its operating results.

*b) Impairment of available-for-sale financial assets*

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology, and operational and financing cash flows.

*c) Impairment of input tax*

Management believes that the recoverability of input tax is doubtful since the Company is not expecting income subject to output tax in the near future. Consequently, the Company has provided full valuation allowance of its input tax in 2015.

*d) Operating lease commitments*

The Company has entered into contract of lease for the office space it occupies. The Company has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Company considered, among others, the significance of the lease term as compared with the estimated useful life of the related asset. The Company accordingly accounted for these as operating leases.

*e) Provisions and contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed below.

The Company has a legal case involvement in the "Field Investigation Office vs. Prospero Pichay, et al. For: Malversation." This case involves a complaint for Malversation, under R.A. No. 3019, otherwise known as the Anti-Graft and Corrupt Practices Act," and violation of the Manual of Regulations for Banks in relation to Section 36 and 37 of R.A. No. 7653, otherwise known as the "New Central Bank Act ," wherein the Board of Directors of the Local Water Utilities Administration (LWUA), FPI and Wellex Group, Inc. ("WGI"), among others, are charged with conspiring to (a) effect LWUA's supposed anomalous purchase in June 2009 from the Company (127,415 shares), WGI (310,036 shares) and other individual stockholders (78,767 shares) of their total 445,377 shares, representing approximately 60% of the total shares, in Express Savings Bank, Inc. ("ESBI") in the total amount of ₱101,363,302.85; and (b) infuse fresh capital in ESBI amounting to a total of ₱700,000,000. The Company considers this as a contingency.

As at December 31, 2015, the Company has no outstanding liabilities in relation to the above mentioned case.

**Significant Accounting Estimates and Assumptions**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*a) Deferred tax assets*

The Company reviews the carrying amounts at each reporting date and reduces deferred tax assets 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. Due to non-operation of the Company, management expects that the Company will continue to incur losses and the related deferred tax assets will not be utilized in the near future. The Company's deferred tax assets with full valuation allowance are fully disclosed in Note 13.

*b) Allowance for impairment of advances to related parties*

Allowance for impairment of advances to related parties is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on the status of the advances to related parties, past collection experience and other factors that may affect collectibility. Allowance for impairment loss on advances to related parties amounted to ₱213,009,332 in 2015 and 2014 (see Note 10).

*c) Allowance for impairment on AFS carried at cost*

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. Since management has assessed that the investment in AFS financial assets cannot be recovered in full and the decline in book value per share is other than temporary, the Company has provided allowance for impairment loss.

## 5. CASH

Cash represents cash in bank with outstanding balance of ₱514,110 and ₱131,186 as at December 31, 2015 and 2014, respectively. Interest income earned from bank deposits were ₱461, ₱341, and ₱368 for the years ended December 31, 2015, 2014 and 2013, respectively (see Note 12).

There is no restriction on the Company's cash as at December 31, 2015 and 2014.

## 6. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets as at December 31 consist of:

| | 2015 | 2014 |
|---|---|---|
| Input tax | **₱ 1,077,050** | ₱ 849,604 |
| Other current assets | **58,213** | 38,230 |
| | **1,135,263** | 887,834 |
| Less: Valuation allowance on input tax – note 12 | **(1,077,050)** | (849,604) |
| | **₱ 58,213** | ₱ 38,230 |

Movements in the allowance on input tax are as follows:

| | 2015 | 2014 |
|---|---|---|
| Balance at beginning of year | **₱ 849,604** | ₱ – |
| Provision – note 12 | **227,446** | 849,604 |
| Balance at end of year | **₱ 1,077,050** | ₱ 849,604 |

## 7. AVAILABLE-FOR-SALE FINANCIAL ASSETS (net)

Available-for-sale financial assets as at December 31 consist of:

| | 2015 | 2014 |
|---|---|---|
| **Unquoted shares** | | |
| Cost | **₱ 73,211,573** | ₱ 73,211,573 |
| Impairment loss | **( 9,320,935)** | ( 9,320,935) |
| | **63,890,638** | 63,890,638 |
| **Quoted shares** | | |
| Cost | **7,529,480** | 7,529,480 |
| Net unrealized fair value gain | **6,776,538** | 12,047,176 |
| | **14,306,018** | 19,576,656 |
| | **₱ 78,196,656** | ₱ 83,467,294 |

Investment in unquoted shares of stock represents 33.33% ownership of the Company in Forum Exploration, Inc. (FEI) in 2015 and 2014. This investment is classified as AFS financial assets as the Company does not participate in the financial and operating policy of the investee which manifests control or significant influence. These investments are stated at cost less impairment loss since there is no quoted price in an active market (see Note 10).

Investment in quoted shares of stock represents 3.47% ownership investment in Philippine Estates Corporation (PHES), a publicly listed Company. The fair value of these shares has been determined directly by reference to published prices in the active market.

The movements in the net unrealized fair value gain on available-for-sale financial assets are as follows:

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| At beginning of year | **₱12,047,176** | ₱ 10,792,262 | ₱ 25,098,279 |
| Fair value changes during the year | **( 5,270,638 )** | 1,254,914 | ( 14,306,017 ) |
| At end of year | **₱ 6,776,538** | ₱ 12,047,176 | ₱ 10,792,262 |

The Company's AFS financial assets as at December 31, 2015 and 2014 are not held as collateral for its financial liabilities.

## 8. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities as at December 31 consist of:

| | **2015** | 2014 |
|---|---|---|
| Accrued expenses | **₱ 335,316** | ₱ 406,028 |
| Accounts payable | **15,000** | 15,000 |
| Withholding tax payable | **5,625** | 5,625 |
| | **₱ 355,941** | ₱ 426,653 |

Accrued expenses consist mainly of accrued professional fees.

The Company believes that the carrying amount of accounts payable and other liabilities approximates fair value.

## 9. CAPITAL STOCK

Details of the Company's capital stock as at December 31, 2015 and 2014 are as follows:

| Capital stock | Number of Shares | Par value | Total |
|---|---|---|---|
| Authorized | **3,500,000,000** | **₱ 1** | **₱ 3,500,000,000** |
| | | | |
| Subscribed | **1,875,000,000** | **1** | **1,875,000,000** |
| Less: subscription receivable | **( 667,456,379)** | **1** | **( 667,456,379)** |
| Subscribed and paid-up | **1,207,543,621** | **1** | **1,207,543,621** |
| Less: Treasury shares | **( 36,056,750)** | **1** | **( 36,056,750)** |
| Issued and outstanding | **1,171,486,871** | **₱ 1** | **₱ 1,171,486,871** |

The Company has one class of common shares which carry no right to fixed income. No movement in the capital stock of the Company in 2015 and 2014 reporting periods. There were no shares of the Company reserved for issue under options and contracts for the sale of shares as at December 31, 2015 and 2014.

*Track record of registration of securities*

The Company was originally registered as Cophil Exploration, Inc. with the SEC on January 8, 1993. The Company was listed with the PSE on December 19, 1994 with initial registered shares of 50 billion at ₱.01 par value per share.

On September 2, 1996, the Board of Directors and stockholders approved a resolution to amend the Company's Article of Incorporation by changing the par value per share of ₱0.01 to ₱1.00, removing the pre-emptive rights of shareholders and increasing authorized capital stock from ₱500 million divided by 50 billion shares to ₱2 billion divided into 2 billion shares. On September 27, 1996, SEC approved the amendment on the Company's capital structure.

On August 22, 1997, the Board of Directors and the stockholders approved a further increase in the Company's authorized capital stock from ₱2 billion to ₱3.5 billion divided into 3.5 billion shares with a par value of ₱1 per share. On March 11, 1998, SEC approved the Company's increased in authorized capital stock.

The Company has 1.5 billion shares listed and traded as at December 31, 2015 and 2014.

The historical market values of the Company's share are as follows:

| | |
|---|---|
| **December 31, 2015** | **₱0.210** |
| December 31, 2014 | 0.315 |
| December 31, 2013 | 0.168 |

## 10. RELATED PARTY TRANSACTIONS

The Company, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms of repayments period. The Company did not provide nor received any guarantee on its transaction with related parties. All outstanding balances are to be settled through cash or offsetting arrangement.

Details of related party relationships, transactions and balances as follows:

| Related parties and relationships | Nature of transactions | Amount of transactions | | Outstanding receivable | | Terms / Conditions |
|---|---|---|---|---|---|---|
| | | **2015** | 2014 | **2015** | 2014 | |
| **With common key management** | | | | | | |
| The Wellex Group, Inc.(TWGI) | Cash advance | **₱2,153,056** | ₱1,389,233 | **₱322, 594,547** | ₱325,449,603 | (a) |
| | Consultancy agreement | **480,000** | 480,000 | **–** | – | (a) |
| | Rental of office space | **222,000** | 222,000 | **–** | – | (a) |
| Forum Exploration, Inc. (FEI) | Transfer of assets | – | – | **171,631,076** | 171,631,076 | (b) |
| | | **2,855,056** | 2,091,233 | **494,225,623** | 497,080,679 | |
| Impairment loss: | | | | | | |
| TWGI | | – | – | **( 162,253,710)** | ( 162,253,710) | |
| FEI | | – | – | **( 50,755,622)** | ( 50,755,622) | |
| | | – | – | **( 213,009,332)** | ( 213,009,332) | |
| | | **₱2,855,056** | ₱2,091,233 | **₱281,216,291** | ₱284,071,34 | |

| Related parties and relationships | Nature of transactions | Amount of transactions | | Outstanding payable | | Terms/ Conditions |
|---|---|---|---|---|---|---|
| | | **2015** | 2014 | **2015** | 2014 | |
| **With common key management** | | | | | | |
| Forum Exploration, Ltd.(FEL) | Cash advance for working capital | **₱** – | **₱** – | **₱ 3,911,110** | ₱ 3,699,742 | (c) |

*(a) Advances to The Wellex Group, Inc. (TWGI)*

On December 15, 2012, TWGI issued a promissory note to the Company maturing on December 15, 2015 amounting to ₱330,495,385 without interest. On December 16, 2015, the promissory note was renewed for another three (3) years maturing on December 16, 2018 amounting to ₱322,594,547. To settle the outstanding advances, the Company entered into the following contracts with TWGI, which in return, amounts incurred will be applied to the outstanding advances:

- The Company subleases an office space from TWGI starting April 2012. The lease is for a period of two (2) years but renewable thereafter upon mutual agreement of both parties. The contract was renewed on May 2014 for another two (2) years.

Total rental and utilities expense charged to operations for the years ended December 31, 2015 and 2014 as follows (see Note 11):

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Rent | **₱ 150,000** | ₱ 150,000 | ₱ 150,000 |
| Utilities | **72,000** | 72,000 | 72,000 |
| | **₱ 222,000** | ₱ 222,000 | ₱ 222,000 |

As at December 31, the Company has outstanding lease commitment for future minimum lease payments as follows:

| | **2015** | 2014 |
|---|---|---|
| Not later than one year | **₱ 50,000** | ₱ 150,000 |
| Later than one year but not later than five years | **–** | 50,000 |
| | **₱ 50,000** | ₱ 200,000 |

- On April 2012, the Company has entered into a consultancy agreement with TWGI, whereby the latter will provide corporate planning and financial services on its various corporate functions and undertakings. Total management fee charged to operations amounted to ₱480,000 for the years ended December 31, 2015, 2014 and 2013 (see Note 11).

The carrying amount of advances to TWGI as at December 31 as follows:

| | **2015** | 2014 |
|---|---|---|
| Advances | **₱ 322,594,547** | ₱ 325,449,603 |
| Allowance for impairment loss | **( 162,253,710)** | ( 162,253,710) |
| Net carrying amount | **₱ 160,340,837** | ₱ 163,195,893 |

The Company originally provides allowance for impairment amounting to ₱162,253,710 as at December 31, 2015 and 2014 on advances to TWGI prior to agreements entered to settle the outstanding advances. Allowance for impairment will be reversed once the unimpaired portion of advances is substantially collected and upon assessment by the management on the continuity of the existing agreements.

*(b) Advances to Forum Exploration, Inc. (FEI)*

FEI is a legal and beneficial owner of 100% interest in Service Contract (SC) 40, an upstream oil and gas contract area in the Philippines, entered into with the Philippine Government through the Department of Energy. Annual gas production from field on SC 40 totaled 41.09 million standard cubic feet (MMSCF) and 78.66 MMSCF since the start of production in 2012.

FEI has also implemented Work Program and Budget as approved by DOE on November 17, 2014 which includes, among others, a commitment to perform land gravity survey over the Dalingding Structure starting March 2015. Since 2014, FEI has performing geological and geophysical study aimed to identify and prioritize highly prospective areas for future exploration.

The Company has outstanding advances to FEI pertaining to the value of exploration assets transferred by the Company as follows:

| | 2015 | 2014 |
|---|---|---|
| Advances | ₱ | ₱ |
| | **171,631,076** | 171,631,076 |
| Allowance for impairment loss | **( 50,755,622)** | ( 50,755,622 ) |
| Net carrying amount | ₱ | ₱ |
| | **120,875,454** | 120,875,454 |

The Company is positive on FEI's success on its exploration and future development work in providing the viability of its oil properties to produce oil in commercial quantities. Accordingly, the Company has not provided additional allowance for impairment on the advances.

*(c) Advances from Forum Exploration, Inc. Ltd. (FEI – Ltd.)*

The Company received USD denominated cash advances from FEI, Ltd. with no definite terms of payment.

| | 2015 | 2014 |
|---|---|---|
| At beginning of year | **₱ 3,699,742** | ₱ 3,682,909 |
| Unrealized foreign exchange loss – note 12 | **211,368** | 16,833 |
| At end of year | **₱ 3,911,110** | ₱ 3,699,742 |

*(d) Remuneration to key management personnel*

With the Company's tight cash position, management decided to suspend any form of compensation given to key management personnel.

*(e) Others*

The Company's administrative functions are performed by its related party, TWGI.

## 11. COSTS AND EXPENSES

Cost and expenses for the years ended December consists of:

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| | | | ₱ |
| Professional fees | **₱ 915,822** | ₱ 832,733 | 1,292,684 |
| Management fees – note 10 | **480,000** | 480,000 | 480,000 |
| Membership fees and dues | **264,049** | 269,049 | 250,000 |
| Rent and utilities – note 10 | **222,000** | 222,000 | 222,000 |
| Office supplies | **86,674** | 69,611 | 244,559 |
| Travel and transportation | **37,563** | 84,406 | 4,814 |
| Communication | **26,282** | 29,382 | 42,925 |
| Taxes and licenses | **17,485** | 22,325 | 21,548 |
| Representation | **–** | 30,625 | 23,703 |
| Miscellaneous | **104,577** | 84,945 | 81,639 |
| | **₱ 2,154,452** | ₱ 2,125,076 | ₱ 2,663,872 |

Membership fees and dues include annual PSE listing and registration.

Miscellaneous expense in 2014 includes write off of other asset amounting to ₱33,444.

## 12. OTHER EXPENSES - net

Other expenses for the years ended December 31 consists of:

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Provision for impairment on: | | | |
| Input tax – note 6 | **(₱ 227,446)** | (₱ 849,604) | ₱ – |
| Advances to related parties– note 10 | **–** | ( 16,313,504) | – |
| Unrealized foreign exchange loss – note 10 | **( 211,368)** | ( 16,833) | ( 267,176 ) |
| Interest income – note 5 | **461** | 341 | 368 |
| | **(₱ 438,353)** | (₱17,179,600) | (₱ 266,808) |

## 13. INCOME TAXES

***Reconciliation of tax expense***

The reconciliation of pretax income computed at the regular corporate tax rate to the income tax expense as shown in the statement of comprehensive income is as follows:

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Loss before income tax | **(₱2,592,805)** | (₱ 19,304,676) | (₱ 2,930,680) |
| Income tax benefit at statutory rate : | **(₱ 777,842)** | (₱ 5,791,403) | (₱ 879,204) |
| Income tax effect on: | | | |
| Nontaxable income | **( 138)** | ( 103) | ( 111) |
| Provision for doubtful accounts | **–** | 4,894,052 | – |
| Expired NOLCO | **442,105** | 295,864 | 3,613,609 |
| Expired MCIT | **61,353** | – | 168,470 |
| Change in valuation allowance | **274,522** | 601,590 | ( 2,902,764) |
| | **₱ –** | ₱ – | ₱ – |

The composition of deferred tax assets is as follows:

| | **2015** | 2014 |
|---|---|---|
| NOLCO | **₱ 2,083,020** | ₱ 1,878,789 |
| Impairment loss on AFS Securities | **2,796,280** | 2,796,281 |
| Unrealized foreign exchange loss | **513,854** | 450,443 |
| Provision for input tax | **323,115** | 254,881 |
| MCIT | – | 61,353 |
| | **5,716,269** | 5,441,747 |
| Valuation allowance | **( 5,716,269)** | ( 5,441,747) |
| | **₱ –** | ₱ – |

Deferred tax assets are determined using the income tax rates in the periods the temporary differences are expected to be recovered or settled.

A corresponding full valuation allowance on deferred tax assets have been established since management believes, that it is more likely than not, that the carry-forward benefits will not be realized in the future

As at December 31, 2015, the Company has NOLCO and MCIT that can be claimed as deduction from future income tax payable and taxable income, respectively, as follows:

| Year Incurred | Expiration Date | Beginning balance | Additions | Expired | Claimed | Ending balance |
|---|---|---|---|---|---|---|
| **NOLCO** | | | | | | |
| 2015 | 2018 | ₱ – | ₱ 2,154,452 | ₱ – | ₱ – | **₱ 2,154,452** |
| 2014 | 2017 | 2,125,076 | – | – | – | **2,125,076** |
| 2013 | 2016 | 2,663,872 | – | – | – | **2,663,872** |
| 2012 | 2015 | 1,473,683 | – | ( 1,473,683) | – | **–** |
| | | **₱ 6,262,631** | **₱ 2,154,452** | **( ₱ 1,473,683)** | **₱ –** | **₱ 6,943,400** |

| Year Incurred | Expiration Date | Beginning balance | Additions | Expired | Claimed | Ending balance |
|---|---|---|---|---|---|---|
| **MCIT** | | | | | | |
| 2012 | 2015 | ₱ 61,353 | ₱ – | ₱ 61,353 | ₱ – | **₱ –** |

## 14. LOSS PER SHARE

The following table presents information necessary to calculate the loss per share:

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Net loss for the year | **(₱ 2,592,805)** | (₱ 19,304,676) | (₱ 2,900,248) |
| Weighted average number of common shares outstanding during the year | **1,171,486,871** | 1,171,486,871 | 1,171,486,871 |
| | **(₱ 0.002)** | (₱ 0.016) | (₱ 0.002) |

## 15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risk which results from both its operating and financing activities. The Company's risk management is coordinated with the Board of Directors and focuses on actively securing the short-term cash flows to finance its operation.

The Company's principal financial instruments comprise of cash, advances to related parties, AFS financial assets, accounts payable and other liabilities (excluding local and other taxes and other liabilities to government agencies), and advances from related parties. The main purpose of these financial instruments is to raise financing for the Company's operations. The Company does not actively engage in trading of financial assets for speculative purposes nor does it have options.

The most significant financial risks in which the Company is exposed to are described below:

***Credit risk***

Credit risk arises from cash and advances to related parties.

The maximum credit risk exposure of the financial assets is the carrying amount of the financial assets shown on the face of statement of financial position, as summarized below:

| | **2015** | 2014 |
|---|---|---|
| Cash in bank | **₱ 514,110** | ₱ 131,186 |
| Advances to related parties, net of allowance | **281,216,291** | 284,071,347 |
| | **₱ 281,730,401** | ₱ 284,202,533 |

The credit quality of financial assets is discussed below:

*Cash in bank*

The Company deposits its cash balance in a universal bank to minimize credit risk exposure.

*Advances to related parties*

As at December 31, 2015 and 2014, the Company classifies the credit quality of advances to related parties based on the following:

| | **2015** | 2014 |
|---|---|---|
| Group 1 | **₱281,216,291** | ₱284,071,347 |
| Group 2 | **213,009,332** | 213,009,332 |
| Group 3 | **–** | – |
| | **₱494,225,623** | ₱497,080,679 |

- Group 1 – Past due but not impaired with expectation of collection.
- Group 2 – Past due and impaired with expectation of collection.
- Group 3 – Past due and impaired without expectation of collection.

Group 1 and 2 mainly relates to the advances to related parties which are in difficult economic situation.

The details of the Company's aging analysis of financial assets as at December 31, 2015 and 2014 are as follows:

| **December 31, 2015** | **Total** | **Neither past due nor impaired** | **Past due but not impaired** | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | **< 30 days** | **31-90 days** | **91-180 days** | **181-360 days** | **1-3 years** | **Impaired** |
| Cash in bank | **₱ 514,110** | **₱ 514,110** | **₱ –** | **₱ –** | **₱ –** | **₱ –** | **₱ –** | **₱ –** |
| Advances to related parties | **494,225,623** | – | – | – | – | – | **281,216,291** | **213,009,332** |
| | **₱ 494,739,733** | **₱ 514,110** | **₱ –** | **₱ –** | **₱ –** | **₱ –** | **₱ 281,216,291** | **₱ 213,009,332** |

| December 31, 2014 | Total | Neither past due nor impaired | Past due but not impaired | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | < 30 days | 31-90 days | 91-180 days | 181-360 days | 1-3 years | Impaired |
| Cash in bank | ₱ 131,186 | ₱ 131,186 | ₱ – | ₱ – | ₱ – | ₱ – | ₱ – | ₱ – |
| Advances to related parties | 497,080,679 | – | – | – | – | – | 284,071,347 | 213,009,332 |
| | ₱ 497,211,865 | ₱ 131,186 | ₱ – | ₱ – | ₱ – | ₱ – | ₱ 284,071,347 | ₱ 213,009,332 |

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

As at December 31, 2015 and 2014, the Company has entered into an agreement with its related party to settle the advances (see Note 10).

***Liquidity risk***

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company is mainly exposed to liquidity risk through its maturing liabilities. The Company has a policy of regularly monitoring its cash position to ensure that maturing liabilities will be adequately met.

The Company manages liquidity risk through continuous collection of advances to related parties which is considered as cash inflow to finance its operation. The Company continuously monitoring forecast and actual cash flows and matching the maturity profiles of liabilities.

The details of the maturity analysis of the Company's liabilities are as follows:

| **December 31, 2015** | **Total** | **On demand** | **Less than three months** | **3 to12 months** | **1to 5 years** |
|---|---|---|---|---|---|
| **Account payable and other liabilities** | **₱ 355,941** | **₱ –** | **₱ –** | **₱ 355,941** | **₱ –** |
| **Advances from related parties** | **3,911,110** | **–** | **–** | | **3,911,110** |
| | **₱ 4,267,051** | **₱ –** | **₱ –** | **₱ 355,941** | **₱3,911,110** |

| December 31, 2014 | Total | On demand | Less than three months | 3 to 12 months | 1to 5 years |
|---|---|---|---|---|---|
| Account payable and other liabilities | ₱ 426,653 | ₱ – | ₱ – | ₱ 426,653 | ₱ – |
| Advances from related parties | 3,699,742 | – | – | – | 3,699,742 |
| | ₱ 4,126,395 | ₱ – | ₱ – | ₱ 426,653 | ₱3,699,742 |

The Company's current ratio for year ended December 31, 2015 and 2014 is 1.61:1 and 382.90:1, respectively.

***Price risk***

The Company is exposed to price risk on the fluctuation on the price or fair value of available-for-sale financial asset. It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments. The fair value of available-for-sale financial asset is based on published prices in the market.

If the price of the available-for-sale financial asset had been 10% higher/lower the net income before tax for the year ended December 31, 2015 and 2014 would decrease/increase by ₱7,819,666 and ₱8,346,729, respectively.

***Foreign currency risk***

The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to the U.S. Dollars. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. Significant fluctuation in the exchange rates could significantly affect the Company's financial position.

The Company is mainly exposed to foreign currency risk through its advances from a related party which amounted to ₱3,911,110 and ₱3,699,742 as at December 31, 2015 and 2014, respectively.

The sensitivity rate used on reporting foreign currency risk internally to key management personnel is 10% and it represents management's assessment of reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary assets and liabilities and adjusts their translation at the period end for a 10% in foreign exchange rates. A positive number indicates an increase in net income when the

Philippine Peso strengthens at 10% against the relevant currency. For 10% weakening of the Philippine Peso against the relevant currency, there would be an equal and opposite impact on the net income. If foreign exchange rates had been 10% higher/lower, the net loss before tax would decrease /increase by ₱391,111 and ₱369,974 in 2015 and 2014, respectively.

***Capital Risk Objective and Management***

The primary objective of the Company's capital management is to ensure its ability to continue as a going concern.

The Board of Directors have the overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including accrued and other payables and advances from related parties as shown in the statements of financial position) less cash. Total capital is calculated as Equity as shown in the statements of financial position plus Net Debt.

Gearing ratio compares some form of owner's equity to borrowed funds. It is a measure of financial leverage demonstrating the degree to which the Company's activities are funded by owner's funds versus creditors' funds.

The gearing ratios as at December 31, 2015 and 2014 were as follows:

| | **2015** | 2014 |
|---|---|---|
| Debt | **₱ 4,267,051** | ₱ 4,126,395 |
| Cash | **514,110** | 131,186 |
| Net debt | **3,752,941** | 3,995,209 |
| Equity | **355,718,219** | 363,581,662 |
| Gearing ratio | **1.06%** | 1.10% |

## 16. FAIR VALUE INFORMATION

***Assets measured at fair value***

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

| | Fair value as at December 31 | | Fair value | Valuation | Significant unobservable | Relationship of unobservable inputs to fair |
|---|---|---|---|---|---|---|
| | **2015** | 2014 | hierarchy | techniques | input | value |
| **AFS financial assets** | **₱ 14,306,018** | ₱19,576,656 | Level 1 | Quoted bid prices in an active market | Not applicable | Not applicable |

***Assets and liabilities not measured at fair value***

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

| | 2015 | | 2014 | | Valuation techniques |
|---|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value | |
| **Financial Asset** | | | | | |
| Advances to related parties – noncurrent | **₱281,216,291** | **₱232,003,440** | ₱120,875,454 | ₱106,152,824 | Discounted value of future cash flows |
| **Financial Liabilities** | | | | | |
| Advances from related parties | **₱ 3,911,110** | **₱ 3,226,666** | ₱ 3,699,742 | ₱ 3,248,674 | Discounted value of future cash flows |

For the long-term financial assets, the fair value of the non-interest bearing noncurrent assets is determined by based on the discounted value of future cash flows using the prevailing credit adjusted PDEx rates that are specific to the tenor of the instruments' cash flow as at reporting date. Discount rates used range from 3.93% in 2015 and 3.30% in 2014.

The carrying amounts of cash, current portion of advances to related parties and accounts payable and other liabilities approximate their fair values due to the relatively short term maturities of these financial instruments.

## 17. SUPPLEMENTARY INFORMATION REQUIRED BY RR-15-2010 AND RR19-2011

***Supplementary information required by Revenue Regulations 15-2010***

On December 28, 2010, Revenue Regulation (RR) No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the Notes to Financial Statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by Philippine Financial Reporting Standards.

*a) Output value-added tax*

The Company has no output VAT since it does not have any income subject to VAT for the years ended December 31, 2015 and 2014.

*b) Input value-added tax*

| | **2015** | 2014 |
|---|---|---|
| At beginning of year | **₱ 849,604** | ₱ 666,907 |
| Current purchases and payments for: | | |
| Goods other than for resale or manufacture | **1,080** | 3,239 |
| Domestic purchases of services | **226,366** | 179,458 |
| | **₱1,077,050** | ₱ 849,604 |

*c) Taxes on importation*

The Company has no import transactions for the years ended December 31, 2015 and 2014.

*d) Excise Tax*

The Company does not have excise tax in any of the taxable years presented since it does not have any transactions which are subject to excise tax.

*e) Documentary stamp tax*

Documentary stamp tax paid by the Company amounted to nil in 2015 and 2014, respectively.

*f) Taxes and licenses*

Details of taxes and licenses account are broken down as follows:

| | **2015** | 2014 |
|---|---|---|
| Business permits | **₱ 16,325** | ₱ 16,195 |
| Corporate Community tax | **660** | 580 |
| BIR Annual registration | **500** | 500 |
| SEC filing fee | **–** | 5,050 |
| | **₱ 17,485** | ₱ 22,325 |

*g) Withholding taxes*

The details of total withholding taxes for the years ended December 31, 2015 and 2014, are shown below:

| | **2015** | 2014 |
|---|---|---|
| Withholding tax on compensation | **₱ –** | ₱ – |
| Expanded withholding tax | **70,590** | 71,356 |
| Final withholding tax | **–** | – |
| | **₱ 70,590** | ₱ 71,356 |

*h) Deficiency tax assessment and tax cases*

The Company does not have any deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR in any of the taxable years.

***Supplementary information required by Revenue Regulation 19-2011***

RR No. 19-2011 prescribes the new BIR forms that should be used for income tax filing covering and starting with the calendar year 2011 and modifies Revenue Memorandum Circular No. 57-2011. In the Guidelines and Instructions Section of the new BIR Form 1702 (version November 2011), a required attachment to the income tax returns is an Account Information Form and/or Financial Statements that include in the Notes to Financial Statements schedules of sales/receipts/fees, cost of sales/services, non-operating and taxable other income, itemized deductions (if the taxpayer did not avail of the Optional Standard Deduction or OSD), taxes and licenses and other information prescribed to be disclosed in the Notes to the Financial statements.

The schedule and information of taxable income and deductions taken for the year ended December 31, 2015 is as follows:

*a) Sales/Taxable Income*

The Company has no sales/receipts/fees for the years ended December 31, 2015.

*b) Other non-operating and taxable income*

The Company has no non-operating and taxable other income for the year ended December 31, 2015.

*c) Itemized deductions*

| | Regular rate |
|---|---|
| Professional fees | **₱ 1,395,822** |
| Membership fees and dues | **264,049** |
| Rent and utilities | **222,000** |
| Office supplies | **86,674** |
| Travel and transportation | **37,563** |
| Communication | **26,282** |
| Taxes and licenses | **17,485** |
| Miscellaneous | **104,577** |
| Total expenses | **₱ 2,154,452** |

*d) Taxes and licenses*

The details of the Company's taxes and licenses are presented below:

| | |
|---|---|
| Business permits | **₱ 16,325** |
| Corporate Community tax | **660** |
| BIR Annual registration | **500** |
| | **₱ 17,485** |

*e) Other information*

All other information prescribed to be disclosed by the BIR has been included in this note.

* * *

**Diaz Murillo Dalupan and Company**
Certified Public Accountants

**Audit Report on Additional Components of the Financial Statements**

To the Board of Directors and Stockholders of
**FORUM PACIFIC, INC.**
35th Floor, One Corporate Center
Doña Julia Vargas Avenue
corner Meralco Avenue, Ortigas Center
Pasig City, Philippines

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Appendices A *"Financial Soundness"* and B *"List of Effective Standards and Interpretations"* and Schedules A to I, to the financial statements are presented for purposes of additional analyses and filing with the Securities and Exchange Commissions, respectively, and are not a required part of basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Diaz Murillo Dalupan and Company**
Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until December 31, 2017
SEC Accreditation No. 0192-FR-1, Group A, effective until April 30, 2016
BIR Accreditation No. 08-001911-000-2013, effective until April 1, 2016

By:

Jozef Francisco C. Santos, Jr.
Partner
CPA Certificate No. 89044
SEC Accreditation No. 1070-AR-1, Group A, effective until December 16, 2016
Tax Identification No. 170-035-673
PTR No. 5330422, January 8, 2016, Makati City
BIR Accreditation No. 08-001911-009-2013 effective until April 1, 2016

March 9, 2016

**FORUM PACIFIC, INC.**
INDEX TO FINANCIAL STATEMENTS, APPENDICES AND SUPPLEMENTARY SCHEDULES

FORM 17-A, ITEM 7

**Financial Statements**

Statement of Management's Responsibility for Financial Statements
Report of Independent Public Accountants
Statements of Financial Position as at December 31, 2015 and 2014
Statements of Comprehensive Income for each of the three years ended December 31, 2015, 2014 and 2013
Statements of Changes in Equity for each of the three years ended December 31, 2015, 2014 and 2013
Statements of Cash Flows for each of the three years ended December 31, 2015, 2014 and 2013
Notes to Financial Statements

**Appendices**

Appendix A. Financial soundness

Appendix B. Standards and interpretations effective as at December 31, 2015

**Supplementary Schedules**

A. Financial Assets

B. Amounts Receivables from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)

C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

D. Intangible Assets – Other Assets

E. Long-Term Debt

F. Indebtedness of Related Parties

G. Guarantees of Securities of Other Issuers

H. Capital Stock

I. List of Top 20 Stockholders of Record

# APPENDIX A

## FORUM PACIFIC, INC.
## SCHEDULE SHOWING FINANCIAL SOUNDNESS
## PURSUANT TO SRC RULE 68, AS AMENDED
## DECEMBER 31, 2015

| Ratio | **2015** | 2014 |
|---|---|---|
| **Profitability ratios:** | | |
| Return on assets | **N/A** | N/A |
| Return on equity | **N/A** | N/A |
| Net profit margin | **N/A** | N/A |
| **Solvency and liquidity ratios:** | | |
| Current ratio | **1.61:1** | 382.90:1 |
| Debt to equity ratio | **0.01:1** | 0.01:1 |
| Quick ratio | **1.44:1** | 382.81:1 |
| Cash-flow liquidity ratio | **N/A** | N/A |
| **Financial leverage ratio:** | | |
| Asset to equity ratio | **1.01:1** | 1.01:1 |
| Debt to asset ratio | **0.01:1** | 0.01:1 |
| Interest rate coverage ratio | **N/A** | N/A |

# APPENDIX B

**Schedule of Philippine Financial Reporting Standards effective as at December 31, 2015**

**FORUM PACIFIC, INC.**
**DECEMBER 31, 2015**

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **Framework for the Preparation and Presentation of Financial Statements** Conceptual Framework Phase A: Objectives and qualitative characteristics | | ✔ | | |
| **PFRSs Practice Statement Management Commentary** | | | | ✔ |
| **Philippine Financial Reporting Standards** | | | | |
| **PFRS 1 (Revised)** | First-time Adoption of Philippine Financial Reporting Standards | ✔ | | |
| | Amendments to PFRS 1: Additional Exemptions for First-time Adopters | | | ✔ |
| | Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters | | | ✔ |
| | Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters | | | ✔ |
| | Amendments to PFRS 1: Government Loans | | | ✔ |
| **PFRS 2** | Share-based Payment | | | ✔ |
| | Amendments to PFRS 2: Vesting Conditions and Cancellations | | | ✔ |
| | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions | | | ✔ |
| **PFRS 3 (Revised)** | Business Combinations | | | ✔ |
| **PFRS 4** | Insurance Contracts | | | ✔ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✔ |
| **PFRS 5** | Non-current Assets Held for Sale and Discontinued Operations | | | ✔ |
| **PFRS 6** | Exploration for and Evaluation of Mineral Resources | | | ✔ |
| **PFRS 7** | Financial Instruments: Disclosures | ✔ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | ✔ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | ✔ | | |

## APPENDIX B

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| | Amendments to PFRS 7: Improving Disclosures about Financial Instruments | ✔ | | |
| | Amendments to PFRS 7: Disclosures - Transfers of Financial Assets | ✔ | | |
| | Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities | | | ✔ |
| | Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures | | | ✔ |
| **PFRS 8** | Operating Segments | | | ✔ |
| **PFRS 9 (2014)** | Financial Instruments | | | ✔ |
| **PFRS 10** | Consolidated Financial Statements | | | ✔ |
| | Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance | | | ✔ |
| | Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities | | | ✔ |
| **PFRS 11** | Joint Arrangements | | | ✔ |
| | Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance | | | ✔ |
| **PFRS 12** | Disclosure of Interests in Other Entities | | | ✔ |
| | Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance | | | ✔ |
| | Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities | | | ✔ |
| **PFRS 13** | Fair Value Measurement | ✔ | | |
| **Philippine Accounting Standards** | | | | |
| **PAS 1 (Revised)** | 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 | ✔ | | |
| **PAS 2** | Inventories | | | ✔ |
| **PAS 7** | Statement of Cash Flows | ✔ | | |
| **PAS 8** | Accounting Policies, Changes in Accounting Estimates and Errors | ✔ | | |
| **PAS 10** | Events after the Reporting Period | ✔ | | |
| **PAS 11** | Construction Contracts | | | ✔ |

## APPENDIX B

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PAS 12** | Income Taxes | ✔ | | |
| | Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets | | | ✔ |
| **PAS 16** | Property, Plant and Equipment | | | ✔ |
| **PAS 17** | Leases | ✔ | | |
| **PAS 18** | Revenue | ✔ | | |
| **PAS 19 (Revised)** | Employee Benefits | | | ✔ |
| | Amendments to PAS 19 - Defined Benefit Plans: Employee Contributions | | | ✔ |
| **PAS 20** | Accounting for Government Grants and Disclosure of Government Assistance | | | ✔ |
| **PAS 21** | The Effects of Changes in Foreign Exchange Rates | ✔ | | |
| | Amendment: Net Investment in a Foreign Operation | | | ✔ |
| **PAS 23 (Revised)** | Borrowing Costs | | | ✔ |
| **PAS 24 (Revised)** | Related Party Disclosures | ✔ | | |
| **PAS 26** | Accounting and Reporting by Retirement Benefit Plans | | | ✔ |
| **PAS 27 (Amended)** | Separate Financial Statements | | | ✔ |
| | Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities | | | ✔ |
| **PAS 28 (Amended)** | Investments in Associates and Joint Ventures | | | ✔ |
| **PAS 29** | Financial Reporting in Hyperinflationary Economies | | | ✔ |
| **PAS 32** | Financial Instruments: Disclosure and Presentation | ✔ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✔ |
| | Amendment to PAS 32: Classification of Rights Issues | | | ✔ |
| | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities | ✔ | | |
| **PAS 33** | Earnings per Share | ✔ | | |
| **PAS 34** | Interim Financial Reporting | | | ✔ |
| **PAS 36** | Impairment of Assets | ✔ | | |
| | Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets | ✔ | | |
| **PAS 37** | Provisions, Contingent Liabilities and Contingent Assets | ✔ | | |

## APPENDIX B

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PAS 38** | Intangible Assets | | | ✔ |
| **PAS 39** | Financial Instruments: Recognition and Measurement | ✔ | | |
| | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | ✔ | | |
| | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions | | | ✔ |
| | Amendments to PAS 39: The Fair Value Option | | | ✔ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✔ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | ✔ | | |
| | 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 | | | ✔ |
| **PAS 40** | Investment Property | | | ✔ |
| **PAS 41** | Agriculture | | | ✔ |
| **Philippine Interpretations** | | | | |
| **IFRIC 1** | Changes in Existing Decommissioning, Restoration and Similar Liabilities | | | ✔ |
| **IFRIC 2** | Members' Share in Co-operative Entities and Similar Instruments | | | ✔ |
| **IFRIC 4** | Determining Whether an Arrangement Contains a Lease | | | ✔ |
| **IFRIC 5** | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | | | ✔ |
| **IFRIC 6** | Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment | | | ✔ |
| **IFRIC 7** | Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies | | | ✔ |
| **IFRIC 9** | Reassessment of Embedded Derivatives | | | ✔ |
| | Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives | | | ✔ |
| **IFRIC 10** | Interim Financial Reporting and Impairment | | | ✔ |
| **IFRIC 12** | Service Concession Arrangements | | | ✔ |

## APPENDIX B

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **IFRIC 13** | Customer Loyalty Programmes | | | ✔ |
| **IFRIC 14** | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | | | ✔ |
| | Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement | | | ✔ |
| **IFRIC 16** | Hedges of a Net Investment in a Foreign Operation | | | ✔ |
| **IFRIC 17** | Distributions of Non-cash Assets to Owners | | | ✔ |
| **IFRIC 18** | Transfers of Assets from Customers | | | ✔ |
| **IFRIC 19** | Extinguishing Financial Liabilities with Equity Instruments | | | ✔ |
| **IFRIC 20** | Stripping Costs in the Production Phase of a Surface Mine | | | ✔ |
| **IFRIC 21** | Levies | | | ✔ |
| **SIC-7** | Introduction of the Euro | | | ✔ |
| **SIC-10** | Government Assistance - No Specific Relation to Operating Activities | | | ✔ |
| **SIC-15** | Operating Leases – Incentives | | | ✔ |
| **SIC-25** | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders | | | ✔ |
| **SIC-27** | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | | | ✔ |
| **SIC-29** | Service Concession Arrangements: Disclosures. | | | ✔ |
| **SIC-31** | Revenue - Barter Transactions Involving Advertising Services | | | ✔ |
| **SIC-32** | Intangible Assets - Web Site Costs | | | ✔ |

**FORUM PACIFIC, INC.**
**Schedule A. Financial Assets**
**December 31, 2015**

| Name of Issuing entity and association of each issue | Number of shares or principal amount of bonds and notes | Amount shown in the balance sheet | Valued based on market quotation at balance sheet date | Income received and accrued |
|---|---|---|---|---|
| Philippine Estates Corporation | ₱ 50,196,553 | ₱ 14,306,018 | ₱ 14,306,018 | ₱ — |
| Forum Exploration, Inc. | 62,500,000 | 63,890,638 | — | — |
| Total | ₱ 112,696,553 | ₱ 78,196,656 | ₱ 14,306,018 | ₱ — |

**FORUM PACIFIC, INC.**
**Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates).**
**December 31, 2015**

| Name and Designation of debtor | Balance at beginning of period | Additions | Amounts collected | Amounts written off | Current | Not Current | Balance at end of period |
|---|---|---|---|---|---|---|---|
| The Wellex Group, Inc. | ₱325,449,603 | ₱ — | ₱2,855,056 | ₱ — | ₱ — | ₱322,594,547 | ₱322,594,547 |
| Forum Exploration, Inc. | 171,631,076 | — | — | — | — | 171,631,076 | 171,631,076 |
| Total | ₱497,080,679 | ₱ — | ₱2,855,056 | ₱ — | ₱ — | ₱494,225,623 | ₱494,225,623 |

**FORUM PACIFIC, INC.**
**Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statement**
**December 31, 2015**

| Name and Designation of debtor | Balance at beginning of period | Additions | Amounts collected | Amounts written off | Current | Not Current | Balance at end of period |
|---|---|---|---|---|---|---|---|

None

**FORUM PACIFIC, INC.**
**Schedule D. Intangible Assets - Other Assets**
**December 31, 2015**

| Description | Beginning balance | Additions at cost | Charged to cost and expenses | Charged to other accounts | Other changes additions (deductions) | Ending balance |
|---|---|---|---|---|---|---|

None

**FORUM PACIFIC, INC.**
**Schedule E. Long Term Debt**
**December 31, 2015**

| Title of Issue and type of obligation | Amount authorized by indenture | Amount shown under caption "Current portion of long-term debt" in related balance sheet | Amount shown under caption "Long-Term Debt" in related balance sheet |
|---|---|---|---|
| None | | | |

**FORUM PACIFIC, INC.**
**Schedule F. Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies)**
**December 31, 2015**

| Name of Affiliates | Balance at beginning of period | Balance at end of period |
|---|---|---|
| *a. Other affiliates* | | |
| Forum Exploration, Ltd. | ₱ 3,699,742 | ₱ 3,911,110 |

**FORUM PACIFIC, INC.**
**Schedule G. Guarantees of Securities of Other Issuers**
**December 31, 2015**

| 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 |
|---|---|---|---|---|
| None | | | | |

**FORUM PACIFIC, INC.**
**Schedule H. Capital Stock**
**December 31, 2015**

| Title of Issue | Number of Shares authorized | Number of shares issued and outstanding as shown under related balance sheet caption | Number of shares reserved for options, warrants, conversion and other rights | Number of shares held by affiliates | Directors, officers and employees | Others |
|---|---|---|---|---|---|---|
| Common Stock | ₱3,500,000,000 | ₱ 1,171,486,871 | ₱ — | ₱ 200,000 | ₱ 2,941,303 | ₱1,168,345,568 |

## FORUM PACIFIC, INC.

### Schedule I. List of Top 20 Stockholders of Record
### December 31, 2015

| Name of Stockholders | Citizenship | Tax Identification No. | Amount Subscribed | Percentage to total Outstanding |
|---|---|---|---|---|
| International Polymer Corporation | Filipino | 210-000-232-426 | ₱ 496,887,494 | 26.501 |
| PCD Nominee Corporation | Filipino | 004-774-849-000 | 415,521,624 | 22.161 |
| The Wellex Group, Inc. | Filipino | 004-740-001-000 | 376,950,000 | 20.104 |
| E.F. Durkee & Associates, Inc. | Filipino | 321-002-155-628 | 77,838,563 | 4.151 |
| Intra-Invest Sec., Inc. | Filipino | 000-162-545-000 | 48,159,000 | 2.568 |
| Metropolitan Management Corporation | Filipino | 470-002-151-280 | 30,000,000 | 1.600 |
| Juanito C. Uy | Filipino | 127-179-750-000 | 22,625,001 | 1.207 |
| PCD Nominee Corp. (Non-Filipino) | Others | 004-774-849-000 | 21,250,000 | 1.133 |
| Pacrim Energy N.L. | Others | 324-668-750-000 | 21,000,000 | 1.120 |
| Sapphire Securities, Inc. | Filipino | 000-511-869-000 | 19,433,500 | 1.036 |
| Benito Ong and/or Zita Y. Ong | Filipino | 268-192-032-000 | 18,000,000 | 0.960 |
| Nestor S. Mangio | Filipino | 003-754-123-000 | 12,500,000 | 0.667 |
| Li Chih-Hui | Filipino | 249-099-801-000 | 12,100,000 | 0.645 |
| A & A Securities, Inc. | Filipino | 000-103-110-000 | 11,911,320 | 0.635 |
| Mark Securities Corporation | Filipino | 000-544-789-000 | 10,772,800 | 0.575 |
| Globalinks Sec. & Stocks, Inc. | Filipino | 000-849-752-000 | 9,400,000 | 0.501 |
| Belson Securities, Inc. | Filipino | 000-154-219-000 | 9,200,000 | 0.491 |
| Wealth Securities, Inc. | Filipino | 000-330-678-000 | 8,240,000 | 0.439 |
| Ruben M. Gan | Filipino | 174-154-039-000 | 7,610,000 | 0.406 |
| David Go Securities Corporation | Filipino | 000-320-855-000 | 6,880,000 | 0.367 |
| | | | ₱ 1,636,279,302 | |

# *Forum Pacific, Inc.*

## *Unaudited Financial Statements*
## *For the Quarter Ended June 30, 2016 and 2015*

108042016006021

# SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632)726-0931to39Fax:(632)725-5293Email:mis@sec.gov.ph

**Barcode Page**

**The following document has been received:**

**Receiving Officer/Encoder** : Jojit Licudine
**Receiving Branch** : SEC Head Office
**Receipt Date and Time** : August 04, 2016 04:56:42 PM
Received From : Head Office

Company Representative

Doc Source

Company Information

| | |
|---|---|
| SEC Registration No. | AS93000120 |
| Company Name | FORUM PACIFIC INC. |
| Industry Classification | |
| Company Type | Stock Corporation |

**Document Information**

| | |
|---|---|
| Document ID | 108042016006021 |
| Document Type | 17-Q (FORM 11-Q:QUARTERLY REPORT/FS) |
| Document Code | 17-Q |
| Period Covered | June 30, 2016 |
| No. of Days Late | 0 |
| Department | CFD |
| Remarks | |

**SECURITIES AND EXCHANGE COMMISSION**
**SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 11**
**OF THE SECURITIES REGULATION CODE AND SECTION 141**
**OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the Quarter Period ended **June 30, 2016**

2. SEC Identification Number **AS 093000120**

3. BIR Tax Identification No. **312-002-155-598**

4. **FORUM PACIFIC, INC.**
Exact name of registrant as specified in its charter

5. **Metro Manila, Philippines**
(Province, country or other jurisdiction of incorporation or organization

6. (SEC Use only)
Industry Classification Code

7. **35/F One Corporate Center, Doña Julia Vargas Ave., Cor. Meralco Ave., Ortigas Center Pasig City**
Address of principal office

8. **Telephone No. 706-7888**
Registrant's telephone number, including area code

9. **NOT APPLICABLE**
**Former name**, former address, and former fiscal year, if changed since last report.

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

| **Title of Each Class** | **No. of Shares of Common Stock Outstanding: and Amount of Debt Outstanding** |
|---|---|
| Common Shares – ₱1.00 par value | Issued - ₱1,838,943,246<br>(Partially paid Subscription – ₱1,171,486,871) |

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

Yes [ x ] No. [ ]

12. Check whether the registrant:

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

Yes [ x ] No [ ]

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

Yes [ x ] No [ ]

13. The aggregate market value of the voting stock held by non-affiliates: ₱1,303,929,249

14. Not Applicable

## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

See Annex A.1 to A.5 and the accompanying notes to financial statements.

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

- Unaudited Income Statements

| | **April – June 2016** | **April – June 2015** | **January – June 2016** | **January – June 2015** |
|---|---|---|---|---|
| Revenues | – | – | **–** | – |
| Less: Cost and Expenses | 291,962 | 317,227 | **968,058** | 981,527 |
| Loss from Operation | (291,962) | (317,227) | **(968,058)** | (981,527) |
| Add: Other Income | – | – | **168** | 105 |
| Loss before Income Tax | (291,962) | (317,227) | **(967,890)** | (981,422) |
| Income Tax Expense | – | – | **–** | – |
| Net Income(Loss) | (291,962) | (312,227) | **(967,890)** | (981,422) |
| Earnings (Loss) Per Share | (₱0.00025) | (₱0.00027) | **(₱0.00083)** | (₱ 0.00084) |

- Unaudited Balance Sheet

| | **As of June 30 2016** | As of June 30 2015 | As of December 31 2015 |
|---|---|---|---|
| Assets | **₱ 358,684,065** | ₱ 366,320,608 | ₱ 359,985,270 |
| | | | |
| Liabilities | **3,933,736** | 3,720,367 | 4,267,052 |
| Stockholders' Equity | **354,750,329** | 362,600,240 | 355,718,218 |
| Total Liabilities & Stockholders' Equity | **358,684,065** | ₱ 366,320,608 | 359,985,270 |

**Interim Quarter ended June 30, 2016 Compared with quarter ended June 30, 2015**

**RESULTS OF OPERATION**

***Revenue and Earnings per share***

- Since the company is still exploring new business opportunities given the volatile situation of metal and oil prices in the global market, the Company has no revenues for the second quarter of 2016 and 2015.

- The company incurred losses of ₱0.3 million for both quarters ended June 30, 2016 and 2015, respectively. Earnings (loss) per share for the 2nd quarter of 2016 and 2015 were (₱0.00025) and (₱0.00027), respectively. In line with the plan for the next twelve months, the Board will continue to explore business opportunities to aspire for maximized potential earnings.

***Cost and Expenses***

- Cost and expenses consisted primarily of professional fees, taxes and licenses, PSE annual maintenance fee, management fee and office rental.
  Cost and expenses recorded for the 2nd quarter of 2016 and 2015 were ₱291,962 and ₱317,227 respectively. Decrease of ₱25,265 or 8% pertains to expenses incurred last year for training and development of its officers, office supplies and other administrative expenses.

**FINANCIAL CONDITION**

***Current Assets***

- Current assets consist of Cash in Bank and Input Tax. Cash in Bank carries interest at respective bank deposit rate. On July 19, 2012, the Board of Directors approved the opening of a deposit account with Banco De Oro to facilitate the collection and disbursement processes of the company. Input tax is stated at face value less provision for impairment, if any. Allowance for unrecoverable input tax, if any, is maintained by the Company at a level considered adequate to provide potential uncollectible portion of the claims. The Company, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses. Balance of cash in bank as of June 30, 2016 and 2015 were ₱121,296 and ₱142,092, respectively. The Company provided full valuation on its Input tax as of June 30, 2016 amounting to ₱1,192,119.

***Available-For-Sale Financial Assets***

Available-for-sale financial assets as at June 30 consist of:

| | **2016** | 2015 |
|---|---|---|
| **Unquoted shares** | | |
| Cost | ₱ 73,211,573 | ₱ 73,211,573 |
| Impairment loss | (9,320,935) | (9,320,935) |
| | 63,890,638 | 63,890,638 |
| **Quoted shares** | | |
| Cost | **7,529,480** | 7,529,480 |
| Net unrealized fair value gain | **6,776,538** | 12,047,176 |
| | **14,306,018** | 19,576,656 |
| | **₱ 78,196,656** | ₱ 83,467,294 |

*Forum Exploration, Inc. (FEI)*

Investment in unquoted shares of stock represents 33.33% ownership of the Company in Forum Exploration, Inc. (FEI) as at June 30, 2016 and 2015. This investment is classified as AFS financial assets as the Company does not participate in the financial and operating policy of the investee which manifests control or significant influence. These investments are stated at cost less impairment loss since there is no quoted price in an active market.

*Philippine Estates Corporation (PHES)*

Investment in quoted shares of stock represents investment in Philippines Estates Corporation (PHES), a publicly listed Company. The Company owns 50,196,553 common shares and constitutes 3.4% ownership in PHES.

The fair value of these shares as of June 30, 2016 and 2015 has been determined directly by reference to published prices in the active market.

*Express Savings Bank, Inc. (ESBI)*

On July 8, 2011, the Monetary Board (MB) of the Bangko Sentral ng Pilipinas placed Express Savings Bank, Inc. under receivership of the Philippine Deposit Insurance Corporation (PDIC) by virtue of MB resolution No. 987.B. As receiver, PDIC took over the bank on July 8, 2011. In 2011, the management, upon recommendation of the Audit Committee, has written off its remaining investment in ESBI. The Company reclassified the corresponding unrealized fair value loss amounting to ₱3,710,917 from unrealized fair value loss on available-for-sale financial assets in equity to the statement of comprehensive income.

The Company's AFS financial assets as at June 30, 2016 and 2015 are not held as collateral for its financial liabilities.

***Investments in Subsidiary***

The Company owns 60% of the stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI), a domestic corporation registered with the SEC on February 3, 2006. Its primary purpose is to acquire, hold and dispose of bonds, debentures, promissory notes, shares of capital and the likes, without engaging as a dealer or broker of securities. Its registered office is located at 14th Floor Pearlbank Center, 146 Valero Street, Salcedo Village, Makati City.

On November 30, 2009, FCCHI was formally dissolved pursuant to a resolution duly adopted by the FCCHI's Board of Directors and Stockholders representing at least two-thirds (2/3) of the outstanding capital stock dated October 9, 2009. Such dissolution was subsequently approved by the SEC on July 6, 2012.

In a special meeting held last November 21, 2011, the Company has decided to provide full valuation allowance on its investment in a subsidiary. Consequently, the Company recognized impairment loss of ₱3,888,000 in 2011.

On July 19, 2012, the Board of Directors approved the write-off of the investments in a subsidiary. As per Corporation Code of the Philippines, upon approval by the SEC of the amended Articles of Incorporation to shorten the corporate term, the corporation shall be deemed dissolved without any further proceedings. **Hence, starting 2012, the Company did not present consolidated financial statements.**

***Related Party Transaction Account***

The Company, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms of repayment period. The Company did not provide nor received any guarantee on its transaction with related parties. All outstanding balances are to be settled through cash or offsetting.

Relationships, Transactions and Account Balances

| | | Outstanding Balance | |
|---|---|---|---|
| **Related Parties** | **Relationship** | **June 30, 2016** | June 30, 2015 |
| The Wellex Group, Inc. | Common key management | **₱ 159,432,446** | **₱ 161,777,427** |
| Forum Exploration, Inc. | Common key management | **120,875,454** | **120,875,454** |
| Forum Exploration, Ltd. | Common key management | **(3,911,110)** | **( 3,699,742)** |

*Advances to The Wellex Group, Inc. (TWGI)*

Transactions between the Company and TWGI primarily consist of interest bearing advances granted to finance TWGI's working capital requirements.

On December 15, 2012, to settle its outstanding obligations to the Company, TWGI issued a three-year promissory note to the Company amounting to ₱330,495,385 without interest. Both parties agreed to renew the promissory note, with all terms and conditions to remain the same, on December 16, 2015 with outstanding balance of ₱322,594,547 for another three years maturing on December 16, 2018.

In addition, the Company subleases an office space from TWGI starting April 2012. The lease is for a period of two (2) years but renewable thereafter upon mutual agreement of both parties. Total rental and utilities expense charged to operations amounted to ₱55,500 for both periods ended June 30, 2016 and 2015. The lease contract was renewed for another two (2) years when the contract expired last May 2014.

Also in April 2012, the Company has entered into a consultancy agreement with TWGI, whereby the latter will provide corporate planning and financial services on its various corporate functions and undertakings. Total management fee charged to operations amounted to ₱120,000 for both periods ended June 30, 2016 and 2015. The contract was also renewed for another two (2) years when the contract expired last May 2014.

Total collections of advances from TWGI amounted to ₱908,391 and ₱2,314,320 for the 2nd quarter of 2016 and 2015, respectively.

The carrying amount of advances to TWGI as at June 30 as follows:

| | **2016** | 2015 |
|---|---|---|
| Advances | **₱ 321,686,156** | ₱ 324,031,137 |
| Allowance for impairment loss | **( 162,253,710)** | ( 162,253,710) |
| Net carrying amount | **₱ 159,432,446** | ₱ 161,777,427 |

The Company originally provides allowance for impairment amounting to ₱162,253,710 as at March 31, 2016 and 2015 on advances to TWGI prior to agreements entered to settle the outstanding advances. Allowance for impairment will be reversed once the unimpaired portion of advances is substantially collected and upon assessment by the management on the continuity of the existing agreements.

*Advances to Forum Exploration Inc. (FEI)*

Advances to FEI pertain to the carrying value of exploration net assets transferred by the Company. No transaction in the account balance was recognized for the quarter ended June 30, 2016 and 2015.

FEI is a legal and beneficial owner of 100% interest in Service Contract (SC 40), an upstream oil and gas contract area in the Philippines, entered into with the Philippine Government through the Department of Energy (DOE). Annual gas production from field on SC 40 totaled 41.09 million standard cubic feet (MMSCF) and 78.66 MMSCF since the start of production in 2012.

FEI has also implemented Work Program and Budget as approved by DOE on November 17, 2014 which includes, among others, a commitment to perform land gravity survey over the Dalingding Structure starting March 2015. Since 2014, FEI has performing geological and geophysical study aimed to identify and prioritize highly prospective areas for future exploration.

The Company has outstanding advances to FEI pertaining to the value of exploration assets transferred by the Company as follows:

| | **2016** | 2015 |
|---|---|---|
| Advances | **₱ 171,631,076** | ₱ 171,631,076 |
| Allowance for impairment loss | **( 50,755,622)** | ( 50,755,622 ) |
| Net carrying amount | **₱ 120,875,454** | ₱ 120,875,454 |

The Company is positive on FEI's success on its exploration and future development work in providing the viability of its oil properties to produce oil in commercial quantities. Accordingly, the Company has not provided additional allowance for impairment on the advances.

*Advances from Forum (FEI), Ltd.*

The Company received cash advances from Forum (FEI), Ltd. to finance its acquisition of 60% stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI). The advances have no definite terms of payment. Outstanding balance as at June 30, 2016 and 2015 amounted to ₱3,911,110 and ₱3,699,742 respectively.

*Remuneration to key management personnel*

With the Company's tight cash position, management decided to suspend any form of compensation given to key management personnel for the period ended June 30, 2016 and 2015. The administrative function of the Company is performed by its related party, TWGI.

***Current liabilities***

- This is primarily consists of Trade and Other Payable. Outstanding balance as at June 30, 2016 and 2015 amounted to ₱22,626 and ₱20,626, respectively. This includes payable for retainer fees of legal counsel and stock transfer agent of the Company and withholding taxes payable.

**The Top five (5) Key Performance Indicators are:**

6. Advances to Related Parties – currently, TWGI is funding all operational expenses of the Company.

7. Current Ratios – Current Assets against the Current Liabilities of the Company. It measures the company's ability to pay short-term obligations. Current Ratio for the 2nd Quarter of 2016 and 2015 are 793% and 972%, respectively.

8. Cash Ratio – the most conservative liquidity ratio. It excludes all current assets except the most liquid: cash and cash equivalents. It measures the amount of cash and cash equivalents there are in the current assets to cover current liabilities. The cash ratio of the company for the 2nd Quarter of 2016 and 2015 are 536% and 689%, respectively.

9. Debt ratio - It is one of the financial leverage ratios which measure the extent to which the firm is using long term debt. Formula is total debt divided by total assets. Debt ratio for the 2nd Quarter of 2016 and 2015 are 1.10% and 1.02%, respectively.

10. Debt-to-equity ratio - The formula is total debt divided by total equity. It indicates what proportion of equity and debt that the company is using to finance its assets. The debt to equity ratio for the 2nd Quarter of 2016 and 2015 are 1.11% and 1.03%, respectively.

**(i) Summary of Material Trends, Events and Uncertainties**

**Forum Pacific, Incorporated**

The shares of FPI are listed and traded in Philippine Stock Exchange (PSE). The company was registered to engage in investing, purchasing and acquiring assets of any kind and description with the secondary purpose of engaging in the exploration, development and production of petroleum and related products, as well as other mineral and chemical substances. It is presently a holding company and owning shares of stocks of an exploration company.

On July 13, 2005, the PSE suspended the trading of its shares for failure to comply with certain reporting requirements. Also on July 25, 2006, the Securities and Exchange Commission suspended the registration of the Company's securities for period of 60 days for non-filing/late filing of financial reports for 2004 and 2005.

On January 24, 2008, SEC resolved to deny the Company's request that it be allowed to pay a monetary fine in lieu of revocation of the registration of its securities. On March 27, 2008, SEC revoked the Company's registration of securities and permit to sell due to late filing of its annual financial report and other reportorial requirements. On May 5, 2008, the Company filed a petition to lift SEC's order of revocation of the registration of its securities and the permit to sell securities citing its compliance with SEC's directives to pay the assessed penalties in addition to said revocation and the fact that it has no pending case for violation of the provisions of the Securities Regulations Code and its Implementing Rules and Regulations.

On July 31, 2008, the SEC resolved to lift and set aside the revocation of the registration of the Company's securities and the permit to sell its securities.

In 2009, the Company again received an order of revocation of the registration and permits to sell the Company's securities due to late filing of the Company's 2008 audited financial statements.

On August 31, 2010, the Company received an order of revocation of the registration and the permit to sell the Company's securities due to late filing of the Company's 2009 annual reports. On September 8, 2010, the Company requested for an extension of time until September 30, 2010 for the filing of the Company's 2009 audited financial statements which was granted by SEC in a letter dated September 13, 2010. On October 5, 2010, the Company again requested the SEC an additional thirty (30) working days within which to comply with the letter from the SEC dated August 31, 2010. However, on October 7, 2010, the Company's request was denied and the SEC provided a non-extendible period of three (3) days from receipt of the letter within which to submit the 2009 annual reports.

Subsequently on February 14, 2011, the Company paid fines and penalties in the amount of P2.77 million in lieu of the Company's revocation of Registration of securities and Permit to sell securities.

On May 13, 2011, the Company again paid SEC in the amount of P760,500 as payment for its outstanding fines and penalties. On May 17, 2011, PSE lifted the Company's revocation of Registration of Securities and Permit to sell securities.

*Business Plans*

To address the foregoing matters that may raise doubt on the Company's ability to continue as a going concern, the shareholders of the Company have committed in principle to provide full financial support to the Company to sustain its operations, meet the working capital requirements and settle obligations as they fall due.

With the volatile situation of metal and oil prices in the global market, the management's previous plan on banking on new petroleum and gas and other mining contracts is temporarily reserved. The management is currently evaluating potential buyers who recently expressed interest to buy out the Company's remaining 33.33% capital stock investment in Forum Exploration, Inc. (FEI), a subsidiary of Pangilinan-led Forum Energy Plc and the project operator for Libertad Gas Field or Service Contract (SC40). The management is currently on talks with three (3) different companies for the negotiation of the possible sale.

The Company will still continue with its research and development to identify mining properties with proven mineral deposits. Management plan of acquiring a mining company with existing Mineral Product Sharing Agreement (MPSA) with the government is temporarily set aside until the prices of oil and minerals in the market become stable.

With the Company's experience in the participation on Department of Energy's (DOE) 4$^{th}$ Philippine Energy Contracting Round (PECR 4) last April 2012, evaluation of which focuses on the Company's financial and technical qualifications, the Company will prioritize the improvement of its financial position and exploring new business opportunities in order to maintain strong and healthy cash flows, and at the same time, aspiring for maximized potential earnings.

For the next twelve months, the Company will do the following:

*Plan of Operation*

a. The Company will outline business target projects, welcome other business opportunities from different industries apart from oil and gas and mineral exploration and improve its financial position. As mentioned above, the management is currently discussing on how they will proceed with its remaining 33.33% capital stock investment in Forum exploration, Inc.: On whether to sell or enter into partnership with potential buyers.

*Capital Generation and Satisfaction*

b. The Company will evaluate outstanding receivables and advances to affiliates and design collection program to improve the Company's financial status. The Board will also evaluate

calling for the remaining stock subscription as source of fund for the future projects. The Company has net advances to affiliate of ₱277.5M, subscription receivable of ₱600M and unsubscribed stocks of ₱1.6B as of June 30, 2016. The Officers and major stockholders of the Company have committed to provide full financial support to the Company once its projects will materialize and a definite project is in place. The Company estimates that it will satisfy its capital funding within two (2) years from the finalization of business project plan.

*Project Research and Development*

c. The Company is affiliated with group of mining companies. Research for areas and land mine with potential mineral deposits is being outsourced from the affiliate's group of researchers composed of geologists and mining engineers. As of this report, the management has yet to identify areas and plan of exploration to be presented to the Board for approval and resolution.

*Manpower and Capital Expenditures*

d. The Company is contemplating to purchase equipment needed should the exploration results of the mine sites prove to be favorable. Additional equipment will also be acquired to enhance its operations. Other equipment needed will be provided also by its exploration partner, Forum Exploration, Inc. (FEI).

To date, the Company's main source of revenue came from its 33.33% capital stock investment in Forum Exploration, Inc. (FEI). With the new development on its management, the Company is hoping for a positive return on its investment.

The Company's management believes that such financial support and management plan are sufficient to provide the Company the ability to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

***Writing-Off of Investments***

Express Savings Bank, Inc. (ESBI)

ESBI was 56% owned by the Company as of December 31, 2007. During 2007, the Company did not avail of its pre-emptive right to subscribe for additional shares in ESBI's increase in capitalization. This diluted the Company's interest in ESBI. In 2008, the Company eventually ceased to have control in ESBI.

On June 3, 2009, the Company executed a deed of absolute sale for its 127,415 shares in ESBI for P179.63 per share or equivalent to P22,887,556. The carrying amount of 289,806 shares in ESBI as of December 31, 2008 amounted to P1,22,592,758 or P423.02 per share. The difference between selling price and cost per share multiply by the number of ESBI shares as of December31, 2008 was recognized as impairment loss in 2008.

The investment had been recorded for P22,887,556 in the 2008 audited financial statements but the said amount represent only 127,415 shares out of 289,806 shares or 44%. An impairment loss of P99,705,202 was recorded which resulted to understatement of available-for-sale financial assets and overstatement of impairment loss in 2008 amounting to P29,170,296.

The fair value of ESBI investment as of December31, 2009 was based on the actual partial sale that occurred on July 13, 2010 in which 46,602 shares were sold for P4,660,200 at P100/share.

On August 12, 2010, the Company executed a deed of absolute sale for its 115,789 shares in ESBI at P100 per share or equivalent to P11,578,900 which is equal to the carrying value as of December 31, 2009 of P11,578,900. The Company reclassified the corresponding unrealized fair value loss amounting to P9,220,278 from unrealized fair

value loss on available-for-sale financial assets in equity to the statement of comprehensive income.

On July 8, 2011, the Monetary Board (MB) of the Bangko Sentral ng Pilipinas placed Express Savings Bank, Inc. under receivership of the Philippine Deposit Insurance Corporation (PDIC) by virtue of MB resolution No. 987.B. As receiver, PDIC took over the bank on July 8, 2011. In 2011, the management, upon recommendation of the Audit Committee, has written off its remaining investment in ESBI. The Company reclassified the corresponding unrealized fair value loss amounting to ₱3,710,917 from unrealized fair value loss on available-for-sale financial assets in equity to the statement of comprehensive income.

Forum Coal Cebu Holdings, Inc. (FCCHI)

The Company owns 60% of the stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI), a domestic corporation registered with the SEC on February 3, 2006. Its primary purpose is to acquire, hold and dispose of bonds, debentures, promissory notes, shares of capital and the likes, without engaging as a dealer or broker of securities. Its registered office is located at 14th Floor Pearlbank Center, 146 Valero Street, Salcedo Village, Makati City.

On November 30, 2009, FCCHI was formally dissolved pursuant to a resolution duly adopted by the FCCHI's Board of Directors and Stockholders representing at least two-thirds (2/3) of the outstanding capital stock dated October 9, 2009. Such dissolution was subsequently approved by the SEC on July 6, 2012.

In a special meeting held last November 21, 2011, the Company has decided to provide full valuation allowance on its investment in a subsidiary. Consequently, the Company recognized impairment loss of ₱3,888,000 in 2011.

On July 19, 2012, the Board of Directors approved the write-off of the investments in a subsidiary. As per Corporation Code of the Philippines, upon approval by the SEC of the amended Articles of Incorporation to shorten the corporate term, the corporation shall be deemed dissolved without any further proceedings. **Hence, starting 2012, the Company did not present consolidated financial statements.**

**ii) Events that will Trigger Direct of Contingent Financial Obligation**

Since Forum Pacific Inc. are still looking a strategic partner to enhance the development of the company specially in exploration business, the company are no events that will trigger direct of contingent financial obligation that is material to Forum Pacific Inc. including any default or acceleration of an obligation.

**(ii) Material Off-Balance Sheet Transactions, Arrangements, Obligations**

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of Forum Pacific Inc. with unconsolidated entities or other persons created during the reporting period.

**(iii) Commitment For Capital Expenditures**

The material commitments for capital expenditures of the company are primarily includes; salaries and wages, taxes, depreciation and utilities and other related overheads. Since the parent company, still focus on looking for a strategic partner, there are no major expenses of the business for the year.

**(iv) Any Known Trends, Events of Uncertainties (Material Impact on Net Sales / Net Income)**

The Company is mainly exposed to liquidity risk through its maturing liabilities. The Company has a policy of regularly monitoring its cash position to ensure that maturing liabilities will be adequately met. Liquidity refers to the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The details of the maturity analysis of the Company's liabilities are as follows:

| **June 30, 2016** | **Total** | **On demand** | **Less than three months** | **3-12 months** | **1-5 years** |
|---|---|---|---|---|---|
| Advances from related parties | **₱ 3,911,110** | **₱ –** | **₱ –** | **₱ –** | **₱ 3,911,110** |
| Trade and other payables | **22,626** | **–** | **–** | **22,626** | **–** |
| | **₱ 3,933,736** | **₱ –** | **₱ –** | **₱ 22,626** | **₱ 3,911,110** |

| June 30, 2015 | Total | On demand | Less than three months | 3-12 months | 1-5 years |
|---|---|---|---|---|---|
| Advances from related parties | ₱ 3,699,742 | ₱ – | ₱ – | ₱ – | ₱ 3,699,742 |
| Trade and other payables | 20,626 | – | – | 20,626 | – |
| | ₱ 3,720,367 | ₱ – | ₱ – | ₱ 20,626 | ₱ 3,699,742 |

**(v) Significant Element of Income or Loss That Did Not Arise From Continuing Operation**

*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 debts 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 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, 2017, with earlier application permitted.

The management does not anticipate significant impact on the application of PFRS 9 on the Company's financial statements as the AFS financial assets will continue to be measured at fair value with fair value changes recognize in the other comprehensive income, and advances to related parties, accounts payable and other liabilities and advances from related parties will continue to be measured at amortized cost.

**(vi) Material Changes on Line Items in Financial Statements**

Material changes on line items in financial statements are presented under the captions 'Changes in Financial Condition" and 'Changes in Operating Results" above, see attached Notes to Financial Statements.

**(vii) Effect of Seasonal Changes in the Financial Condition or Results of Operations**

The financial condition or results of operations is not affected by any seasonal change.

## PART II - OTHER INFORMATION

**(1) Market Information**

a) The principal market of Forum Pacific Inc. common equity is the Philippine Stock Exchange, Inc. (PSE) where it was listed on December 19, 1994. The high and low sales prices by quarter for the last 3 years are as follows:

***" CLASS A "***

| | | High | Low |
|---|---|---|---|
| 2016 | First Quarter | 0.240 | 0.231 |
| | Second Quarter | 0.235 | 0.210 |
| 2015 | First Quarter | 0.325 | 0.300 |
| | Second Quarter | 0.208 | 0.208 |
| | Third Quarter | 0.295 | 0.250 |
| | Fourth Quarter | 0.225 | 0.225 |
| 2014 | First Quarter | 0.180 | 0.180 |
| | Second Quarter | 0.163 | 0.154 |
| | Third Quarter | 0.215 | 0.189 |
| | Fourth Quarter | 0.213 | 0.195 |
| 2013 | First Quarter | 0.235 | 0.215 |
| | Second Quarter | 0.219 | 0.151 |
| | Third Quarter | 0.209 | 0.165 |
| | Fourth Quarter | 0.217 | 0.214 |

The high, low and close market price is ₱0.235, ₱0.210, and ₱0.230 per share as of June 30, 2016, respectively (the latest practicable trading date). There were no stock price quotations for the 1st quarter of 2011 due to trading suspension imposed by PSE for non-compliance with various reports. On May 17, 2011, trading suspension has been lifted after the Company complied thereof. The Corporation has only one class of registered security, "Class A – Common Shares".

b) The number of shareholders of record as of March 31, 2016 was 888. Common shares issued and subscribed as of June 30, 2016 were 1,838,943,246.

**Forum Pacific Inc.**
**List of Top 20 Stockholders**
**As of June 30, 2016**

| | Name | Number of Shares Held Class A | Percentage to Total |
|---|---|---|---|
| 1 | International Polymer Corporation | 496,887,494 | 26.501 |
| 2 | PCD Nominee Coporation | 414,059,624 | 22.083 |
| 3 | The Wellex Group, Inc. | 376,950,000 | 20.104 |
| 4 | E.F. Durkee & Associates, Inc. | 77,838,563 | 4.151 |
| 5 | Intra-Invest Sec., Inc. | 48,159,000 | 2.568 |
| 6 | Metropolitan Management Corporation | 30,000,000 | 1.600 |
| 7 | PCD Nominee Coporation (Non-Filipino) | 22,830,000 | 1.218 |
| 8 | Juanito C. Uy | 22,625,001 | 1.207 |
| 9 | Pacrim Energy N.L. | 21,000,000 | 1.120 |
| 10 | Sapphire Securities, Inc. | 19,433,500 | 1.036 |
| 11 | Benito Ong and/or Zita Y. Ong | 18,000,000 | 0.960 |
| 12 | Nestor S. Mangio | 12,500,000 | 0.667 |
| 13 | Li Chih-Hui | 12,100,000 | 0.645 |
| 14 | A & A Securities, Inc. | 11,911,320 | 0.635 |
| 15 | Mark Securities Corporation | 10,772,800 | 0.575 |
| 16 | Globalinks Sec. & Stocks, Inc. (A/C# CWUSO001) | 9,400,000 | 0.501 |
| 17 | Belson Securities, Inc. | 9,200,000 | 0.491 |
| 18 | Wealth Securities, Inc. | 8,240,000 | 0.439 |
| 19 | Ruben M. Gan | 7,610,000 | 0.406 |
| 20 | David Go Securities Corporation | 6,880,000 | 0.367 |

**FORUM PACIFIC, INC.** **Annex A.1**
**STATEMENT OF FINANCIAL POSITION**
**AS OF JUNE 30, 2016 (in Php)**

| Account Titles | Note | Unaudited June 30, 2016 | Unaudited June 30, 2015 | Audited Dec. 31, 2015 |
|---|---|---|---|---|
| **Current Assets** | | | | |
| Cash | **5** | **121,296** | 142,092 | 514,110 |
| Prepayments and other current assets | **6** | **58,213** | 58,340 | 58,213 |
| | | **179,509** | 200,432 | 572,323 |
| **Non-current Assets** | | | | |
| Advances to related parties | **10** | **280,307,900** | 282,652,880 | 281,216,291 |
| Available-for-sale financial assets – net | **7** | **78,196,656** | 83,467,295 | 78,196,656 |
| | | **358,504,556** | 366,120,176 | 359,412,947 |
| **TOTAL ASSETS** | | **358,684,065** | 366,320,608 | 359,985,270 |
| **Current Liabilities** | | | | |
| Accounts payable and other current liabilities | **8** | **22,626** | 20,626 | 355,941 |
| **Non-current Liabilities** | | | | |
| Advances from related parties | **10** | **3,911,110** | 3,699,742 | 3,911,110 |
| **TOTAL LIABILITIES** | | **3,933,736** | 3,720,367 | 4,267,051 |
| **EQUITY** | | | | |
| Capital Stock | **9** | | | |
| Common stock, ₱1 par value | | | | |
| Authorized shares – 3,500,000,000 shares | | | | |
| Issued – 819,355,920 shares | | **819,355,920** | 819,355,920 | 819,355,920 |
| Subscribed – 1,055,644,080 shares | | | | |
| (on which subscription receivables amounts to ₱667,456,379) | | **388,187,701** | **388,187,701** | **388,187,701** |
| | | **1,207,543,621** | **1,207,543,621** | **1,207,543,621** |
| Treasury shares – 36,056,750 shares at cost | | **(36,056,750)** | (36,056,750) | (36,056,750) |
| Unrealized fair value loss on AFS assets | | **6,776,538** | 12,047,176 | 6,776,538 |
| Deficits | | **(823,513,080)** | (820,933,807) | (822,545,190) |
| **TOTAL EQUITY** | | **354,750,329** | 362,600,240 | 355,718,219 |
| **TOTAL LIABILITIES AND EQUITY** | | **358,684,065** | 366,320,608 | 359,985,270 |

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

**FORUM PACIFIC, INC.** **Annex A.2**

**STATEMENTS OF COMPREHENSIVE INCOME**

**FOR THE QUARTER ENDED JUNE 30, 2016 AND 2015**

| | **April – June 2016** | April – June 2015 | **January – June 2016** | January – June 2015 |
|---|---|---|---|---|
| **Revenue** | **–** | **–** | **–** | **–** |
| **Costs and Expenses** (Note 11) | **(₱ 291,962)** | (₱ 317,227) | **(₱ 968,058)** | (₱ 981,527) |
| **Gross Income (Loss)** | **( 291,962)** | ( 317,227) | **( 968,058)** | ( 981,527) |
| **Other Income** | **–** | – | **168** | 105 |
| **Income (Loss) for the period** | **( 291,962)** | (₱ 317,227) | **(₱ 967,890)** | (₱ 981,422) |
| **Loss per share** (Note 14) | **(₱ 0.00025)** | (₱ 0.00027) | **(₱ 0.00083)** | (₱ 0.00084) |

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

**FORUM PACIFIC, INC. AND SUBSIDIARY** **Annex A.3**

**STATEMENTS OF CASH FLOW**

**For the quarter ended June 30, 2016**

| | Unaudited 2nd Qtr. Jan.-Jun. 2016 | Unaudited 2nd Qtr. Jan.-Jun. 2015 | Audited Dec. 31, 2015 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Loss before tax | **(₱ 967,890)** | (₱ 981,422) | (₱2,592,805) |
| Adjustments for: | | | |
| Provision for impairment of input tax | 115,070 | 128,099 | 227,446 |
| Unrealized foreign exchange loss (gain) | – | – | 211,368 |
| Operating income (loss) before working capital changes | **( 852,820)** | ( 853,323) | (2,153,991) |
| Decrease (Increase) in prepayments and other current assets | **–** | ( 20,110) | ( 247,429) |
| Increase (decrease) in accounts payable and other liabilities | **( 333,316)** | ( 406,027) | ( 70,712) |
| Net cash used in operating activities | **(1,186,136)** | ( 1,279,460) | (2,472,132) |
| **CASH FLOWS FROM INVESTING ACTIVITY** | | | |
| Collections from (payments of): | | | |
| Advances to related parties | **793,322** | 1,290,366 | 2,855,056 |
| Net cash provided by investing activity | **793,322** | 1,290,366 | 2,855,056 |
| **CASH FLOW FROM FINANCING ACTIVITY** | | | |
| Collections from (payments of): | | | |
| Advances from related parties | **–** | – | – |
| Net cash used in financing activity | **–** | – | – |
| **NET INCREASE (DECREASE) IN CASH** | **(392,814)** | 10,906 | 382,924 |
| **CASH** | | | |
| At beginning of year | **514,110** | 131,186 | 131,186 |
| At end of year | **₱121,296** | ₱142,092 | ₱514,110 |

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

**FORUM PACIFIC, INC. AND SUBSIDIARY** **Annex A.4**
**Statements of Changes in Equity**
**For The Quarter Ended June 30, 2016 and 2015**

| | 2nd Qtr. Jan. – Jun. 2016 | 2nd Qtr. Jan. – Jun. 2015 | Audited Dec. 31, 2015 |
|---|---|---|---|
| Capital Stock | **₱1,207,543,621** | ₱1,207,543,621 | ₱1,207,543,621 |
| Treasury Shares | **(36,056,750)** | (36,056,750) | (36,056,750) |
| Unrealized Fair Value Gain (Loss) on Available-For-Sale Financial Assets | **6,776,538** | 12,047,176 | 6,776,538 |
| Deficit - Beginning | **(822,545,190)** | (819,952,384) | (819,952,385) |
| Net Loss for the period | **( 967,890)** | ( 981,422) | ( 2,592,805) |
| Deficit - Ending | **(823,513,080)** | (820,933,806) | (822,545,190) |
| **TOTAL STOCKHOLDER'S EQUITY** | **₱354,750,329** | ₱ 362,600,240 | ₱355,718,219 |

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

**FORUM PACIFIC, INC.**

**Annex A.5**

**NOTES TO INTERIM FINANCIAL STATEMENTS**
June 30, 2016

## Note 1 – Organizational Information

Forum Pacific, Inc., (the "Company"), was incorporated in the Philippines on January 8, 1993 primarily to engage in investing, purchasing and acquiring assets of any kind and description with the secondary purpose of engaging in the exploration, development and production of petroleum and related products as well as other mineral and chemical substances was formerly known as Cophil Exploration, Inc.

On September 2, 1996, the Company changed its name from Cophil Exploration, Inc. to Forum Pacific, Inc. and again on September 8, 1997, the Company changed its name from Forum Pacific, Inc. to Air Philippines International Corporation (APIC). In 2000, the Company changes back its name to Forum Pacific, Inc.

The Company's shares are listed and traded in the Philippine Stock Exchange (PSE). Its principal office is located at 35$^{th}$ Floor One Corporate Center, Doña Julia Vargas Ave. corner Meralco Ave., Ortigas Center, Pasig City.

The Company has 60% ownership interest in Forum Coal Cebu Holdings, Inc. (FCCHI).

On November 30, 2009, FCCHI was formally dissolved pursuant to a resolution duly adopted by the FCCHI's Board of Directors and Stockholders representing at least two-thirds (2/3) of the outstanding capital stock dated October 9, 2009. Such dissolution was subsequently approved by the SEC on July 6, 2012.

In a special meeting held last November 21, 2011, the Company has decided to provide full valuation allowance on its investment in FCCHI. On July 19, 2012, the Board of Directors approved the write-off of the investments in FCCHI. As per Corporation Code of the Philippines, upon approval by the SEC of the amended Articles of Incorporation to shorten the corporate term, the corporation shall be deemed dissolved without any further proceedings. **Hence, starting 2012, the Company did not present consolidated financial statements.**

## Note 2 – Management Assessment of the Going Concern Assumption and Business Plans

*Management's Assessment of the Going Concern Assumption*

Management believes that the going concern assumption is appropriate despite the existence of material uncertainty caused by recurring substantial losses of the Company. The Company incurred losses amounting to ₱291,962 and ₱317,227 in June 30, 2016 and 2015, respectively. The Company had accumulated deficit of ₱823,513,079 and ₱820,933,807 as at June 30, 2016 and 2015 respectively.

*Business Plans*

To address the foregoing matters that may raise doubt on the Company's ability to continue as a going concern, the shareholders of the Company have committed in principle to provide full financial support to the Company to sustain its operations, meet the working capital requirements and settle obligations as they fall due.

With the volatile situation of metal and oil prices in the global market, the management's previous plan on banking on new petroleum and gas and other mining contracts is temporarily reserved. The management is currently evaluating potential buyers who recently expressed interest to buy out the Company's remaining 33.33% capital stock investment in Forum Exploration, Inc. (FEI), a subsidiary of Pangilinan-led Forum Energy Plc and the project operator for Libertad Gas Field or Service

Contract (SC40). The management is currently on talks with three (3) different companies for the negotiation of the possible sale.

The Company will still continue with its research and development to identify mining properties with proven mineral deposits. Management plan of acquiring a mining company with existing Mineral Product Sharing Agreement (MPSA) with the government is temporarily set aside until the prices of oil and minerals in the market become stable.

With the Company's experience in the participation on Department of Energy's (DOE) 4th Philippine Energy Contracting Round (PECR 4) last April 2012, evaluation of which focuses on the Company's financial and technical qualifications, the Company will prioritize the improvement of its financial position and exploring new business opportunities in order to maintain strong and healthy cash flows, and at the same time, aspiring for maximized potential earnings.

For the next twelve months, the Company will do the following:

*Plan of Operation*

a. The Company will outline business target projects, welcome other business opportunities from different industries apart from oil and gas and mineral exploration and improve its financial position. As mentioned above, the management is currently discussing on how they will proceed with its remaining 33.33% capital stock investment in Forum exploration, Inc.: On whether to sell or enter into partnership with potential buyers.

*Capital Generation and Satisfaction*

b. The Company will evaluate outstanding receivables and advances to affiliates and design collection program to improve the Company's financial status. The Board will also evaluate calling for the remaining stock subscription as source of fund for the future projects. The Company has net advances to affiliate of ₱277.5M, subscription receivable of ₱600M and unsubscribed stocks of ₱1.6B as of June 30, 2016. The Officers and major stockholders of the Company have committed to provide full financial support to the Company once its projects will materialize and a definite project is in place. The Company estimates that it will satisfy its capital funding within two (2) years from the finalization of business project plan.

*Project Research and Development*

c. The Company is affiliated with group of mining companies. Research for areas and land mine with potential mineral deposits is being outsourced from the affiliate's group of researchers composed of geologists and mining engineers. As of this report, the management has yet to identify areas and plan of exploration to be presented to the Board for approval and resolution.

*Manpower and Capital Expenditures*

d. The Company is contemplating to purchase equipment needed should the exploration results of the mine sites prove to be favorable. Additional equipment will also be acquired to enhance its operations. Other equipment needed will be provided also by its exploration partner, Forum Exploration, Inc. (FEI).

To date, the Company's main source of revenue came from its 33.33% capital stock investment in Forum Exploration, Inc. (FEI). With the new development on its management, the Company is hoping for a positive return on its investment.

The Company's management believes that such financial support and management plan are sufficient to provide the Company the ability to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

BASIS OF PREPARATION OF INTERIM FINANCIAL STATEMENT

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investments, in accordance with applicable Philippine Accounting Standards and in accordance with reporting practices applicable to the subsidiary bank.

The financial statements are presented in Philippine pesos, which is the Company's functional currency.
The financial statements have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS), which are accounting principles generally accepted in the Philippines. These are the Company's first PFRS financial statements where PRFS 1, "First Time Adoption of the Philippine Financial Reporting Standards", has been applied.

The preparation of the financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

## Note 3 – Summary of Significant Accounting Policies

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

### Statement of Compliance

The financial statements of the Company have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

### Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for the Company's available-for-sale financial assets, which are stated at fair value.

### Functional and Presentation Currency

The financial statements are presented in Philippine Peso (₱), the Company's functional 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 and Philippine Interpretations which were adopted as at January 1, 2015.

*PFRS 10 Consolidated Financial Statements, PFRS 12 Disclosure of Interest in Other Entities and PAS 27 Separate Financial Statements – Investment Entities (Amendments)*. The amendments to

PFRS 10 define an investment entity and sets out an exception for a parent company that is an investment entity to consolidate its subsidiaries. Instead, the standard requires to measure the investment in its subsidiaries at fair value through profit or loss in accordance with PFRS 9, Financial Instruments in its consolidated and separate financial statements (PAS 27). The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities. These amendments also introduce new disclosure requirements for investment entities in PFRS 12 and PAS 27. These amendments are effective for annual periods beginning on or after January 1, 2014. The amendments have no impact on the Company's financial statements since the Company is not an investment entity.

*PAS 32 (Amendment), Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*. These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearinghouse systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are effective for annual periods beginning on or after January 1, 2014. The amendment did not have a significant impact on the Company's financial statements as the Company does not have any financial assets and financial liabilities that qualify for offsetting.

*PAS 36 (Amendment), Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets.* This amendments clarify that the requirement for the disclosure of the recoverable amount of an asset or cash-generating units is only required in the periods in which the impairment has been recorded or reversed. Amendments are also made to expand and clarify the disclosure requirements when the recoverable amount has been determined on the basis of fair value less costs of disposal and to introduce a requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less costs of disposal is determined using a present value technique. The amendments are effective for annual periods beginning on or after January 1, 2014. The amendment has no impact on the Company's financial statements since the Company's non-financial assets are not impaired.

*PAS 39 (Amendment), Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting,* effective January 1, 2014, These amendments allow hedge accounting to continue when derivatives are novated, provided the following criteria are met: (a) the novation is required by laws or regulations; (b) the novation results in a central counterparty becoming the new counterparty to each of the parties to the novated derivative; and (c) the changes in terms of the novated derivative are limited to those necessary to effect the terms of the novated derivative. The amendments are effective for annual periods beginning on or after January 1, 2014. The amendment has no impact on the Company's financial statements since the Company has no derivatives designated as hedging instruments.

*IFRIC Interpretation 21, Levies*. This interpretation addresses the accounting for a liability to pay a levy that is accounted for in accordance with PAS 37 Provisions, Contingent Liabilities and Contingent Assets and those whose timing and amount is certain. This interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. The liability to pay a levy is recognized progressively when the obligating event occurs over a period of time. If the levy is subject to a minimum threshold, recognition of a levy liability occurs only at the point the minimum threshold is reached.

The amendments are effective for annual periods beginning on or after January 1, 2014. The interpretation has no impact on the Company's financial statements since the Company is not subject to levy as at the end of the reporting period.

**New accounting standards, interpretations and amendments to existing standards effective subsequent to January 1, 2015**

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

*Annual Improvements to PFRS 2010 – 2012 Cycle*

The annual improvements address the following issues:

*PFRS 2 (Amendment), Share-based Payment – Definition of vesting condition*, focuses on the amendment of the definitions of 'vesting condition' and 'market condition' and added definitions for 'performance condition' and 'service condition' which are previously included in the definition of vesting conditions.

The management is still evaluating the impact of the above improvements on the Company's financial statements.

*PFRS 3 (Amendment), Business Combinations – Accounting for contingent consideration in a business combination,* clarifies that contingent consideration that is not classified as equity shall be measured at fair value at each reporting date and changes in fair value shall be recognized in profit or loss, irrespective of whether it is within the scope of PFRS 9, Financial Instruments.

The amendment is not applicable to the Company.

*PFRS 8 (Amendment), Operating Segments – Aggregation of operating segments and Reconciliation of the total of the reportable segments' assets to the entity's assets,* requires disclosure of judgments made by management in applying the aggregation criteria to operating segments which includes (a) a brief description of the operating segments that have been aggregated and (b) the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. These amendments also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly to the chief operating decision maker.

The management is still evaluating the impact of the above improvements on the Company's financial statements.

*PFRS 13 (Amendment), Fair Value Measurement – Short-term receivables and payables*
This amendment states that issuing PFRS 13 and amending PFRS 9, Financial Instruments and PAS 39, Financial Instruments: Recognition and Measurement did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.

The management is still evaluating the impact of the above improvements on the Company's financial statements.

*PAS 16 (Amendment), Property, Plant and Equipment – Revaluation method: proportionate restatement of accumulated depreciation,* clarifies that when an item of property, plant and equipment is revalued, the carrying amount of asset is adjusted to the revalued amount. At the date of revaluation, the asset is treated in one of the following ways: (a) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses, or (b) the accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is not applicable to the Company.

*PAS 24(Amendment), Related Party Disclosures – Key management personnel,* clarifies that a management entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

The management is still evaluating the impact of the above improvements on the Company's financial statements.

*PAS 38 (Amendment), Intangible Assets – Revaluation method: Proportionate restatement of accumulated amortization.* This amendment clarifies that when an intangible asset is revalued, the carrying amount of asset is adjusted to the revalued amount. At the date of revaluation, the asset is treated in one of the following ways: (a) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses, or (b) the accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendment is not applicable to the Company.

The above improvements are effective for annual periods beginning on or after July 1, 2014 and shall be applied retrospectively. However, early application of these improvements is permitted.

*Annual Improvements to PFRSs 2011 – 2013 Cycle*

The annual improvements address the following issues:

*PFRS 1 (Amendments to the Basis for Conclusions), First-time Adoption of Philippine Financial Reporting Standards – Meaning of effective PFRSs*. The amendments state that a first-time adopter is permitted to use either the PFRS that is currently mandatory or the new PFRS that is not yet mandatory, provided that the new PFRS permits early application. If a first-time adopter chooses to early apply a new PFRS, that new PFRS will be applied throughout all the periods presented in its first PFRS financial statements on a retrospective basis, unless PFRS 1 requires otherwise.

The amendment is not applicable to the Company.

*PFRS 3 (Amendments), Business Combinations – Scope exceptions for joint ventures.* This amendment clarify that PFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

The management is still evaluating the impact of the above improvements on the Company's financial statements.

*PFRS 13 (Amendment), Fair Value Measurement – Portfolio exception*, clarifies that the scope of the portfolio exception defined in paragraph 52 of PFRS 13 applies to all contracts within the scope of, and accounted for in accordance with, PAS 39 Financial Instruments: Recognition and Measurement or PFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in PAS 32 Financial Instruments: Presentation.

The management is still evaluating the impact of the above improvements on the Company's financial statements.

*PAS 40 (Amendment), Investment Property*. This amendment clarifies the interrelationship between PAS 40 and PFRS 3 Business Combinations. The amendment states that judgment is needed in determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. Determining whether a specific transaction meets the definition of a business combination and includes an investment property requires the separate application of both PFRS 3 and PAS 40.

The management is still evaluating the impact of the above improvements on the Company's financial statements.

The above amendments are effective for annual periods beginning on or after July 1, 2014 and shall be applied retrospectively. However, early application of these amendments is permitted.

*PAS 19 (Amendments) Employee Benefits – Defined Benefit Plans: Employee Contributions.* The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. If contributions from employees or third parties are linked to service, those contributions reduce the service cost as follows:(a) if the amount of the contributions is dependent on the number of years of service, an entity shall attribute

the contributions to periods of service, i.e. either using the plan's contribution formula or on a straight-line basis; or (b) if the amount of the contributions is independent of the number of years of service, the entity is permitted to recognize such contributions as a reduction of the service cost in the period in which the related service is rendered. The amendments are effective for annual periods beginning on or after July 1, 2014.

The amendment is not expected to have an impact on the Company's financial statements as the Company does not have contributions from employees or third parties that are linked to period of service.

PFRS 11, *Joint Arrangement — Accounting for Acquisitions of Interests in Joint Operations (Amendments)*. The amendments require 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 amendments apply 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 re-measured). The amendments apply 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 is not applicable to the Company.

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 chose 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 will not have an impact on the Company's statements since the Company is no longer a first-time adopter of PFRS on its mandatory effective date. Hence, this standard is no longer applicable to the Company.

PAS 16, *Property, Plant and Equipment — Clarification of Acceptable Methods of Depreciation (Amended)*. These amendments clarify 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 reflects 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 amendments will not have impact on the Company's financial statements as the Company does not have property and equipment.

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, 2017, with earlier application permitted.

The Management does not anticipate a significant impact on the application of PFRS 9 on the Company's financial statements as the AFS financial assets will continue to be measured at fair value with fair value changes recognize in the other comprehensive income, and advances to related parties, accounts payable and other liabilities and advances from related parties will continue to be measured at amortized cost.

**Financial Instruments**

*Initial recognition, measurement and classification of financial instruments*

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

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

On initial recognition, the Company classifies its financial assets in the following categories: financial assets at fair value through profit and loss (FVPL), loans and receivables, available-for-sale (AFS) financial assets and held to maturity investment (HTM). The Company also classifies its financial liabilities into 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.

As at June 30, 2016 and 2015, the Company did not hold any financial assets at FVPL and HTM, and financial liabilities at FVPL.

**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 Company.

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

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

The Company 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 financial statements on a recurring basis, the Company 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 Company determines the policies and procedures for both recurring fair value measurement, such as financial assets at FVPL, and for non-recurring measurement, such as investment properties.

For the purpose of fair value disclosures, the Company 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 AFS financial assets are presented in Note 15.

**"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 Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the Company statement of comprehensive income unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the Company statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

**Amortized Cost of Financial Instruments**

Amortized cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

**Loans and Receivables**

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

acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the 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 Company's loans and receivables comprise of cash and advances to related parties (see Notes 5 and 10).

**Cash**

The Company's cash represents cash in bank that are not legally restricted for use, which carries interest at respective bank deposit rate.

**AFS Financial Assets**

AFS financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the three other categories. The Company designates financial instruments as AFS if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS financial assets are measured at fair value with unrealized gain or loss being recognized in other comprehensive income as "Unrealized fair value gain (loss) on AFS financial assets", net of deferred income tax effect. When fair value cannot be reliably measured, AFS financial assets are measured at cost less any impairment in value.

When the investment is disposed or determined to be impaired, the cumulative gains or losses recognized as other comprehensive income is reclassified from other comprehensive income in equity to profit or loss as reclassification adjustment. The amount of the cumulative loss that is to be reclassified from equity to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial assets previously recognized in the Company's statement of comprehensive income.

Interests earned on the investments are reported as interest income using the effective interest method. Dividends earned on investments are recognized in the Statement of comprehensive income when the right of payment has been established. These financial assets are classified as noncurrent assets unless the intention is to dispose of such assets within twelve (12) months from the end of reporting period.

The Company's AFS financial assets include equity securities as at June 30, 2016 and 2015 (see Note 7).

**Other Financial Liabilities**

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

As at June 30, 2016 and 2015, included in other financial liabilities are the Company's accounts payable and other liabilities (excluding government liabilities), and advances from related parties (see Notes 8 and 10).

**Offsetting of Financial Instruments**

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

**Derecognition of Financial Assets and Financial Liabilities**

*(c) 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 Company 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 Company 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 Company 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 Company'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 Company could be required to repay.

*(d) 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 Statement of comprehensive income.

**Impairment of Financial Assets**

The Company assesses at each reporting date 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.

*(d) 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.

*(e) Loans and receivables*

The Company 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 is reduced through the use of an allowance account. The amount of loss is recognized in the Statement of comprehensive income.

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

*(f) AFS financial assets*

For AFS financial assets, the Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in fair value of the investments below its cost. The determination of what is "significant" or "prolonged" requires judgment. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in other comprehensive income is removed from equity and recognized in the Statement of comprehensive income.

Impairment losses on equity investments are not reversed through the statement of comprehensive income. Increases in fair value after impairment are recognized directly as other comprehensive income. In the case of debt instruments classified as AFS financial assets, increase in fair value after impairment is reversed in statement of comprehensive income.

**Input Tax**

The Company's input tax is stated at face value less provision for impairment, if any. Allowance for unrecoverable input tax, if any, is maintained by the Company at a level considered adequate to provide for potential uncollectible portion of the claims. The Company, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses.

**Impairment of Non-financial Assets**

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the

extent of the impairment loss (if any). When the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.
When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income.

**Retirement Benefits**

The Company does not provide any retirement benefits because it does not have any employee as at June 30, 2016 and 2015. The Company's administrative functions are performed by its related party, The Wellex Group, Inc. (TWGI).

**Current and Deferred Income Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the Company statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

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

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

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

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, carryforward 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 assets and liabilities are offset when there is a legally enforceable right to offset current tax assets 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.

**Leases**

Leases which transfer to the Company substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the Company statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized in statements of comprehensive income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.
Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the Company statement of comprehensive on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Company is a party to an operating lease as a lessee. Payments made under operating leases (less any incentives given by the lessor) are charged to statement of comprehensive income.

**Equity**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

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

*Subscribed capital stock* represents the par value of the subscribed shares.

*Subscription receivable* represents par value of the shares subscribed but the Company has not yet received the payments from the subscriber.

*Treasury shares* are own equity instruments which are reacquired, are recognized at cost and deducted from equity. No gain or loss is recognized in the statement of comprehensive income 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 in additional paid-in capital. Voting rights related to treasury shares are nullified for the Company 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 when the shares were issued and to retained earnings for the remaining balance.

*Unrealized fair value gain on AFS financial assets* represents gains from increase in the market value of AFS financial assets.

*Deficit* includes all current and prior period accumulated losses as disclosed in the statements of comprehensive income.

**Revenue Recognition**

Revenue is recognized to the extent that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

The following specific recognition criteria must also be met before revenue is recognized:

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable.

**Cost and Expense Recognition**

Cost and expenses are recognized in statements of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in statements of comprehensive income: on the basis of a direct association between the costs 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 benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.
Expenses in the statements of comprehensive income are presented using the nature of expense method.

**Foreign Currency-denominated Transactions and Translations**

*(c) Functional and Presentation Currency*

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

*(d) 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 retranslated using the applicable rate of exchange at the reporting date. Foreign exchange gains or losses are recognized in the statement of comprehensive income.

**Related Party Relationships and Transactions**

Related party relationship exists when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

**Basic Earnings (Loss) Per Share**

Basic earnings/ (loss) per share is calculated by dividing the profit (loss) by the weighted average number of common shares in issue during the year, excluding common shares purchased by the Company and held as treasury shares.

**Provisions and Contingencies**

Provisions are recognized when the Company 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 Company expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain

and its amount is estimable. The expense relating to any provision is presented in the Company statement of comprehensive income, net of any reimbursement.

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

**Events After the Reporting Date**

The Company identifies post-year events as events that occurred after the reporting date but before the date when the financial statements were authorized for issue. Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the financial statements when material.

## Note 4 – Significant Accounting Judgments, and Estimates and Assumptions

The preparation of the Company's financial statements requires management to make judgments and estimates that affect amounts reported in the Company financial statements. These judgments and estimates 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. The Company believes the following represent a summary of these significant judgments and estimate and related impact and associated risks in the Company financial statements.

**Significant Accounting Judgments in Applying the Company's Accounting Policies**

*f) Functional currency*

The Company 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 Company operates. It is the currency in which the Company measures its performance and reports its operating results.

*g) Impairment of available-for-sale financial assets*

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology, and operational and financing cash flows.

*h) Operating lease commitments*

The Company has entered into contract of lease for the office space it occupies. The Company has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Company considered, among others, the significance of the lease term as compared with the estimated useful life of the related asset. The Company accordingly accounted for these as operating leases.

*i) Impairment of input tax*

Management believes that the recoverability of input tax is doubtful since the Company is not expecting income subject to output tax in the near future. Consequently, the Company has provided full valuation allowance of its input tax as of June 30, 2016.

*j) Provisions and contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed below.

The Company has a legal case involvement in the "Field Investigation Office vs. Prospero Pichay, et al. For: Malversation." This case involves a complaint for Malversation, under R.A. No. 3019, otherwise known as the Anti-Graft and Corrupt Practices Act," and violation of the Manual of Regulations for Banks in relation to Section 36 and 37 of R.A. No. 7653, otherwise known as the "New Central Bank Act ," wherein the Board of Directors of the Local Water Utilities Administration (LWUA, FPI and Wellex Group, Inc. ("WGI"), among others, are charged with conspiring to (a) effect LWUA's supposed anomalous purchase in June 2009 from the Company (127,415 shares), WGI (310,036 shares) and other individual stockholders (78,767 shares) of their total 445,377 shares, representing approximately 60% of the total shares, in Express Savings Bank, Inc. ("ESBI") in the total amount of ₱101,363,302.85; and (b) infuse fresh capital in ESBI amounting to a total of ₱700,000,000. The Company considers this as a contingency.

As at June 30, 2016, the Company has no outstanding liabilities in relation to the above mentioned case.

**Significant Accounting Estimates and Assumptions**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*e. Deferred tax assets*

The Company reviews the carrying amounts at each reporting date and reduces deferred tax assets 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. Due to non-operation of the Company, management expects that the Company will continue to incur losses and the related deferred tax assets will not be utilized in the near future.

The Company's deferred tax assets with full valuation allowance are fully disclosed in Note 13.

*f. Allowance for impairment of advances to related parties*

Allowance for impairment of advances to related parties is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on the status of the advances to related parties, past collection experience and other factors that may affect collectibility. Allowance for impairment loss on advances to related parties amounted to ₱213,009,332 in the second quarter of 2016 and 2015, respectively (see Note 10).

*g. Allowance for impairment on AFS carried at cost*

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. Since management has assessed that the investment in AFS financial assets cannot be recovered in full and the decline in book value per share is other than temporary, the Company has provided allowance for impairment loss.

## 5. CASH

Cash represents cash in bank with outstanding balance of ₱121,296 and ₱142,092 as at June 30, 2016 and 2015, respectively. Interest income earned from bank deposits was ₱168 and ₱105 for the quarter ended June 30, 2016 and 2015.

## 6. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets as at June 30 consist of:

| | 2016 | 2015 |
|---|---|---|
| Input tax | **₱ 1,192,119** | ₱ 977,703 |
| Other current assets | **58,213** | 58,340 |
| | **1,250,332** | 1,036,043 |
| Less: Valuation allowance on input tax – note 12 | **(1,192,119)** | (977,703) |
| | **₱ 58,213** | ₱ 58,340 |

Movements in the allowance on input tax are as follows:

| | 2016 | 2015 |
|---|---|---|
| Balance at beginning of year | **₱ 1,077,050** | ₱ 849,604 |
| Provision – note 12 | **115,069** | 128,099 |
| Balance at end of year | **₱ 1,192,119** | ₱ 977,703 |

## 7. AVAILABLE-FOR-SALE FINANCIAL ASSETS - (net)

Available-for-sale financial assets as at June 30 consist of:

| | 2016 | 2015 |
|---|---|---|
| **Unquoted shares** | | |
| Cost | **₱ 73,211,573** | ₱ 73,211,573 |
| Impairment loss | **( 9,320,935)** | ( 9,320,935) |
| | **63,890,638** | 63,890,638 |
| **Quoted shares** | | |
| Cost | **7,529,480** | 7,529,480 |
| Net unrealized fair value gain | **6,776,538** | 12,047,176 |
| | **14,306,018** | 19,576,656 |
| | **₱78,196,656** | ₱ 83,467,294 |

Investment in unquoted shares of stock represents 33.33% ownership of the Company in Forum Exploration, Inc. (FEI) in 2016 and 2015. This investment is classified as AFS financial assets as the Company does not participate in the financial and operating policy of the investee which manifests control or significant influence. These investments are stated at cost less impairment loss since there is no quoted price in an active market (see Note 10).

Investment in quoted shares of stock represents 3.47% ownership investment in Philippine Estates Corporation (PHES), a publicly listed Company. The fair value of these shares has been determined directly by reference to published prices in the active market.

Management believes that the foregoing carrying amount of the Company's FEI and PHES investments approximate their fair value.

The movements in the net unrealized fair value gain on available-for-sale financial assets are as follows:

| | June 30, 2016 | June 30, 2015 |
|---|---|---|
| At beginning of year | **₱6,776,538** | ₱ 12,047,176 |
| Fair value changes during the period | **–** | – |
| Reclassification adjustment due to impairment | **–** | – |
| | **₱6,776,538** | ₱ 12,047,176 |

## 8. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities as at June 30 consist of:

| | **2016** | 2015 |
|---|---|---|
| Accounts payable | **₱ 15,000** | ₱ 15,000 |
| Taxes payable | **7,626** | 5,626 |
| | **₱ 22,626** | ₱ 20,626 |

The Company believes that the carrying amount of accounts payable and other liabilities approximates fair value.

## 9. CAPITAL STOCK

Details of the Company's capital stock as at June 30, 2016 and 2015 are as follows:

| Capital stock | **Number of Shares** | **Par value** | **Total** |
|---|---|---|---|
| Authorized | **3,500,000,000** | **₱1** | **₱ 3,500,000,000** |
| Issued and fully paid | **819,355,920** | **1** | **₱ 819,355,920** |
| Subscribed and fully paid | | | |
| Subscribed | **1,055,644,080** | **1** | **₱ 1,055,644,080** |
| Subscription receivable | **( 667,456,379)** | **1** | **( 667,456,379)** |
| | **388,187,701** | **1** | **₱ 388,187,701** |
| Subscribed and issued | **1,207,543,621** | **1** | **₱ 1,207,543,621** |
| Treasury shares | **( 36,056,750)** | **1** | **( 36,056,750)** |
| Issued and outstanding | **1,171,486,871** | **₱1** | **₱ 1,171,486,871** |

*Track record of registration of securities*

The Company was originally registered as Cophil Exploration, Inc. with the SEC on January 8, 1993. The Company was listed with the PSE on December 19, 1994 with an initial registered 50 billion shares at ₱.01 par value per share .

On September 2, 1996, the Board of Directors and stockholders approved a resolution to amend the Company's Article of Incorporation by changing the par value per share of ₱0.01 to ₱1.00, removing the pre-emptive rights of shareholders and increasing authorized capital stock from ₱500 million divided by 50 billion shares to ₱2 billion divided into 2 billion shares. On September 27, 1996, SEC approved the amendment on the Company's capital structure.

On August 22, 1997, the Board of Directors and the stockholders approved a further increase in the Company's authorized capital stock from ₱2 billion to ₱3.5 billion divided into 3.5 billion shares with a par value of ₱1 per share. On March 11, 1998, SEC approved the Company's increased in authorized capital stock.

The Company's capital stock fair values as at June 30, 2016 and 2015 amounted to ₱0.231 and ₱0.325 per share, respectively.

## 10. RELATED PARTY TRANSACTIONS

The Company, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms of repayments period.

**Relationship, Transactions and Account Balances**

| Category | Relationship | Amount/volume of transactions | | Outstanding receivable (payable) | | |
|---|---|---|---|---|---|---|
| | | **June 30, 2016** | June 30, 2015 | **June 30, 2016** | June 30, 2015 | |
| The Wellex Group, Inc.(TWGI) | Common key management | | | **₱ 321,686,156** | ₱ 324,031,137 | (b) |
| Management fee | | **₱ 232,800** | ₱ 244,800 | | | |
| Rent expense | | **116,250** | 116,250 | | | |
| Cash advance | | **559,341** | 1,953,270 | | | |
| Forum Exploration, Inc. (FEI) | Common key management | - | - | **171,631,076** | 171,631,076 | (a) |
| | | 908,391 | 2,314,320 | **493,317,232** | 495,662,213 | |
| Allowance for impairment loss | | - | - | **(213,009,332)** | (213,009,332) | |
| | | 908,391 | 2,314,320 | **280,307,900** | 282,652,881 | |
| Forum Exploration, Ltd.(FEL) | Common key management | | | **(3,911,110)** | ( 3,699,742) | (c) |

*(a) Advances to Forum Exploration, Inc. (FEI)*

Advances to FEI pertain to the carrying value of exploration assets transferred by the Company. No transaction in the account balance was recognized for the quarters ended June 30, 2016 and 2015.

| | **June 30, 2016** | June 30, 2015 |
|---|---|---|
| Advances | **₱ 171,631,076** | ₱ 171,631,076 |
| Allowance for impairment loss | **( 50,755,622 )** | ( 50,755,622) |
| Net carrying amount | **₱ 120,875,454** | ₱ 120,875,454 |

*(b) Advances to The Wellex Group, Inc. (TWGI)*

TWGI obtained advances from the Company to finance its working capital requirement.

On December 15, 2012, to settle its outstanding obligations to the Company, TWGI issued a promissory note to the Company maturing on December 15, 2015 amounting to ₱330,495,385 without interest.

In addition, the Company subleases an office space from TWGI starting April 2012. The lease is for a period of two (2) years but renewable thereafter upon mutual agreement of both parties. Total rental and utilities expense charged to operations amounted to ₱55,500 for both quarters ended June 30, 2016 and 2015, respectively (see Note 12). The lease contract was renewed for another two (2) years last May 2016.

As at June 30, the Company has outstanding lease commitment for future minimum lease payments as follows:

| | **2016** | 2015 |
|---|---|---|
| Not later than one year | **₱ 75,000** | ₱ 180,000 |
| Later than one year but not later than five years | **150,000** | 80,000 |
| | **₱ 225,000** | ₱ 260,000 |

Also in April 2012, the Company has entered into a consultancy agreement with TWGI, whereby the latter will provide corporate planning and financial services on its various corporate functions and undertakings. Total management fee charged to operations amounted to ₱120,000 for both quarters ended June 30, 2016 and 2015, respectively (see Note 12). The contract was renewed for another two (2) years last May 2016.

The lease and consultancy agreement were settled through offsetting with the advances to TWGI.

| | June 30, 2016 | June 30, 2015 |
|---|---|---|
| Advances | **₱321,686,156** | ₱ 324,031,137 |
| Allowance for impairment loss | **( 162,253,710)** | ( 162,253,710) |
| Net carrying amount | **₱159,432,446** | ₱ 161,777,427 |

*(c) Advances from Forum Exploration, Inc. Ltd. (FEI – Ltd.)*

The Company received cash advances from FEI, Ltd. to finance its acquisition of 60% stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI). The advances have no definite terms of payment.

| | June 30, 2016 | June 30, 2015 |
|---|---|---|
| At beginning of year | **₱3,911,110** | ₱ 3,699,742 |
| Unrealized foreign exchange loss (gain) – note 13 | **–** | – |
| At end of year | **₱3,911,110** | ₱ 3,699,742 |

*(d) Remuneration to key management personnel*

The Company did not provide remuneration to key management personnel for the quarter ended June 30, 2016 and 2015.The administrative function of the Company is performed by its related party, TWGI.

## 11. COSTS AND EXPENSES

Cost and expenses for the quarters ended **June 30** consists of:

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Professional fees | **₱ 195,000** | ₱ 195,000 | ₱ 229,000 |
| Membership fees and dues | **11,049** | 11,049 | 11,049 |
| Rent and utilities – note 11 | **55,500** | 55,500 | 55,500 |
| Representation | **–** | – | 500 |
| Printing and reproduction | **2,936** | 3,835 | 2,633 |
| Provision for impairment | **24,395** | – | – |
| Miscellaneous | | 51,843 | 3,250 |
| | **₱ 291,962** | ₱ 317,227 | ₱ 301,932 |

## 12. OTHER INCOME (EXPENSES) - net

Other income (expenses) as of the quarters ended **June 30** consists of:

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Unrealized foreign exchange gain (loss) | **₱** | ₱ | ₱ |
| | **–** | – | – |
| Impairment loss: | | | |
| Advances from a related party | – | – | – |
| AFS financial assets | – | – | – |
| Investments in a subsidiary – note 8 | – | – | – |
| Others | – | – | – |
| Interest income from bank deposits | 168 | 105 | – |
| | **₱ 168** | ₱ 105 | ₱ – |

## 13. INCOME TAXES

***Current and deferred tax***

The Group's rental income, net of certain deductions, from outside party (lessee) is subject to regular corporate income tax (RCIT) of 30% or minimum corporate income tax (MCIT) of 2% whichever is higher under Philippine Tax Laws.

The composition of deferred tax assets is as follows:

| | **June 30, 2016** | June 30, 2015 |
|---|---|---|
| NOLCO | ₱ 15,555,533 | ₱ 21,806,729 |
| Allowance for: | | |
| Doubtful accounts | 16,923,978 | 16,923,978 |
| Impairment loss | 150,846,422 | 285,815,361 |
| Accrued retirement benefits | 162,630 | 150,120 |
| MCIT | 489,048 | 400,148 |
| | 183,977,611 | 325,096,336 |
| Valuation allowance | (183,977,611) | ( 325,096,336) |
| | **₱ –** | ₱ – |

Deferred tax assets and liabilities are determined using the income tax rates in the period the temporary differences are expected to be recovered or settled.

A corresponding full valuation allowance on deferred tax assets have been established since management believes, that it is more likely than not, that the carry-forward benefits will not be realized in the future

As at June 30, 2016, the Company has NOLCO and MCIT that can be claimed as deduction from future income tax payable and taxable income, respectively, as follows:

| Year Incurred | Expiration Date | Beginning balance | Additions | Expired | Claimed | Ending balance |
|---|---|---|---|---|---|---|
| **NOLCO** | | | | | | |
| 2015 | 2018 | ₱ – | ₱16,052,294 | ₱ – | ₱ – | ₱16,052,294 |
| 2014 | 2017 | 9,345,875 | – | – | – | 9,345,875 |
| 2013 | 2016 | 29,959,376 | – | – | ( 2,505,770) | 26,453,606 |
| 2012 | 2015 | 34,383,845 | – | (31,788,926) | ( 2,594,919) | – |
| | | **₱72,689,096** | **₱16,052,294** | **–** | **(₱5,100,689)** | **₱ 51,851,775** |

| Year Incurred | Expiration Date | Beginning balance | Additions | Expired | Claimed | Ending balance |
|---|---|---|---|---|---|---|
| **MCIT** | | | | | | |
| 2015 | 2018 | ₱ – | ₱ 243,698 | ₱ – | ₱ – | ₱ 243,698 |
| 2014 | 2017 | 162,156 | – | – | – | 162,156 |
| 2013 | 2016 | 83,194 | – | – | – | 83,194 |
| 2012 | 2015 | 154,798 | – | ( 154,798) | – | – |
| | | **₱ 400,148** | **₱ 2432,698** | **(₱ 154,798)** | **₱ –** | **₱ 489,048** |

## 14. LOSS PER SHARE

The following table presents information necessary to calculate the loss per share as of **June 30**:

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| Net loss for the quarter | **(₱ 291,962)** | **(₱ 3217,227)** | (₱ 301,932) |
| Weighted average number of common shares outstanding during the quarter | **1,171,486,871** | **1,171,486,871** | 1,171,486,871 |
| | **(₱ 0.00025)** | **(₱ 0.00027)** | (₱ 0.00026) |

## 15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risk which results from both its operating and financing activities. The Company's risk management is coordinated with the Group, in close cooperation with the Board of Directors, and focuses on actively securing the short-term cash flows to finance its operation.

The Company's principal financial instruments comprise of cash, advances to related parties, AFS financial assets, accounts payable and other liabilities (excluding local and other taxes and other liabilities to government agencies) and advances from related parties. The main purpose of these financial instruments is to raise financing for the Company's operations. The Company does not actively engage in trading of financial assets for speculative purposes nor does it have options.

The most significant financial risks to which the Company is exposed to are described below:

***Credit risk***

Credit risk arises from cash and advances to related parties.

The maximum credit risk exposure of the financial assets is the carrying amount of the financial assets shown on the face of statement of financial position, as summarized below:

| | **June 30, 2016** | June 30, 2015 |
|---|---|---|
| Cash in bank | **₱ 121,296** | ₱ 142,092 |
| Advances to related parties, gross of allowance | **493,317,232** | 495,662,213 |
| | **₱ 493,438,528** | ₱ 495,804,305 |

The credit quality of financial assets is discussed below:

*Cash in bank*

The Company deposits its cash balance in a universal bank to minimize credit risk exposure.

*Advances to related parties*

As at June 30, 2016 and 2015, the Company classifies the credit quality of advances to related parties based on the following:

| | **2016** | 2015 |
|---|---|---|
| Group 1 | **₱ 159,432,446** | ₱ 161,777,426 |
| Group 2 | **120,875,454** | 120,875,454 |
| Group 3 | – | – |
| | **₱ 280,307,900** | ₱ 282,652,880 |

- Group 1 – Past due but not impaired with expectation of collection.
- Group 2 – Past due and impaired with expectation of collection.
- Group 3 – Past due and impaired without expectation of collection.

Group 1 and 2 mainly relates to the advances to related parties which are in difficult economic situation.

The details of the Company's aging analysis of financial assets as at June 30, 2016 and 2015 are as follo ws:

| | | | Past due but not impaired | | | | | |
|---|---|---|---|---|---|---|---|---|
| **June 30, 2016** | **Total** | **Neither past due nor impaired** | **< 30 days** | **31-90 days** | **91-180 days** | **181-360 days** | **1-3 years** | **Impaired** |
| Cash in bank | **₱121,296** | **₱121,296** | **₱-** | **₱-** | **₱-** | **₱-** | **₱ -** | **₱ -** |
| Advances to related parties - note 10 | **493,317,232** | **-** | **-** | **-** | **-** | **-** | **321,686,156** | **171,631,076** |
| | **₱493,438,528** | **₱121,296** | **₱-** | **₱-** | **₱-** | **₱-** | **₱321,686,156** | **₱171,631,076** |
| June 30, 2015 | | | | | | | | |
| Cash in bank | ₱ 142,092 | ₱142,092 | ₱- | ₱- | ₱- | ₱- | ₱ - | ₱ - |
| Advances to related parties - note 10 | 495,662,213 | - | - | - | - | - | 324,031,137 | 171,631,076 |
| | ₱495,804,305 | ₱142,092 | ₱- | ₱- | ₱- | ₱- | ₱324,031,137 | ₱171,631,076 |

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

As at June 30, 2016 and 2015, the Company has entered into an agreement with its related party to settle the advances (See Note 11).

***Liquidity risk***

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company is mainly exposed to liquidity risk through its maturing liabilities. The Company has a policy of regularly monitoring its cash position to ensure that maturing liabilities will be adequately met.

The Company manages liquidity risk by obtaining funds from related parties and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of liabilities.

The details of the maturity analysis of the Company's liabilities are as follows:

| **June 30, 2016** | **Total** | **On demand** | **Less than three months** | **3-12 months** | **1-5 years** |
|---|---|---|---|---|---|
| **Account payable and other liabilities** | **₱ 22,626** | **₱ –** | **₱ –** | **₱ 22,626** | **₱ –** |
| **Advances from related parties** | **3,911,110** | **–** | **–** | **–** | **3,911,110** |
| | **₱ 3,933,736** | **₱ –** | **₱ –** | **₱ 22,626** | **₱ 3,911,110** |

| June 30, 2015 | Total | On demand | Less than three months | 3-12 months | 1-5 years |
|---|---|---|---|---|---|
| Accounts payable and other liabilities | ₱ 20,626 | ₱ – | ₱ – | ₱ 20,626 | ₱ – |
| Advances from related parties | 3,699,742 | – | – | – | 3,699,742 |
| | ₱ 3,720,368 | ₱ – | ₱ – | ₱ 20,626 | ₱ 3,699,742 |

***Foreign currency risk***

The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to the U.S. Dollars and other foreign currencies. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. Significant fluctuation in the exchange rates could significantly affect the Company's financial position.

The Company is mainly exposed to credit risk through its advances from a related party.

The sensitivity rate used on reporting foreign currency risk internally to key management personnel is 10% and it represents management's assessment of reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary assets and liabilities and adjusts their translation at the period end for a 10% in foreign exchange rates. A positive number indicates an increase in net income when the Philippine Peso strengthens at 10% against the relevant currency. For 10% weakening of the Philippine Peso against the relevant currency, there would be an equal and opposite impact on the net income.

***Capital Risk Objective and Management***

The primary objective of the Company's capital management is to ensure its ability to continue as a going concern and that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder value.

The Board of Directors have the overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company monitors capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity. Debt-to-equity ratios as of June 30, 2016 and 2015 are 1.06% and 1.02%, respectively. Total debt is equivalent to debt shown in the Company statements of financial position. Total equity comprises all components of equity as shown in the Company statements of financial position. Total equity amounts to ₱355,042,292 and ₱362,600,240, as at June 30, 2016 and 2015, respectively.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including accrued and other payables and advances from related parties as shown in the Company statement of financial position) less cash. Total capital is calculated as Equity as shown in the Company statement of financial position plus Net Debt.

During 2016, the Company's strategy, which was unchanged from 2015, was to keep the gearing ratio below 50% as proportion to net debt to capital. The gearing ratios as at June 30, 2016 and 2015 were as follows:

| | **June 30, 2016** | June 30, 2015 |
|---|---|---|
| Accounts payable and other liabilities | **₱ 94,435** | ₱ 20,626 |
| Advances from related parties | **3,911,110** | 3,699,742 |
| Less: Cash | **( 187,147)** | ( 142,092) |
| Net debt | **3,818,398** | 3,578,275 |
| Total equity | **355,042,292** | 362,600,240 |
| Total capital | **₱ 358,860,690** | ₱ 366,178,515 |
| | **1.06%** | 1.02% |

***Comparison of Carrying Amounts and Fair Values***

The carrying amounts and fair values of the categories of assets and liabilities presented in the statement of financial position are shown below:

| | **June 30, 2015** | | June 30, 2015 | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value |
| **Financial Assets** | | | | |
| Cash | **₱ 121,296** | **₱ 121,296** | ₱ 142,092 | ₱ 142,092 |
| Advances to related parties – net | **280,307,900** | **280,307,900** | 282,652,882 | 282,652,882 |
| AFS financial assets | **78,196,656** | **78,196,656** | 83,467,295 | 83,467,295 |
| | **₱358,625,852** | **₱358,625,852** | ₱366,262,269 | ₱366,262,269 |
| **Financial liabilities** | | | | |
| Accounts payable and other liabilities | **₱ 22,625** | **₱ 22,625** | ₱ 20,626 | ₱ 20,626 |
| Advances from related parties | **3,911,110** | **3,911,110** | 3,699,742 | 3,699,742 |
| | **₱ 3,933,735** | **₱ 3,933,735** | ₱ 3,720,367 | ₱ 3,720,367 |

**Fair value estimation**

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

*Financial assets*

Cash - The carrying amounts of cash approximate fair values due to relatively short-term maturities.

Advances to affiliates - The fair value of advances to affiliates is not reasonably determined due to the unpredictable timing of future cash flows.

The carrying value of AFS financial assets approximates their fair value as they are valued at market to market based on published quoted price.

The investment in FEI is stated at cost since there is no quoted price in an active market.

*Financial liabilities*

Accounts payable and other liabilities - The carrying amounts of accounts payable and other liabilities approximate fair values due to relatively short-term maturities.

Advances from related parties - The fair value of advances from related parties is not reasonably determined due to the unpredictable timing of future cash flows.

**Fair value hierarchy**

The Company analyses financial assets carried at fair value, by valuation method.

The fair values of financial assets based on fair value hierarchy are as follows:

**June 30, 2016**

| | **Total** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|---|
| AFS financial assets | **₱ 78,196,657** | **₱ 14,306,018** | **₱** – | **₱** – |

June 30, 2015

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| AFS financial assets | **₱ 83,467,295** | **₱ 19,576,656** | **₱** – | **₱** – |

## 16. SUPPLEMENTARY INFORMATION REQUIRED BY RR-15-2010 AND RR19-2011

***Supplementary information required by Revenue Regulations 15-2010***

On December 28, 2010, Revenue Regulation (RR) No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the Notes to Financial Statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by Philippine Financial Reporting Standards.

*c) Output value-added tax*

The Company has no output VAT since it does not have any income subject to VAT for the quarter ended June 30, 2016 and 2015.

*d) Input value-added tax*

| | **June 30, 2016** | June 30, 2015 |
|---|---|---|
| At beginning of year | **₱1,077,050** | ₱ 740,316 |
| Current purchases and payments for: | | |
| Goods for resale/ manufacture | **–** | – |
| Goods other than for resale or manufacture | **–** | – |
| Capital goods subject to amortization | **–** | – |
| Capital goods not subject to amortization | **–** | – |
| Services lodged under cost of goods sold | – | – |
| Services lodged under other accounts | **115,069** | 237,387 |
| Allowance for Input VAT | **(1,192,119)** | (977,703) |
| | **₱ –** | **₱ –** |

*i) Taxes on importation*

The Company has no import transactions for the quarters ended June 30, 2016 and 2015.

*j) Excise Tax*

The Company does not have excise tax in any of the taxable years presented since it does not have any transactions which are subject to excise tax.

*k) Documentary stamp tax*

There are no documentary stamp tax paid by the Company for the quarter ended June 30, 2016 and 2015.

*l) Taxes and licenses*

Details of taxes and licenses account are broken down as follows:

| | **2016** | 2015 |
|---|---|---|
| Business permits | **₱ 16,320** | ₱ 16,405 |
| Corporate Community tax | **660** | 580 |
| BIR Annual registration | **500** | 500 |
| | **₱ 17,480** | ₱ 17,485 |

*m) Withholding taxes*

The details of total withholding taxes for the quarter ended **June 30** are shown below:

| | **2016** | 2015 |
|---|---|---|
| Withholding tax on compensation | **₱ –** | ₱ – |
| Expanded withholding tax | **22,875** | 16,875 |
| Final withholding tax | **–** | – |
| | **₱ 22,875** | ₱ 16,875 |

*n) Deficiency tax assessment and tax cases*

The Company does not have any deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR in any of the taxable years.

***Supplementary information required by Revenue Regulation 19-2011***

RR No. 19-2011 prescribes the new BIR forms that should be used for income tax filing covering and starting with the calendar year 2011 and modifies Revenue Memorandum Circular No. 57-2011. In the Guidelines and Instructions Section of the new BIR Form 1702 (version November 2011), a required attachment to the income tax returns is an Account Information Form and/or Financial Statements that include in the Notes to Financial Statements schedules of sales/receipts/fees, cost of sales/services, non-operating and taxable other income, itemized deductions (if the taxpayer did not avail of the Optional Standard Deduction or OSD), taxes and licenses and other information prescribed to be disclosed in the Notes to the Financial statements.
The schedule and information of taxable income and deductions taken for the quarter ended June 30, 2016 and 2015 are as follows:

*b) Sales/Taxable Income*

| | **June 30, 2016** | | June 30, 2015 | |
|---|---|---|---|---|
| | **Special rate** | **Regular rate** | Special rate | Regular rate |
| Sale of goods | **₱ –** | **₱ –** | ₱ – | ₱ – |
| Sale of services | **–** | **–** | – | – |
| Sale of properties | **–** | **–** | – | – |
| | **₱ –** | **₱ –** | ₱ – | ₱ – |

*c) Itemized deductions*

| | **June 30, 2016** | | June 30, 2015 | |
|---|---|---|---|---|
| | **Special rate** | **Regular rate** | Special rate | Regular rate |
| Professional fees | ₱ – | **₱ 195,000** | ₱ – | **₱ 195,000** |
| Rent and utilities | – | **55,500** | – | **55,500** |
| Office supplies | – | **–** | – | **6,960** |
| Dues and subscription | – | **11,049** | – | **11,049** |
| Training and development | – | **–** | – | **2,500** |
| Travel and transportation | – | **150** | – | **714** |
| Provision for Impairment | – | **24,395** | – | **–** |
| Printing and reproduction | **–** | **2,936** | **–** | **3,835** |
| Miscellaneous | – | **3,100** | – | **41,669** |
| **Sub-total** | – | **292,130** | – | **317,227** |
| **Allowance of NOLCO** | **–** | **–** | **–** | **–** |
| Total expenses | **₱ –** | **₱ 292,130** | ₱ – | **₱ 317,227** |

*d) Taxes and licenses*

The details of the Company's taxes and licenses for the quarter ended **June 30** are presented below:

| | **2016** | 2015 |
|---|---|---|
| Business permits | **₱ 16,320** | ₱ 16,375 |
| Corporate Community tax | **660** | 620 |
| BIR Annual registration | **500** | 500 |
| | **₱ 17,480** | ₱ 17,485 |

*f) Other information*

All other information prescribed to be disclosed by the BIR has been included in this note.

*** * * ***

**FORUM PACIFIC, INC. AND SUBSIDIARY**
**APPENDIX A – FINANCIAL SOUNDNESS**
JUNE 30, 2016

| | **June 30 2016** | June 30 2015 | December 31 2015 |
|---|---|---|---|
| **Profitability ratios:** | | | |
| Return on assets | **Nil** | Nil | Nil |
| Return on equity | **Nil** | Nil | Nil |
| Net profit margin | **Nil** | Nil | Nil |
| **Solvency and liquidity ratios:** | | | |
| Current ratio | **7.93:1** | 9.72:1 | 1.61:1 |
| Debt to equity ratio | **0.01:1** | 0.01:1 | 0.01:1 |
| Quick ratio | **5.36:1** | 6.89:1 | 1.44:1 |
| Cash-flow liquidity ratio | **N/A** | N/A | N/A |
| **Financial leverage ratio:** | | | |
| Asset to equity ratio | **1.01:1** | 1.01:1 | 1.01:1 |
| Debt to asset ratio | **0.01:1** | 0.01:1 | 0.01:1 |
| Interest rate coverage ratio | **Nil** | Nil | Nil |