109052012000694

SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	AS93000120
Company Name	FORUM PACIFIC INC.
Industry Classification	
Company Type	Stock Corporation

Document Information

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COVER SHEET

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SEC Registration No.

F O R U M P A C I F I C , I N C . A N D
S U B S I D I A R Y

(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 N A J U L I A V A R G A S A V E .
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)

Contact Person	Contact Telephone No.
Atty. Arsenio A. Alfiler Jr.	**(632) 706-7888**

Fiscal Year	FORM TYPE	Annual Meeting
1 2 **3 1**	**17-A AMENDED**	
		Month Day

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

968

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

Amended Annual Report: FPI

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A As Amended

ANNUAL REPORT PURSUANT TO SECTION 11
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the Calendar Year ended **December 31, 2011**

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. **AIR PHILS. INTERNATIONAL CORP. – 8F Rufino Plaza Bldg., Ayala Ave. Makati City**
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 – P1.00 par value	Issued - 1,838,943,246 (Partially paid Subscription – 1,148,264,079)

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 thereunder, 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: P193,021,150.36

14. Not Applicable

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

A. DESCRIPTION OF

BUSINESS (1) Business

Development

Forum Pacific, Inc. is a company incorporated in the Philippines and registered with the Securities and Exchange Commission on January 8, 1993, with a principal office at the 22nd Floor, Citibank Tower, Paseo de Roxas, Makati 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 is a holding company, owning shares of stocks of an exploration company and another holding shares of stocks. FPI and its subsidiaries are collectively referred to as ihe Group".

On September 23, 2009, FCCHI, with Forum (FEI) Ltd., entered into a Sale and Purchase Agreement (SPA) with CR Nichrome, Inc. for the sale of FCCC. FCCHI then decided through its Board of Directors to liquidate its business through shortening of its corporate term until November 30, 2009. Currently, FCCHI is in the process of completing all requirements for SEC approval and securing clearance from the Bureau of Internal Revenue (BIR). As of September 30, 2009, FCCHI ceased to have control over FCCC.

In 2008, the Parent 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 Parent 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 Parent 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 Parent 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 Parent Company's securities and the permit to sell its securities.

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

On August 31, 2010, the Parent Company received an order of revocation of the registration and the permit to sell the Parent Company's securities due to late filing of the Parent Company's 2009 annual reports. On September 8, 2010, the Parent Company requested for an extension of time until September 30, 2010 for the filing of the Parent Company's 2009 audited financial statements which was granted by SEC in a letter dated September 13, 2010. On October 5, 2010, the Parent 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 Parent 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 Parent Company paid fines and penalties in the amount of P2.77 million in lieu of the Parent Company's revocation of Registration of securities and Permit to sell securities.

On May 13, 2011, the Parent 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 Parent Company's revocation of Registration of Securities and Permit to sell.

To address the foregoing matters that may raise doubt on the Group's ability to continue as a going concern, management and stockholders of the Group have committed in principle to provide full financial support to the Group to sustain its operations, the working capital requirements and obligations as they fall due. The Group's management has been on discussion with prospective strategic partners to form a joint venture to engage in all aspects of oil related business, both downstream and upstream. The Group's management believes that such financial support and management plan are sufficient to provide the Group the ability to continue as a going concern. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Business Development of the Subsidiaries:

(2) Business of Forum Pacific, Inc.

(a) Description of Registrant

(i) Principal products and services

Forum Pacific Inc. is a publicly listed holding company with investments in subsidiaries and owning shares of stocks of another holding company and an exploration company.

Investment in FCCHI

The Parent Company owns 60% of the stockholdings of 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.

As discussed in Note 1, 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. Accordingly, FCCHI changed its basis of accounting in the preparation of its financial statements from the going-concern basis to the liquidation basis of accounting. Financial information of FCCHI for 2009 reflects the remaining assets at their liquidating values as of September 30, 2009. The Group used the September 30, 2009 audited financial statements of FCCHI as basis in the preparation of the consolidated financial statements inasmuch as management believes that transactions occurred subsequently until December 31, 2009 are minimal and that all significant account balances do not differ materially from the amount reported in the September 30, 2009 audited financial statements.

The Group used the December 31, 2011 unaudited financial statements of FCCHI (substantially as of August 31, 2010 audited balances) as basis in the preparation of the consolidated financial statements since there were no or very minimal, if any, transactions during the year.

(ii) Export Sales
Forum Pacific Inc and its subsidiary are not engaged in export sales.

(iii) Distribution Methods of the Products
Forum Pacific Inc has no distributions of products.

(iv) Publicly-announced new product or service
Forum Pacific Inc has no publicly - announced product or service.

(v) Competition
Since the subsidiary of the company is still on the exploration period, the company is not engaged in any competitions.

(vi) Sources and availability of raw materials and principal supplier
None

(vii) Dependence on one or few major customers
FPI is not dependent on any one industry, company or customers.

(viii) Transactions with and/or dependence on related parties
FPI has no major transactions on related parties.

(ix) Patent, Trademark, Copyright, Franchise, Concession or Royalty Agreement
None

(x) Government Approval of Principal Products or Services
FPI has no major approval from the government.

(xi) Effect of Existing or Probable Governmental Regulations on Business
None

(xii) Estimate of the Amount Spent During Each Year of the Last Three Calendar Years on Research and Development Activities
None

(xiii) Cost and Effects of Compliance with Environmental Laws
FPI has no cost and effects of compliance with environmental laws.

(xiv) Total Number of Fulltime Employees (as of December 31,2011)
None

(xv) Major Risk
None

(b) Additional Requirements as to Certain Issues or Issuers
Not Applicable

Item 3. Legal Proceedings

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. Having said that, the management believes that it is not liable for the claims.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the calendar year covered.

Item 5. Properties

Description of Properties

The Company's executive office is on 35th Floor One Corporate Center, Doña Julia Vargas Ave. corner Meralco Ave., Ortigas Center, Pasig City.

PART I I – OPERATIONAL AND FINANCIAL INFORMATION

Item 6. Market for Issuer's Common Equity and Related Stockholder Matters

(1) Market Information

(a) The principal market of Forum Pacific Inc. common equity is the Philippine Stock Exchange, Inc. (PSE) where it was listed. Here are list of the high and low sales price by quarter for the last 3 years are as follows:

"CLASS A"

		High	Low
2011		High	Low
	First Quarter	-	-
	Second Quarter	0.98	0.14
	Third Quarter	0.24	0.20
	Fourth Quarter	0.28	0.15
2010		High	Low
	First Quarter	-	-
	Second Quarter	-	-
	Third Quarter	-	-
	Fourth Quarter	-	-
2009		High	Low
	First Quarter	-	-
	Second Quarter	-	-
	Third Quarter	-	-
	Fourth Quarter	-	-

(2) Dividends

(a) The company's Articles of Incorporation states that dividends may be declared only out of the unrestricted retained earnings. The Company has declared no cash dividends on its common shares for the last 7 calendar years. The Company's financial statements as of December 31, 2011 reflect negative retained earnings. Thus, unless the Company's retained earnings position changes, the directors will not be able to legally declare any dividends on its common shares.

(b) Forum Pacific Inc. has no restrictions that limit the ability to pay dividends on common equity.

(3) Recent Sales of Unregistered or Exempt Securities

There are no recent sales of unregistered or exempt securities.

(4) Holders

a) The numbers of shareholders of record as of December 31, 2011 were 968 Common shares issued and subscribed as of December 31, 2011 were 1,838,943,246.

Forum Pacific Inc. Top 20 Stockholders:

	NAME	CLASS A— NO. OF SHARES HELD	% to TOTAL
1	International Polymer Corp	496,887,494	26.501
2	PCD Nominee Corp.	406,186,824	21.663
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	Benito Ong and/or Zita Y. Ong	18,000,000	0.960
12	Renato Chua	16,740,000	0.893
13	Nestor S. Mangio	12,500,000	0.667
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	PCD Nominee Corp. (Non-Filipino)	8,050,000	0.429
20	Ruben M. Gan	7,610,000	0.406

Item 7. Management's Discussion and Analysis or Plan Operation

1. Management's Discussion and Analysis

a) Key Performance Indicators

The company and its subsidiary determine their performance on the following five (5) indicators:

1. Advances to Related Parties - all payments made by the company were came from the account of the TWGI.
2. Current Ratios - Current Assets against the Current Liabilities of the Company. Current Ratio for the Y2011 is 8.71 and 7.52 for Y2010.
3. Cash Ratio - the most conservative liquidity ratio. It excludes all current assets except the most liquid: cash and cash equivalents. The cash ratio of the company for the Y2011 is 0.005 and 0.015 for Y2010.

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 theY2011 is 0.43 and 0.42 for Y2010.
5. Debt-to-equity ratio - The formula is total debt divided by total equity. The debt to equity ratio for the Y2011 is 0.77 and 0.72 for the Y2010.

Financial Highlights

The following table shows the comparative operating data and financial statements of the Company for the years ending December31, 2011, 2010 and 2009.

	Years Ended December 31		
	2011	2010	2009
REVENUES (net) - note 3	**P -**	P -	P -
COSTS AND EXPENSES - notes 3 and 8	**1,746,713**	5,596,284	1,506,025
GROSS LOSS	**1,746,713**	(5,596,284)	(1,506,025)
OTHER INCOME (EXPENSES) - net - notes 3 and 9	**(34,916,478)**	(59,348,950)	(20,488, 217)
LOSS BEFORE INCOME TAX	**(36,663,191)**	(64,945,234)	(21,994,242)
BENEFIT FROM (PROVISION FOR)			
INCOME TAX - notes 3 and 11	-	(30,432)	1,270,500
NET LOSS FOR THE YEAR	**(36, 663, 191)**	(64,975,666)	(20,723,742)
OTHER COMPREHENSIVE LOSS			
Unrealized loss on available-for-sale			
Financial assets – notes 3 and 5	**7, 880 ,859**	(1,560,700)	(15,085,037)
Translation adjustment	**(1, 154, 709)**	577,216	-
	6, 726, 150	(983,484)	(15,085,037)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(29, 937, 041)**	(P 65,959,150)	(P 35,808,779)
TOAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Equity of the parent in:			
Net loss for the year	**(36, 663, 191)**	(P 64,975,666)	(P 12,558,505)
Other Comprehensive loss	**7, 188, 034**	(1,214,370)	(15,085,037)
	(29, 475, 157)	(P 66,190,036)	(P 27,643,542)
Minority interest:			
Net loss for the year	-	-	(8,165,237)
Other comprehensive loss	**(461, 884)**	230,886	-
	(461, 884)	230,886	(8,165,237)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(29, 937, 041)**	(P 65,959,150)	(35,808,779)
LOSS PER SHARE – notes 3 and 12	**(P 0.031)**	(P 0.055)	(P 0.018)

CHANGES IN RESULTS OF OPERATION

Revenues and Earnings per share

- Since the parent company ceased to have control over ESBI the company has no revenues recorded in the year 2009, 2010 and 2011.
- The company incurred loss of P29.9 in year 2011, P65.9M in year 2010 and loses in 2009 amounted to P35.8M. The loss per share for 2011 was (P0.031), 2010 was (P0.055) and (P0.018) in 2009.

Cost and Expenses

- Cost and expenses consisted primarily of fines and penalties, professional fees, office supplies, communication, taxes and licenses, transportation & travel and other expenses. For the Year 2011 and Y2010 amounts recorded were P1.7M and P5.5M respectively.
- See notes to the financial statements and its breakdowns.

CHANGES IN FINANCIAL CONDITION

ASSETS

Cash and Cash Equivalent

In the year 2011 the total Cash and Cash Equivalent was P38,213 and in year 2010 the total Cash and Cash Equivalent was P102,082.

Advances to Affiliates

This account consists of advances mainly to The Wellex Group, Inc. (TWGI) and Forum Exploration, Inc. (FEI). The total amount of recorded for the year 2011 and 2010 were P579.4M and P602.1M respectively.

Advances to TWGI

Transactions between the Group and TWGI primarily consist of interest bearing advances granted to finance TWGI's working capital requirements. The Group also subleases it office space from TWGI (see Note 9).

In a special meeting on July 4, 2006, the Board of Directors resolved and approved the amendment of certain terms of the agreement between the Group and TWGI, effective January 1, 2005. The significant amendment is the waiving of the 2.5% interest on the outstanding principal advances of P250 million.

On December 31, 2008, the terms of the agreement with TWGI were further amended and the non-interest bearing loan will be paid equally on a quarterly basis within five years starting March 31, 2010.

Due to default in quarterly payments, management has estimated and recognized impairment loss amounting to P32,944,556 in 2010 for its advances to TWGI.

On December 15, 2011, further amendment on the terms of agreement with TWI was made and the non-interest bearing loan will be paid through assuming working capital requirements of the Group. Total collections of advances to TWGI amounted to P5,762,946 and P1,207,854 in 2011 and 2010, respectively.

Advances to FEI

The advances to FEI pertain to the carrying value of exploration net assets transferred by the Parent Company. The Company recognized impairment loss amounting to P17,221,059 on its advances to FEI in 2011.

Current Liabilities

Accounts Payable, Accrued Expenses, Withholdinq Taxes Payable and !ncome tax payable

These accounts consist of Accounts Payable, Withholding tax Payable, Income Tax Payable and Accrued Expense account and a total amounted to P2.7 Million for 2011 and P6.6 Million for 2010. See notes to the Notes to the Financial Statements.

(i) Summary of Material Trends, Events and Uncertainties

Forum Pacific, Incorporated

The parent company or FPI. 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 Parent 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 Parent 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 Parent 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 Parent Company's securities and the permit to sell its securities.

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

On August 31, 2010, the Parent Company received an order of revocation of the registration and the permit to sell the Parent Company's securities due to late filing of the Parent Company's 2009 annual reports. On September 8, 2010, the Parent Company requested for an extension of time until September 30, 2010 for the filing of the Parent Company's 2009 audited financial statements which was granted by SEC in a letter dated September 13, 2010. On October 5, 2010, the Parent 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 Parent 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 Parent Company paid fines and penalties in the amount of P2.77 million in lieu of the Parent Company's revocation of Registration of Securities and Permit to sell securities.

On May 13, 2011, the Parent 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 Parent Company's revocation of Registration of Securities and Permit to sell securities.

Express Savings Bank, Inc. (ESBI)

ESBI was 56% owned by the Parent Company as of December 31, 2007. During 2007, the Parent Company did not avail of its pre-emptive right to subscribe for additional shares in ESBI's increase in capitalization. This diluted the Parent Company's interest in ESBI. In 2008, the Parent Company eventually ceased to have control in ESBI.

On June 3, 2009, the Parent Company executed a deed of absolute sale for its 127,415 shares in ESBI for P1 79.63 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 Parent 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 Parent 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.

(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 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 (Please see the notes in Audited Consolidated Financial Statements.)

(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 Net Sales / Net Income)

In the Audited Financial Statement 2011 states that the total comprehensive loss amounted to P29.9 million. (Please see Notes to Financial Statements)

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

The adoption of PFRS 5 stated that "Non-current Assets Held for Sale and Discontinued Operations". FPI will have no impact on the consolidated financial statements, other than those discussed in Notes to Financial Statements.

(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.

Item 8. Financial Statements

The consolidated Financial Statements and related Notes to Financial Statements of the Company are incorporated herein by reference and attached as an integral part of this Annual Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Information on Independent Accountant and other Related Matters

(1) External Audit Fees and Services

(a) Audit and related fees for Forum Pacific Incorporated (Parent) are P294,000 in 2011, P 280,000 in 2010 and P360,000 in 2009 for expressing an opinion on the financial statements and assistance in preparing the annual income tax return. Any deficiencies in internal control and detected misstatements and fraudulent or illegal acts are other information given to the attention of the management.

(b) Tax fees - see Notes to Financial Statements.

(c) Other fees - see Notes to Financial Statements.

(d) Audit committee's approval policies and procedures for the above services - the committee will evaluate the proposals from known external audit firms. The review will focus on quality of service, commitment to deadline and fees as a whole, and no one factor should necessarily be determinable.

(2) Changes and disagreements with Accountants on Accounting and Financial Disclosure

No independent accountant who was previously engaged as the principal accountant to audit Forum Pacific Inc. Financial Statements, on whom the principal accountant expressed reliance in its report regarding a significant subsidiary, has resigned (or indicated it has declined to stand for re-election after the completion of the current audit) or was dismissed in the two most recent fiscal years or any subsequent interim period. Furthermore, there was no disagreement with the former accountant on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 10. Directors and Executive Officers of the Issuer

(1) Directors, including Independent Directors and Executive Officers

a. There are eleven (11) members of the board, three (3) of whom are independent directors.

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

Name	Age	Citizenship	Position and Office
Geronimo F. Velasco	52	Filipino	Chairman of the Board / Independent Director
Peter S. Salud	57	Filipino	President / Director
Weslie T. Gatchalian	32	Filipino	Director
Elvira A.Ting	52	Filipino	Director / Vice Chairman
Federico E. Puno	65	Filipino	Independent Director
Atty. Lamberto A. Mercado	49	Filipino	Director
Byoung Hyun Suh	55	Filipino	Independent Director
Rogelio D. Garcia	72	Filipino	Director
Kenneth T. Gatchalian	36	Filipino	Director/Treasurer
Atty. Arthur Ponsaran	67	Filipino	Director
Joaquin Obieta	76	Filipino	Director
Atty. Arsenio A. Alfiler Jr.	66	Filipino	Corporate Secretary

b. Terms of Office as a Director

The Directors of the Company are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified. Thus, the term of the office of each director is one year, until the Board of Directors at its first meeting following the Meeting of the Stockholders has elected their successors annually. Their respective terms of office are until the corresponding meeting of the Board of Directors in the next year or until the successor shall have been elected or shall have qualified.

c. Business experiences during the past five years and other directorships.

Name	Corporation	Position
Geronimo F. Velasco	**Present:**	
Chairman of the Board and Independent Director	Forum Pacific Inc.	Director since 1995
Filipino	Gervel Inc.	President/ Director since 1988
52 years old	Metropolitan Management Corporation	President/ Director since 1988
B.S. in Commerce and Master of Business Administration	Cello Realty Corporation	President/ Director since 1988
University of Sta Clara and The Wharton School University, Pennsylvania	Cabildo Holdings, Inc.	President/ Director since 1988
	Avenger Holdings, Inc.	President/ Director since 1988
	RGC Maritime Transport Corporation	President/ Director since 1991
	RGC Mining & Mineral Corporation	President/ Director since 1991
	RGC Investment Corporation	President/ Director since 1991
	Republic Glass Holding Corporation	President/ Vice Chairman since 1991
	Goshen Development Corporation	President/Chairman since 2005
	Stradcom Corporation	Vice Chairman since 2008
	D.S. Realty, Incorporated	Director since 1995
	Cyberdrive Solutions, Incorporated	Director since 2009

Name	Corporation	Position
Peter S. Salud	**Present:**	
President/ Director	Forum Pacific Inc.	President/ Director since 1996
Filipino		
57 years old	**Previous:**	
	Air Philippines	President 1995-1996
	New Phil. China Corp.	President 1990 -1997
	Metrobank	Senior Manager 1978-89

Name	Corporation	Position
Weslie T. Gatchalian	**Present:**	
Director	Forum Pacific, Inc.	Director since 2005
Filipino	NPC Alliance Corporation	Director since 2005
32 years old	Metro Alliance	EVP since 2005
CPA Lawyer	Metro Alliance	Assistant VP 2004-2005
Oxford Brookes University, U.K.	Mabuhay Vinyl Corporation	Director since 2005
--BA Honours Degree/DipHE	Wellex Industries, Inc.	President 2008
Business and Operation Mngt.	Westlink Global Equities Corp.	Assistance Vice President
London Metropolitan University		
Master (MA) Degree in	**Previous:**	
Management	Wellex Industries, Inc.	Director since 2005-2008
	Waterfront Hotels and Casinos	Sales & Marketing 2002-2003
	PCI Bank	Leasing and Finance 2001
	Westlink Global Equities Corp.	Trainee 1999-2000

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

Name	Corporation	Position
Federico E. Puno Independent Director Filipino 65 year old	**Present:** Forum Pacific Inc. Republic Glass Holdings, Inc. Semirara Mining Corp. Pampanga Sugar Dev. San Roque Power Corp. San Fernando electric Team Energy Corporation Lima Utilities Corporation SEM-Calaca Power Corporation	 Independent Director since 1996 Independent Director since March 2001 Independent Director since July 2003 Director since August 2002 Chairman since October 2004 Consultant since July 2004 President & CEO since June 22, 2007 Director since August 28, 2007 Director since February 2011

Name	Corporation	Position
Atty. Lamberto A. Mercado Jr. Director Filipino 49 years old Bachelor of Laws (L.L.B.) Ateneo de Manila University School of Laws Lawyer - 1991	**Present:** Forum Pacific, Inc. MAHEC and CPDSI AHI, FEZ and ZDI Wellex Industries, Inc. Waterfront Phil., Inc. **Previous:** Subic Bay Metropolitan Authority	 Director since 1998 Director since 2003 Director since 2004 Director since 2005 Director since 1999 Deputy Administrator for Administration 1997-98

Name	Corporation	Position
Byoung Hyun Suh Independent Director Korean 55 years old B.S. in Business Administration Korea University, Seoul Korea	**Present:** Forum Pacific, Inc. Pan Islands, Inc. Three Seven Foods & Products, Inc. Golden Jin Shan Farm Overseas Korean Traders Associations **Previous:** KIA Inter-trade Asia Regional Office Samsung Corporation Philippines Samsung Corporation Seoul Korea	 Independent Director since June 2011 President since 1995 President since 1995 President since 1995 President since 2004 President 1995-1997 Resident Manager 1988-1995 Manager – Chemical Division

Name	Corporation	Position
Rogelio D. Garcia	**Present:**	
Director	Forum Pacific, Inc.	Director since 2004
Filipino	Wellex Industries, Inc.	Chairman since 2005
72 years old	Wellex Industries, Inc.	Director up to 2004
Bachelor of Laws (LLB)	Metro Alliance & Holdings Equities Corp.	Director since 2003
University of the Philippines 1961		
	Previous:	
	ConyBio Philippines, Inc.	CEO 1997-2000
	NIR Placement Center, Inc.	Executive Consultant 1998-2000

Name	Corporation	Position
Kenneth T. Gatchalian	**Present:**	
Director/Treasurer	Forum Pacific, Inc.	Director since 2002
Filipino		Treasurer since 2010
36 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	Corporation	Position
Atty. Arthur Ponsaran	**Present:**	
Director	Forum Pacific, Inc.	Director since 2000
Filipino	Wellex Industries, Inc.	Corp. Sec. up to 2003
67 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
Bachelor of Laws		

Joaquin P. Obieta Director Filipino 76 years old Chemical Engineering De la Sale University Bachelor of Theology University of Sto.Tomas Bachelor of Laws Ateneo de Manila University	Forum Pacific, Inc . Corporate Counsels, Philippines Law Offices Law Professor – Ateneo de Manila University	Director since 2001 Managing Partner

Atty. Arsenio A. Alfiler, Jr.		
Corporate Secretary	Forum Pacific Inc.	Since 2007 to present
Filipino 66 years old	Acesite (Philippines)Hotel Corporation	Assistant Corporate Secretary
Bachelor of Laws University of the Philippines	Waterfront Philippines Inc.	Assistant Corporate Secretary
B.A. in Public Administration University of the Philippines	Iloilo City Development Bank	Assistant Corporate Secretary

2) 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.

(3) Family Relationships

Aside from a) Mr. Kenneth T. Gatchalian, the Director / Treasurer b) Mr. Weslie T Gatchalian, the Director and c) Ms. Elvira A.Ting, the Director and the Acting Chairman who is a sister in law, 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.

(4) Involvement in Certain Legal Proceedings

None of the directors and executive officers was involved in certain legal proceedings during the past five (5) years up to the latest date. Neither have they been convicted by final judgment in any criminal proceedings, or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in an action by any court or administrative bodies to have violated a securities and commodities law.

Item 11. Executive Compensation

(1) Summary of Compensation Table - Annual Compensation

Name & Principal Position	Year	Salary	Bonus	Other Compensatin
Mr. Peter S. Salud	2011	-	-	P 100,000
President / CEO	2010	-	-	-
	2009	-	-	-
Mr. Geronimo F. Velasco	2011	-	-	100,000
Chairman	2010	-	-	-
	2009	-	-	-
Ms. Elvira A. Ting	2011	-	-	50,000
Treasurer	2010	-	-	-
	2009	-	-	-
Other Directors	2011	-	-	400,000
	2010	-	-	-
	2009	-	-	-
All Directors & Officers as a	2011	-	-	-
Group Unnamed	2010	-	-	-
	2009	-	-	-

(2) Compensation of Directors

Except for a nominal amount of per diem during attendance in special meetings, there are no standard arrangements with regard to election, any bonus, profit sharing, pension/retirement plan, granting of any option, warrant or right to purchase any securities. There are no other arrangements or consulting contracts or other form of services with directors.

(3) 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.

(4) Warrants and Options Outstanding: Repricing

There are no warrants and options outstanding held by Forum Pacific Inc.'s CEO, executive officers and all officers and directors as a group. There is no repricing made.

Item 12. Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2011 Forum Pacific, Inc., knows no one who beneficially owns in excess of 10% of Forum Pacific, Inc. common stock except as set forth in the table below:

Title of Class	*Name, Address of Record Owner & Relationship w/ Issuer*	*Name of Benificial Owner & Citizenship Relationship wiRecord Owner*		*No. of Shares*	*Percent*
Common	International Polymer Corp. 22/F Citibank Tower 8741 Paseo de Roxas St. Makati City	William T. Gatchalian Dee Hua T. Gatchalian Elvira A. Ting Sherwin T. Gatchalian Felino Canio	Filipino	496,887,494	26.50 1
Common	The Wellex Group Inc. G/F Makati Exchange Bldg. Ayala Ave. Makati City	Represented by its Treasurer Ms. Elvira A. Ting	Filipino	376,950,000	20.104
Common	PCD Nominee Corporation G/F Makati Stock Exchange Bldg. Ayala Avenue, Makati City	Owns 17.90% of Westlink Global Equities Inc. at 6F PSE Playa in Makati the beneficial owner of 6.4277% represented by its President	Filipino	406,186,824	21.663

(2) Security Ownership of Management

As of December 31, 2011 the security ownership of individual directors, executive officers and nominees of Forum Pacific Inc. is as follows:

Title of Class	*Name of Beneficial Owner*	*Amount & Nature of Beneficial Ownership*	*Citizenship*	*Percent of Class*
Common - Class A	Geronimo F. Velasco	10,000	Filipino	0.000 %
Common - Class A	Peter S. Salud	29,990	Filipino	0.001%
Common - Class A	Weslie T. Gatchalian	100	Filipino	0.000 %
Common - Class A	Elvira A. Ting	400,001	Filipino	0.021 %
Common - Class A	Federico E. Puno	2,010,000	Filipino	0.107%
Common - Class A	Atty. Lamberto A. Mercado Jr.	100	Filipino	0.000 %
Common - Class A	Byoung Hyun Suh	100	Korean	0.000%
Common - Class A	Rogelio D. Garcia	10	Filipino	0.000%
Common - Class A	Kenneth T. Gatchalian	100	Filipino	0.000%
Common - Class A	Atty. Arthur Ponsaran	1	Filipino	0.000%
Common - Class A	Joaquin P. Obieta	1	Filipino	0.000%
	TOTAL	**2,450,403**		**0.129%**

(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 Forum Pacific Inc. and there is no arrangement, which may result in change control.

Item 13. Certain Relationships and Related Transactions

NONE

Part IV - CORPORATE GOVERNANCE

Item 14 Corporate Governance

(a) Company's Compliance Officers is mandated to monitor the compliance to all concerned the provisions and requirements of the Manual on Corporate Governance, facilitate the monitoring. The Compliance Officer has established the "Corporate Governance Monitoring and Assessment" to measure or determine the level of compliance of the Corporation with the Amended Manual on Corporate Governance (Manual).

(b) Forum Pacific Inc. believes that its Amended Manual on Corporate Governance is in line with the leading practices and principles on good governance, and as such, is in full compliance.

(c) There were minor deviations from the Corporation's Manual during the period January to December 2007 due mainly to recent changes and business development plans.

(d) Forum Pacific Inc. will improve its Amended Manual on Corporate Governance when appropriate and warranted, in the Board of Directors' best judgment. In addition, it will be improved when regulatory agency such as the SEC requires the inclusion of a specific provision.

Part V - EXHIBITS AND SCHEDULES

Item 15 Exhibits and Reports on SEC Form 17- C
(a) Exhibits

Consolidated Financial Statements

- Statement of Management's Responsibility for Financial Statements
- Report of Independent Public Accountants
- Consolidated Balance Sheets as of December 31, 2011 and 2010
- Consolidated Statements of Income for each of the three years ended December 31, 2011, 2010, and 2009
- Statements of Changes in Equity for each of the three years ended December 31, 2011, 2010 and 2009
- Consolidated Statements of Cash Flows for each the three years ended December 31, 2011, 2010 and 2009
- Notes to Consolidated Financial Statements

Supplementary Schedules

Report of Independent Public Accountants on Supplementary Schedules:

- Financial Soundness
- Map of Conglomerate or Group of Companies Within Which the Company Belongs
- Standards and Interpretations Effective For Annual Periods Beginning January 1, 2011
- Financial Assets
- Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
- Amounts Receivable From Related Parties Which Are Eliminated During the Consolidation of Financial Statements
- Indebtedness of Unconsolidated Subsidiaries and Affiliates
- Intangible Assets - Other Assets
- Long-term Debt
- Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies)
- Guarantees of Securities of Other Issuers
- Capital Stock

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Pasig City on April 25, 2012.

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the city of Pasig.

Registrant: PETER S. SALUD
Title : President

Signature: ______________

Registrant: ATTY. ARSENIO A. ALFILER, JR.
Title : Corporate Secretary

Signature: arsenio a. alfiler, jr.

Registrant: KENNETH T. GATCHALIAN
Title : Treasurer

Signature: ______________

Dated: April 25, 2012

SUBSCRIBED AND SWORN to before me this APR 25 2012 day of MANILA, 2012 affiant(s) exhibiting to me his/their respective Tax Identification Card as follows:

AFFIANTS	Tax Identification Number
1. Peter S. Salud	107-777-803
2. Kenneth T. Gatchalian	167-406-526
3. Arseñio A. Alfiler Jr.	108-760-143

NOTARY PUBLIC

CESAR G. VIOLA
Notary Public
Until Dec. 31, 2012
PTR No.0334995 01-02-12 Mla.
IBP No. 839487 12-06-10 Mla.
Roll No. 15654
MCLE Compliance No. III
0019431 12-2-10

Doc. No.: 128
Page No.: 26
Book No.: XII
Series of 2012

Forum Pacific, Inc. and Subsidiary

Financial Statements
December 31, 2011 and 2010

and

Independent Auditors' Report

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

FORM 17-A, ITEM 7

Consolidated Financial Statements

Appendices

Supplementary Schedules

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, 2011 and 2010**, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards (PFRSs). 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 submit the same to the stockholders.

DIAZ MURILLO DALUPAN AND COMPANY, CPA 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, has expressed its opinion on the fairness of presentation upon completion of such examination.

GERONIMO F. VELASCO
Chairman

PETER S. SALUD
President

KENNETH T. GATCHALIAN
Corporate Treasurer

SUBSCRIBED AND SWORN to before me in QUEZON CITY City/Province, Philippines on 16 APR 2012, affiants personally appeared before me and exhibited to me their

Name	Tax Identification Number
1.GERONIMO F. VELASCO	108-140-565
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.

ATTY. TOMAS F. DULAY, JR.
Notary Public
Until December 31, 2014
Roll No. 15830 / 03-13-61
IBP No. 8..., ... / cy 2012 - Q.C.
PTR No. 6031323 / 01-02-12 - Q.C.

DOC NO: 157:
PAGE NO: 32:
BOOK NO: 98:
SERIES OF 12:

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

Bureau of Internal Revenue
Revenue Region No. 8
RDO 50 - South Makati
RECEIVED
JESUS M. MUÑOZ
Collection Section
date: APR 16 2012

Diaz Murillo Dalupan and Company
Certified Public Accountants

Independent Auditors' Report

The Board of Directors and Stockholders
FORUM PACIFIC, INC. AND SUBSIDIARY
35th Floor, One Corporate Center,
Doña Julia Vargas Ave., Corner Meralco Avenue,
Ortigas Center, Pasig City

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Forum Pacific, Inc. and Subsidiary**, which comprise the consolidated statements of financial position as at December 31, 2011, 2010 and 2009, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Forum Pacific, Inc. and Subsidiary** as at December 31, 2011, 2010 and 2009, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2, to the consolidated financial statements which indicate that the Group had been incurring losses in current and prior years and had accumulated a deficit of about P801 million, P764 million and P699 million as at December 31, 2011, 2010 and 2009.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group'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. The Group's financial statements do not include any adjustment that might result from the outcome of this uncertainty. The management and stockholders of the Group have committed in principle to provide full financial support to sustain its operations, meet the working capital requirements and settle obligations as they fall due in order for the Group to continue as a going concern. Additionally, as discussed in Note 2 to the consolidated financial statements, the Group's management has been on discussion with prospective strategic partners to form a joint venture to engage in all aspects of oil related business, both downstream and upstream. The Group believes that such financial support and management plans are sufficient for it to continue as a going concern. Consequently, the consolidated financial statements have been prepared assuming that the Group will continue as a going concern.

Report on Securities and Exchange Commission Requirements

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The information under Appendices A to C and Schedules A to H to the consolidated financial statements, are presented for the purpose of additional analyses and filing to Securities and Exchange Commission, and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Diaz Murillo Dalupan and Company
By:

Rosemary D. De Mesa
Partner
CPA Certificate No. 29084
SEC Accreditation No. 1089-A, effective until February 23, 2014
Tax Identification No. 104-576-953
PTR No. 3199242, January 17, 2012, Makati City
BIR Accreditation No. 08-001911-7-2010, effective until April 13, 2013
Firm Tax Identification No. 003-294-822
Firm BOA/PRC No. 0234, effective until December 31, 2014
Firm SEC Accreditation No. 0192-F, effective until April 6, 2013

April 13, 2012

FORUM PACIFIC, INC. AND SUBSIDIARY
Consolidated Statements of Financial Position

	December 31		
	2011	2010 (As restated)	2009 (As restated)
ASSETS			
Current Assets			
Cash - notes 3, 14 and 15	**P 38,213**	P 102,082	P 203,751
Input tax - note 3	**204,152**	–	–
	242,365	102,082	203,751
Noncurrent Assets			
Advances to related parties (net) - notes 3, 4, 9, 14, 15 and 17	**579,452,745**	602,133,173	663,989,819
Available-for-sale financial assets (net) - notes 3, 4, 5, and 15	**75,586,435**	81,686,711	94,826,311
Other noncurrent asset - note 3	**33,444**	33,444	–
	655,072,624	683,853,328	758,816,130
TOTAL ASSETS	**P 655,314,989**	P 683,955,410	P 759,019,881
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables - notes 3, 6, 14 and 15	**P 2,781,623**	P 6,658,843	P 2,282,005
Noncurrent Liabilities			
Advances from related parties - notes 3, 9, 13, 14 and 15	**282,554,019**	279,744,073	302,476,942
Deferred tax liability - notes 3 and 10	**30,432**	30,432	–
	282,584,451	279,774,505	302,476,942
Equity			
Capital stock - notes 3, 8 and 13	**1,207,543,621**	1,207,543,621	1,207,543,621
Unrealized fair value gain (loss) on available-for-sale financial assets - notes 3 and 5	**4,166,317**	(7,425,459)	(15,085,037)
Translation adjustments	**(1,154,709)**	346,330	–
Treasury shares - notes 3, 8 and 13	**(36,056,750)**	(36,056,750)	(36,056,750)
Deficit - notes 2 and 3	**(800,860,753)**	(764,197,562)	(699,221,896)
Equity attributable to parent	**373,637,726**	400,210,180	457,179,938
Minority interest - note 3	**(3,688,811)**	(2,688,118)	(2,919,004)
	369,948,915	397,522,062	454,260,934
TOTAL LIABILITIES AND EQUITY	**P 655,314,989**	P 683,955,410	P 759,019,881

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

FORUM PACIFIC, INC. AND SUBSIDIARY
Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2011	2010 (As restated)	2009 (As restated)
COSTS AND EXPENSES - notes 3 and 12			
Fines and penalties - note 1	**P 760,500**	P 2,771,200	P –
Professional fees	**539,219**	2,422,384	880,150
Office supplies	**187,361**	95,078	17,377
Communication	**67,002**	34,981	39,921
Taxes and licenses	**31,715**	10,000	174,522
Representation	**8,656**	–	–
Transportation	**7,416**	3,870	2,187
Others	**144,844**	258,771	391,868
	1,746,713	5,596,284	1,506,025
OTHER CHARGES - notes 3 and 7	**(34,916,478)**	(59,348,950)	(20,488,217)
LOSS BEFORE TAX	**(36,663,191)**	(64,945,234)	(21,994,242)
PROVISION FOR (BENEFIT FROM) INCOME TAX - notes 3 and 10	–	(30,432)	1,270,500
NET LOSS FOR THE YEAR	**(36,663,191)**	(64,975,666)	(20,723,742)
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized fair value gain (loss) on available-for-sale financial assets - notes 2 and 5	**7,880,859**	(1,560,700)	(15,085,037)
Translation adjustments	**(1,154,709)**	577,216	–
	6,726,150	(983,484)	(15,085,037)
TOTAL COMPREHENSIVE LOSS	**(29,937,041)**	(65,959,150)	(35,808,779)
ATTRIBUTABLE TO:			
Equity of the parent			
Net loss for the year	**(36,663,191)**	(64,975,666)	(12,558,505)
Other comprehensive income	**7,188,034**	(1,214,370)	(15,085,037)
	(29,475,157)	(66,190,036)	(27,643,542)
Minority Interest			
Net loss for the year	–	–	(8,165,237)
Other comprehensive income	**(461,884)**	230,886	–
	(461,884)	230,886	(8,165,237)
	(P 29,937,041)	(P 65,959,150)	(P 35,808,779)

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

FORUM PACIFIC, INC. AND SUBSIDIARY
Consolidated Statements of Changes in Equity

	Capital stock (Note 8)	Treasury shares (Note 8)	Unrealized fair value (gain) loss on Available-for-sale financial assets (Note 5)	Translation adjustments	Deficit (Notes 2 and 3)	Minority Interest	Total
Balances at December 31, 2008, as previously stated	P1,206,617,960	(P 34,605,596)	P –	P –	(P700,944,945)	(P 3,717,910)	467,349,509
Correction of prior period error - note 13	925,661	(1,451,154)	–	–	–	–	(525,493)
Balances at December 31, 2008 as restated	1,207,543,621	(36,056,750)	–	–	(700,944,945)	(3,717,910)	466,824,016
Total comprehensive income for the year	–	–	(15,085,037)	–	(12,558,505)	(8,165,237)	(35,808,779)
Effect of deconsolidation	–	–	–	–	14,281,554	8,964,143	23,245,697
Balances at December 31, 2009	1,207,543,621	(36,056,750)	(15,085,037)	–	(699,221,896)	(2,919,004)	454,260,934
Total comprehensive loss for the year	–	–	(1,560,700)	346,330	(64,975,666)	230,886	(65,959,150)
Reclassification adjustment	–	–	9,220,278	–	–	–	9,220,278
Balances at December 31, 2010	1,207,543,621	(36,056,750)	(7,425,459)	346,330	(764,197,562)	(2,688,118)	397,522,062
Total comprehensive loss for the year	–	–	**7,880,859**	**(1,501,039)**	**(36,663,191)**	**(1,000,693)**	**(31,284,064)**
Reclassification adjustment	–	–	**3,710,917**	–	–	–	**3,710,917**
Balances at December 31, 2011	**P 1,207,543,621**	**(P 36,056,750)**	**P 4,166,317**	**(P 1,154,709)**	**(P800,860,753)**	**(P 3,688,811)**	**P 369,948,915**

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

Bureau of Internal Revenue
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date: APR 16 2012

FORUM PACIFIC, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows

	Years Ended December 31		
	2011	2010 As restated (Note 8)	2009 As restated (Note 8)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax	**(P 36,663,191)**	(P 64,945,234)	(P 21,994,242)
Adjustments for:			
Impairment loss on advances to related parties - note 7	**17,221,059**	50,165,615	–
Impairment loss on available-for-sale financial assets - note 7	**17,692,052**	9,220,278	–
Unrealized foreign exchage loss (gain) - note 7	**(2,498,166)**	(101,440)	6,755,652
Loss on assignment of liabilities - note 7	–	–	16,259,591
Operating income (loss) before working capital changes	**(4,248,246)**	(5,660,781)	1,021,001
Increase in input tax	**(204,152)**	–	
Decrease in advances to related parties	**5,455,804**	–	
Decrease (increase) in other noncurrent assets	–	(33,445)	38,832
Increase (decrease) in trade and other payables	**(3,877,221)**	4,435,244	(2,122,857)
Net cash used in operating activities	**(2,873,815)**	(1,258,982)	(1,063,024)
Income tax paid	–	(50,541)	–
Net cash used in operating activities	**(2,873,815)**	(1,309,523)	(1,063,024)
CASH FLOWS FROM INVESTING ACTIVITY			
Increase (decrease) in advances from related parties	**2,809,946**	1,207,854	(23,987,891)
NET DECREASE IN CASH	**(63,869)**	(101,669)	(25,050,915)
CASH			
At beginning of year	**102,082**	203,751	25,254,666
At end of year	**P 38,213**	P 102,082	P 203,751

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

FORUM PACIFIC, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2011, 2010 and 2009

1. CORPORATE INFORMATION

Forum Pacific, Inc., (the "Parent Company"), formerly known as Air Philippines International Corporation, is a domestic corporation registered with the Philippine Securities and Exchange Commission (SEC) on January 8, 1993 mainly 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 financial position and results of operations of the Parent Company and its Subsidiary, (herein referred to as the "Group") are consolidated in these financial statements.

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

The Parent Company has 60% ownership interest in Forum Coal Cebu Holdings, Inc. (FCCHI).

On September 23, 2009, FCCHI decided through its Board of Directors to liquidate its business through shortening of its corporate term until November 30, 2009. As at reporting date, the shortening of corporate term of FCCHI is pending approval with the SEC.

The consolidated financial statements as of and for the year ended December 31, 2011, including its comparatives for 2010, were approved and authorized for issue by the Parent Company's Board of Directors on April 12, 2012.

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 Group. The Group had incurred losses from its operations amounting to P36,663,191, P64,975,666 and P20,723,742 in 2011, 2010 and 2009, respectively. Due to prior period losses , the Group has sustained a deficit of P800,860,753, P764,197,562 and P699,221,896 in 2011, 2010 and 2009, respectively.

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

On August 31, 2010, the Parent Company received an order of revocation of the registration and the permit to sell the Parent Company's securities due to late filing of the Parent Company's 2009 annual reports. On September 8, 2010, the Parent Company requested for an extension of time until September 30, 2010 for the filing of the Parent Company's 2009 audited financial statements which was granted by SEC in a letter dated September 13, 2010. On October 5, 2010, the Parent 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 Parent 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 Parent Company paid fines and penalties in the amount of P2.77 million in lieu of the Parent 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 Group's ability to continue as a going concern, management and stockholders of the Group have committed in principle to provide full financial support to the Group to sustain its operations, meet the working capital requirements and settle obligations as they fall due. The Group's management has been on discussion with prospective strategic partners to form a joint venture to engage in all aspects of oil related business, both downstream and upstream. The Group's management believes that such financial support and management plans are sufficient to provide the Group the ability to continue as a going concern. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation and Presentation of Financial Statements

The consolidated financial statements of the Group have been prepared in accordance with 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.

The consolidated financial statements have been prepared under the historical cost convention, except otherwise stated.

The preparation of consolidated financial statements in conformity with PFRS requires the Group's management to exercise its judgment in the process of applying accounting policies. It also requires the use of certain critical accounting estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

New Interpretations, Revisions and Amendments to PFRS

The following revised standard, amendments to existing standards and interpretations as approved by the FRSC which are mandatory for annual periods beginning January 1, 2011:

- *PAS 24 (Revised), Related Party Disclosures* (effective January 1, 2011). The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Company has applied the revised standard from January 1, 2011. The adoption did not have significant impact on the consolidated financial statements as the Group has no government-related entities identified as related parties.

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

  This amendment is not applicable to the Group as there were no rights issues whether in functional other currencies.

- *Philippine Interpretation IFRIC 14, PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendment)* (effective January 1, 2011). The amendment corrects an unintended consequence of Philippine Interpretations IFRIC 14. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when Philippine Interpretation IFRIC 14 was issued, and the amendment corrects this. The amendment should be applied retrospectively to the earliest comparative period presented. This interpretation is not applicable to the Group.

- *Philippine Interpretation IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments* (effective July 1, 2010). The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. This interpretation is not applicable to the Group.

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

The following are the relevant amendments to PFRS which contains amendments that result in changes in accounting, presentation, recognition and measurement. It also includes amendments that are terminology or editorial changes only which have either minimal or no effect on accounting. These amendments are part of the IASB's annual improvements project published in August 2009.

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

  When such re-measurement occurs after the date of transition to PFRS, but during the period covered by its first PFRS financial statements, any subsequent adjustment to that event-driven fair value is recognized in equity.

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

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

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

  It also clarifies that the application guidance in PFRS 3 applies to all share-based payment transactions that are part of a business combination, including unreplaced and voluntarily replaced share-based payment awards. The amendment is not applicable to the Group

- *PFRS 7, Financial Instruments: Disclosures* (effective January 1, 2011). The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The Group has adopted this amendment beginning January 1, 2011 but the adoption did not have significant impact on the consolidated financial statements.

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

- *PAS 27, Consolidated and Separate Financial Statements* (effective July 1, 2010). The amendment clarifies that the consequential amendments from PAS 27 made to PAS 21, The Effect of Changes in Foreign Exchange Rates, PAS 28, Investments in Associates, and PAS 31, Interests in Joint Ventures, apply prospectively for annual periods beginning on or after July 1, 2009, or earlier when PAS 27 is applied earlier. The Group has adopted this amendment beginning January 1, 2011 but the adoption did not have significant impact on the consolidated financial statements.

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

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

  The Group has adopted this amendment beginning January 1, 2011 but the adoption did not have significant impact on the consolidated financial statements.

- *Philippine Interpretation IFRIC 13, Customer Loyalty Program*s (effective January 1, 2011). The amendment clarifies the meaning of 'fair value' in the context of measuring award credits under customer loyalty program. This amendment is not applicable to the Group.

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

- *PAS 1 (Amendment), Financial Statement Presentation - Other Comprehensive Income* (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in other comprehensive income. The Group will apply the amendment beginning January 1, 2013. The adoption is not expected to have a significant impact on the consolidated financial statements as the Group but will result in changes in presentation in the consolidated statements of comprehensive income.

- *PAS 12 (Amendment), Income Taxes - Deferred Tax* (effective January 1, 2012). PAS 12 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in PAS 40, Investment Property. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, Income Taxes - Recovery of Revalued Non-Depreciable Assets, will no longer apply to investment properties carried at fair value.

  The amendments also incorporate into PAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The Group has yet to assess the amendment's full impact and intends to adopt this amendment beginning January 1, 2012.

- *PAS 19 (Amendment), Employee Benefits* (effective January 1, 2013). These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. They would also require recognition of all actuarial gains and losses in other comprehensive income as they occur and of all past service costs in profit or loss. The amendments replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). This amendment is not applicable to the Group.

- *PAS 27 (Revised), Separate Financial Statements* (effective January 1, 2013). The revised standard includes the provisions on separate financial statements that are left after the control provisions of PAS 27 have been included in the new PFRS 10). The Company will apply the amendment beginning January 1, 2013. The revision is not applicable on the consolidated financial statements.

- *PAS 28 (Revised), Investments in Associates and Joint Ventures* (effective January 1, 2013). This revised standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of PFRS 11. The revision is not applicable to the Group.

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

- *PFRS 7 (Amendment), Financial Instruments: Disclosures - Derecognition* (effective July 1, 2011). This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The Group will adopt the amendment beginning January 1, 2012 and provide the additional disclosures required by the amendment upon adoption.

- *PFRS 9, Financial Instruments* (effective January 1, 2013). This standard is the first step in the process to replace PAS 39, Financial Instruments: Recognition and Measurement. PFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets. The Group has yet to assess PFRS 9's full impact and intends to adopt PFRS 9 beginning January 1, 2013.

- *PFRS 10, Consolidated Financial Statements* (effective January 1, 2013). This new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group will apply the amendment beginning January 1, 2013. The adoption is not expected to have an impact on the consolidated financial statements as the Group as all controlled entities were already included in these consolidated financial statements.

- *PFRS 11, Joint Arrangements* (effective January 1, 2013). This new standard is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. This new standard is not applicable to the Group.

- *PFRS 12, Disclosures of Interests in Other Entities* (effective January 1, 2013). This new standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group has yet to assess PFRS 12's full impact and intends to adopt PFRS 12 beginning January 1, 2013.

- *PFRS 13, Fair Value Measurement* (effective January 1, 2013). This new standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. The Group is yet to assess PFRS 13's full impact and intends to adopt PFRS 13 beginning January 1, 2013.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Group, its subsidiaries, up to December 31 each year. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Subsidiaries are consolidated from the date when control is transferred to the Group and cease to be consolidated from the date when control is transferred out of the Group.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired, i.e. discount on acquisition, is credited to profit or loss in the period of acquisition.

The consolidated financial statements were prepared using uniform accounting policies for like transactions and other events in similar circumstances. Inter-company balances and transactions, including inter-company profits and unrealized profits and losses, are eliminated. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

Minority Interest

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Parent Company, whether directly or indirectly through subsidiaries and in respect of which the Group has not agreed on any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meet the definition of a financial liability. Minority interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Parent Company. Minority interests in the results of the Group are presented on the face of the consolidated statements of comprehensive income (loss) as an allocation of the net income (loss) for the year between minority interests and the equity shareholders of the Parent Company.

When losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess and any further losses applicable to the minority are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, all such profits are allocated to the Group's interest until the minority's share of losses previously absorbed by the Group has been recovered in full.

Brief summary of the subsidiary's nature of business and operations as follows:

FCCHI

The Parent Company owns 60% of the stockholdings of 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. Accordingly, FCCHI changed its basis of accounting in the preparation of its financial statements from the going-concern basis to the liquidation basis of accounting. Financial information of FCCHI for 2009 reflects the remaining assets at their liquidating values as of September 30, 2009.

The Group used the December 31, 2010 unaudited financial statements of FCCHI (substantially the 2009 audited balances) as basis in the preparation of the consolidated financial statements since there were no or very minimal, if any, transactions during the year.

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Cost and expenses are recognized upon utilization of the service or at the date they are incurred.

<u>Cash</u>

Cash includes cash on hand, deposits held at call with banks.

<u>Financial Instruments</u>

a) Classification

The Group classifies its financial assets and liabilities according to the categories described below. The classification depends on the purpose for which the financial assets and liabilities were acquired. Group’s management determines the classification of its financial assets and liabilities at initial recognition.

<u>Financial assets</u>

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

The Group has no financial assets at fair value through profit or loss and derivative financial assets classified under this category as of December 31, 2011 and 2010, respectively.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are then classified as non-current assets.

The Group's loans and receivables consist of advances to related parties as of December 31, 2011 and 2010, respectively (see Note 9).

Held-to-maturity investments

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date which are classified as current assets.

The Group does not hold financial assets under this category as of December 31, 2011 and 2010, respectively.

Available-for-sale financial assets

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

The Group's investment in quoted and unquoted equity securities are classified under this category (see Note 5).

Financial liabilities

The Group classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that designated at fair value); and financial liabilities at amortized cost.

Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the Group as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller.

The Group has no financial liabilities are classified as financial liabilities at fair value through profit or loss as of December 31, 2011 and 2010, respectively.

Financial liabilities at amortized cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortized cost.

The Group’s trade and other payables and advances from related parties are classified under this category.

b) Recognition and measurement

Initial recognition and measurement

Regular purchases and sales of investments are recognized on trade date - the date on which the Group commits to purchase or sell the asset. Financial assets and liabilities are initially recognized at fair value plus transaction costs for all financial assets and liabilities not carried at fair value through profit or loss. Financial assets and liabilities carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are recognized as expense in profit or loss.

Subsequent measurement

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

Gains or losses arising from changes in the fair value of financial assets and liabilities at fair value through profit or loss, including interest and dividend income and interest expense, are presented in profit or loss within ‘other gains/(losses) - net’ in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognized in profit or loss as part of other income when the Group’s right to receive payment is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences are recognized in profit or loss, and other changes in carrying amount are recognized in consolidated other comprehensive income. Changes in the fair value of non-monetary securities classified as available-for-sale are recognized in consolidated other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in profit or loss as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognized in profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognized in profit or loss as part of other income when the Group's right to receive payment is established.

c) Determination of fair value

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

d) Impairment of financial assets

Assets carried at amortized cost

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

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty granting to the borrower a concession that the lender;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  i) Adverse changes in the payments status of borrowers in the portfolio; and
  ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

For loans and receivables category, the Group first assesses whether there is objective evidence of impairment exists individually for receivables that are individually significant, and collectively for receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant of not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses those for impairment. Trade and other receivables 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.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss. Reversals of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivables at the end of the reporting period. Subsequent recoveries of amounts previously written-off are credited against operating expenses in profit or loss.

Assets classified as available-for-sale

The Group 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. For debt securities, the Groupuses the criteria refer to for assets carried at amortized cost. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in profit or loss. Impairment losses recognized in profit or loss on equity instruments are not reversed in profit or loss. Subsequent increase in the fair value after impairment are recognized as other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

e) Derecognition

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognized when extinguished, i.e., when the obligation is discharged or is cancelled or expires.

f) Offsetting

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

Claims for Input Value Added Tax (VAT)

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

Other Non-current Assets

Other noncurrent assets are stated at cost and are recognized when paid.

Equity

Common shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Treasury shares are stated at cost of reacquiring such shares.

Treasury share, are own equity instruments which are reacquired, are recognized at cost and deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

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

Retirement Benefits

The Group has no provision for retirement benefit due to absence of employees. In 2009, the Group derecognized the accrued retirement benefit payable recognized in prior year.

Current and Deferred Income Tax

Current income tax

Current tax assets and liabilities for the current and prior periods and measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period.

Deferred income tax

Deferred tax is provided, using the liability method, on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic associates and interests in joint ventures. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

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

Leases

Leases which transfer to the Group 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 consolidated statements 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 the statement 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 Group 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 consolidated statements of comprehensive income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Related Parties and Related Party Transactions

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

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

Foreign Currency Transactions

a) Functional and presentation currency

Items included in the Group financial statements are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The Group financial statements are presented in Philippine Peso, which is the Group functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions. Outstanding foreign currency denominated monetary assets and liabilities are translated at the exchange rate prevailing at the reporting date. 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, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Earnings (Loss) Per Share

Basic EPS is calculated by dividing the net income or loss for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period, after giving retroactive effect to any stock dividend declared during the year.

Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.
Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Contingent Assets and Liabilities

Contingent assets and liabilities are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are disclosed only when an inflow of economic benefits is probable.

Events after Reporting Period

The Group identifies events after the reporting period as events that occurred after the reporting date but before the date of consolidated financial statements were authorized for issue. Any events after the reporting period that provide additional information about the Group's consolidated financial position at the reporting date are reflected in the consolidated financial statements. Non-adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Functional currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency is determined to be the Philippine peso. It is the currency that mainly influences the Group's operations.

Classification of financial instruments

The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the guidelines set by PAS 39 on the definitions of a financial asset, a financial liability or equity. In addition, the Group also determines and evaluates its intention and ability to keep the investments until its maturity date.
The substance of a financial instrument, rather than its legal form and the management's intention and ability to hold the financial instrument to maturity generally governs its classification in the consolidated statements of financial position.

Determination of fair value of financial instruments

The Group carries certain financial assets at fair value, which require extensive use of accounting judgment and estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect the consolidated statements of changes in equity.

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 Group 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.

Operating lease commitments

The Group, as a lessee, has entered into a property lease of its office space. The Group has determined that the lessor retains all significant risk and reward of ownership of property which is leased out on operating lease. During the year, the parties mutually agreed that the Parent Company would not yet share in the rent expense until it earns income from operations.

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 in Note 3, subheadings Provisions and Contingencies.

Estimates

The Group 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.

Allowance for impairment of advances to related parties

Allowance is made for specific group of accounts where objective evidence of impairment exists. The factors considered by management in the review of the current status of its receivables are (1) length and nature of their relationship and its past collection experience, (2) financial and cash flow position and (3) other market conditions as at reporting date. Management reviews the allowance on a continuous basis.

Advances to related parties, net of allowance for doubtful accounts as of December 31, 2011, 2010 and 2009 amounted to P579,452,745, P602,133,173 and P663,989,819, respectively (see Note 9).

Impairment of available-for-sale financial assets

The Group carries certain financial assets at fair value, which requires the extensive use of accounting judgment and estimates. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit and loss and equity.

Unrealized fair value gain (loss) recognized on available-for-sale financial assets amounted to P4,166,317, (P7,425,459) and (P15,085,037) in 2011, 2010 and 2009, respectively. This was reported under "Other comprehensive loss" account and presented separately in the equity section of the consolidated statements of financial position.

Impairment loss on available-for-sale financial assets of P17.7 million, P9.2 million and Nil was recognized in 2011, 2010 and 2009 statements of comprehensive income, respectively.

Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Group operates are also carefully taken into consideration.

If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

The Group reviews deferred tax asset at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets amounted to P66,198,346, P58,108,317 and P39,445,734 as of December 31, 2011, 2010 and 2009, respectively (see Note 10). These were provided with full valuation allowance.

Impairment of non-financial assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 3, subheading *Impairment of non-financial assets.* Though management believes that the assumptions used in the estimation of fair values reflected in the Group financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account consists of:

	2011	2010	2009
Investment in shares of stock – at cost			
Unquoted	**P 73,211,573**	P 73,211,573	P 73,211,573
Quoted	**7,529,480**	36,142,284	107,234,681
	80,741,053	109,353,857	180,446,254
Net unrealized fair value gain (loss)	**4,166,317**	(7,425,459)	(15,085,037)
Impairment loss	**(9,320,935)**	(20,241,687)	(70,534,906)
	P 75,586,435	P 81,686,711	P 94,826,311

Investment in unquoted shares of stock represents 66.67% and 56% ownership of the Group in Forum Energy, Inc. (formerly Tracer Petroleum Corporation) in 2011, 2010 and 2009 and Express Savings Bank, Inc. (ESBI) in 2010 and 2009, respectively. These investments are classified as available-for-sale financial assets as the Group does not participate in the financial and operating policy of the investee which manifests control or significant influence. These investments are stated at cost since there is no quoted price in an active market.

Investment in quoted shares of stock represents 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.

On August 12, 2010, the Group 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 Group 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 movements in the net unrealized fair value loss on available-for-sale financial assets follow:

	2011	2010	2009
Balance at beginning of year	**(P 7,425,459)**	(P 15,085,037)	P –
Reversal due to impairment	**3,710,917**	9,220,278	–
Fair value changes during the year	**7,880,859**	(1,560,700)	(15,085,037)
	P 4,166,317	(P 7,425,459)	(P 15,085,037)

6. TRADE AND OTHER PAYABLES

This account consists of:

	2011	2010	2009
Accounts payable	**P 1,495,039**	P 2,119,301	P 285,190
Accrued expenses	**1,285,584**	4,524,542	1,934,274
Withholding tax payable	**1,000**	15,000	12,000
Income tax payable	–	–	50,541
	P 2,781,623	P 6,658,843	P 2,282,005

Accrued expenses are composed of professional fees, utilities and contract services.

The Group considers the carrying amounts recognized in the consolidated statements of financial position to be the reasonable approximation of their fair values.

7. OTHER INCOME (CHARGES) - net

	2011	2010	2009
Impairment loss on:			
AFS financial assets – note 5	**(P 17,692,052)**	(P 9,220,278)	P –
Advances to related parties – note 13	**(17,221,059)**	(50,165,615)	–
Unrealized foreign exchange gain (loss)	–	101,440	(6,755,652)
Loss on assignment of liabilities	–	–	(16,259,951)
Others	**(3,367)**	(64,497)	2,527,026
	(P 34,916,478)	(P 59,348,950)	(P 20,488,577)

8. CAPITAL STOCK

This account consists of the following:

	2011	2010	2009
Authorized common shares at P1 par value per share	**P3,500,000,000**	P3,500,000,000	P3,500,000,000
Issued and fully paid	**P 819,355,920**	P 819,355,920	P 819,355,920
Subscribed and fully paid			
Subscribed	**1,055,644,080**	1,055,644,080	1,055,644,080
Subscriptions receivable, as restated	**(667,456,379)**	(667,456,379)	(667,456,379)
	388,187,701	388,187,701	388,187,701
Subscribed and issued	**1,207,543,621**	1,207,543,621	1,207,543,621
Treasury shares, as restated	**(36,056,750)**	(36,056,750)	(36,056,750)
Issued and outstanding	**P1,171,486,871**	P1,171,486,871	P1,171,486,871

The cost of the Group's treasury shares amounted to P36,056,750 as of December 31, 2011, 2010 and 2009. Such treasury shares restrict the Group from declaring an equivalent amount from the unappropriated retained earnings as dividends.

9. RELATED PARTY TRANSACTIONS AND RELATED PARTY ACCOUNTS

The Group, in the ordinary course of business, has transactions with its affiliates.

Name of Related Party	**Relationship**	**Nature of transactions**
The Wellex Group, Inc. (TWGI)	Affiliate	Cash advances
Forum Exploration, Inc. (FEI)	Affiliate	Cash advances
Forum Exploration, Ltd. (FEI Ltd.)	Affiliate	Cash advances
Wellex Industries, Inc.	Affiliate	Cash advances

Related party transactions consist of advances to/from affiliated companies to meet the operating needs of the Group.

a) Related party transactions

Advances to related parties

Transactions with The Wellex Group, Inc. (TWGI) primarily consist of advances granted to finance their working capital requirements. Also, the receivables from FEI pertain to the carrying value of exploration net assets transferred by the Group.

The Parent Company recognized impairment loss amounting to P17,221,059 on its advances to FEI (see Note 7).

On December 15, 2011, to settle its outstanding obligations to the Parent Company, TWGI issued a one-year promissory note to the Parent Company amounting to P334,737,025 without interest.

Advances from related parties

Transactions with Forum Exploration (FEI), Ltd. pertains to advances received by the Group to finance its acquisitions of 60% stockholdings of FCCHI.

The Group subleases an office space from TWGI. In 2010, the parties mutually agreed that the Parent Company would not yet share in the rent expense until it earns income from operations.
No rental expense was recognized in 2011, 2010 and 2009.

b) Related party balances

The details of the advances to and from related parties are as follows:

	2011		2010		2009	
	Advances to	**Advances from**	Advances to	Advances from	Advances to	Advances from
TWGI	**P334,737,025**	**P –**	P341,025,464	P –	P330,128,925	P –
FEI	**172,303,326**		172,273,002	–	172,210,593	–
FEPCo	**97,732,903**	**79,736,392**	97,627,350	77,126,128	184,866,540	83,286,025
Forum (FEI)Ltd.	**13,905**	**142,392,874**	13,947	142,253,605	15,061	154,005,408
Forum Energy Plc (FEPlc)	**171,361,414**	**60,424,491**	171,193,672	60,364,340	105,384,659	65,185,509
Wellex Industries, Inc.	**–**	**1,162**	–	–	–	–
	776,148,573	**282,554,919**	782,133,435	279,744,073	790,605,778	302,476,942
Allowance for impairment	**(196,695,828)**	**–**	(179,474,769)	–	(129,309,154)	–
	P579,452,745	**P282,554,019**	P602,133,713	P279,744,073	P633,989,819	P302,476,942

The movement of the allowance for doubtful accounts follows:

	2011	2010	2009
At beginning of year	**P 179,474,769**	P129,309,154	P129,309,154
Provisions during the year - noyte	**17,221,059**	50,165,615	-
	P 196,695,828	P179,474,769	P129,309,154

The Group believes that the carrying amount of advances to/from related parties approximates their fair value.

c) Compensation of key management personnel

With the Group's tight cash position, management decided to suspend any form of compensation given to officers. Administrative function for the Group is performed by the affiliates.

10. INCOME TAXES

a) Tax reconciliation

A numerical reconciliation of the tax benefit and the product of accounting loss multiplied by the applicable tax rates follow:

	2011	2010	2009
Loss before tax	**(P36,663,191)**	(P64,945,234)	(P21,994,602)
Income tax benefit at statutory rate :	**(P10,998,357)**	(P19,483,570)	(P6,598,273)
Income tax effect on:			
Nondeductible expenses	**228,090**	831,340	–
Expired NOLCO	**150,135**	–	–
Expired MCIT	–	20,079	–
Loss on assumption of liabilities	–	–	4,877,877
Reversal of deferred tax liabilities	–	–	(1,321,041)
Unrecognized deferred tax assets	–	–	1,642,364
Change in valuation allowance	**10,611,132**	18,662,583	128,573
	P –	P 30,432	(P1,270,500)

b) Deferred tax assets and liability

The composition of deferred tax assets is as follows:

	2011	2010	2009
Impairment loss on advances to related parties	**P59,008,748**	P53,842,430	P38,792,746
NOLCO	**3,909,473**	3,763,743	150,134
Impairment loss on available-for-sale financial assets	**2,796,281**	–	–
Unrealized foreign exchange loss	**433,303**	432,234	432,234
MCIT	**50,541**	50,541	70,620
Unclaimed input VAT	–	19,369	–
	66,198,346	58,108,317	39,445,734
Valuation allowance	**(66,918,346)**	(58,108,317)	(39,445,734)
	P –	P –	P –

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

As of December 31, 2011 and 2010, the composition of deferred tax liabilities on the unrealized foreign exchange gain on advances from/to related parties amounted to P30,432.

c) NOLCO and MCIT

As of December 31, 2011, the Parent Company has NOLCO and MCIT that can be claimed as deduction from future income tax payable and taxable income, respectively, as follows:

NOLCO

Year Incurred	Expiration Date	Beginning balance	Additions	Expired	Claimed	Ending balance
2011	2014	P –	P 986,213	P –	P –	P 986,213
2010	2013	12,045,362	–	–	–	12,045,362
2009	2012	–	–	–	–	–
2008	2011	500,448	–	(500,448)	–	–
		P12,545,810	**P 986,213**	**(P500,448)**	**P –**	**P 13,031,575**

MCIT

Year Incurred	Expiration Date	Beginning balance	Additions	Expired	Claimed	Ending balance
2010	2013	P 50,541	P –	P –	P –	P 50,541

MCIT of P20,079 as of December 31, 2007 expired in 2010.

d) Relevant Tax Regulations

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

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

The Parent Company opted to adopt the itemized deduction in 2011 and 2010.

11. LOSS PER SHARE

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

	2011	2010	2009
Net loss for the year	**(P36,663,191)**	(P64,975,666)	(P20,723,742)
Weighted average number of common shares outstanding during the year	**1,171,486,871**	1,171,486,871	1,171,486,871
	(P 0.031)	(P 0.055)	(P 0.018)

12. COMMITMENTS AND CONTINGENCIES

i. The Parent Company subleases an office space from TWGI. In 2010, the parties mutually agreed that the Parent Company would not yet share in the rent expense until it earns income from operations.

ii. On May 7, 2007, the SEC suspended the trading of the Parent Company's shares for late filing of its 2004 and 2005 annual reports. The Parent Company failed to comply with the Suspension Order when it paid the penalty after the due date. However, it committed another violation when it failed to timely file its 2006 annual financial reports and 2007 first quarter reports. On October 19 and November 6, 2007, the Parent Company requested the SEC to allow the Parent Company to pay a monetary fine in lieu of the revocation of the registration of its securities due to late filing of the required reports. On May 5, 2008, a petition was filed to lift SEC's Order of Revocation and was lifted by SEC En Banc on July 31, 2008.

    On October 31, 2009, the SEC issued SEC-CFD Order No. 145, series of 2009, revoking the Parent Company's registration of Securities and Permit to Sell Securities for failure to file its 2008 Annual Report, 2009 First Quarter Reports and to pay the penalty of P40,000.

    Fines and penalties paid on February 14, 2011 in lieu of the Parent Company's revocation of Registration of Securities and Permit to Sell securities amounted toP2,771,200

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

Management believes that there are no commitments and contingent liabilities arising from the normal course of business that will have material impact on the Parent Company financial statements.

13. CORRECTION OF PRIOR PERIOD ERROR

In 2011, the Parent Company admitted that an error was inadvertantly made on its 2001 Parent Company financial statements in relation to the recording of the cost of treasury shares purchased.

The above error was corrected during the year in accordance with Philippine Accounting Standards 8 "Accounting policies, change in accounting estimates and errors".

The effects of the correction of prior period error on the beginning balance of 2009 statements of financial position are summarized below:

	As previously reported	Effect of correction	As restated
Treasury shares	P 34,605,596	1,451,154	P 36,056,750
Advances from related parties	303,002,435	(525,493)	(302,476,942)
Subscription receivable	668,382,040	(925,661)	667,456,379

The error in 2001 has no effect in the statement of comprehensive income for 2011, 2010 and 2009.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risk which results from both its operating and financing activities. The Group'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 by minimizing the exposure to financial markets.

The Parent Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

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

a) 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 consolidated of statement of financial position, as summarized below:

	2011	2010
Cash	**P 38,213**	P 102,082
Advances to related parties – net	**579,452,745**	602,133,173
	P 579,490,958	P 602,235,255

The credit quality of financial assets is discussed below:

Cash in bank

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

Advances to related parties

As of December 31, 2011 and 2010, the Group classifies the credit quality of advances to related parties which can be assessed based on the following:

	2011	2010
Group 1	**P 442,263,787**	P447,723,156
Group 2	**137,188,958**	154,410,017
Group 3	–	
	P579,452,745	P 602,133,173

- 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 Group's aging analysis of financial assets as of December 31, 2011 and 2010 are as follows:

December 31, 2011	Total	Neither past due nor impaired	Past due but not impaired < 30 days	31-90 days	91-180 days	> 3 years but not impaired	Impaired
Cash	**P 38,213**	**P 38,213**	**P –**	**P –**	**P –**	**P –**	**P –**
Advances to related parties - note 9	**579,452,745**	**–**	**–**	**–**	**–**	**407,821,669**	**171,631,076**
	P579,490,958	**P 38,213**	**P –**	**P –**	**P –**	**P407,821,669**	**P171,631,076**

December 31, 2010	Total	Neither past due nor impaired	Past due but not impaired < 30 days	31-90 days	91-180 days	> 3 years but not impaired	Impaired
Cash	P 102,082	P102,082	**P** –	**P** –	**P** –	P -	P -
Advances to related parties - note 9	782,133,435	-	–	–	–	602,658,666	179,474,769
	P782,235,517	P102,082	**P** –	**P** –	**P** –	P602,658,666	P179,474,769

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.

b) Liquidity risk

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

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

The Group 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 Group's liabilities are as follows:

December 31, 2011	**Total**	**On demand**	**Less than three months**	**3-12 months**	**1-5 years**
Advances from related parties	**P282,554,019**	**P –**	**P –**	**P –**	**P282,554,019**
Trade and other payables	**2,781,622**	**–**	**–**	**2,781,622**	**–**
	P285,335,641	**P –**	**P –**	**P 2,781,622**	**P282,554,019**

December 31, 2010	Total	On demand	Less than three months	3-12 months	1-5 years
Advances from related parties	P279,744,073	P –	P –	P –	P279,744,073
Trade and other payables	6,658,843	–	–	6,658,843	–
	P286,402,916	P –	P –	P6,658,843	P279,744,073

a) Market risk

Interest risk

As the Group has no significant interest bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from bank deposits. The Group's cash in bank earns interest at current interest rate level; any variation in the interest is expected to have an insignificant impact on Group's operation.

Foreign currency risk

The Group 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 Group's functional currency. Significant fluctuation in the exchange rates could significantly affect the Group's financial position.

The Group 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. If foreign exchange rates had been 10% higher/lower, the net loss before tax would decrease /increase by P343,594 and P343,121 in 2011 and 2010, respectively.

15. CATEGORIES AND FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

a) Categories and fair value of financial assets and liabilities

The carrying amounts and fair values of the categories of assets and liabilities presented in the consolidated statements of financial position are shown below:

Financial assets

	2011		2010	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Cash	**P 38,213**	**P 38,213**	P 102,082	P 102,082
Advances to related parties – net	**579,452,745**	**579,452,745**	602,133,173	602,133,173
Available-for-sale financial assets	**75,586,435**	**75,586,435**	81,686,711	81,686,711
	P 655,077,393	**P 655,077,393**	P683,921,966	P683,921,966

Financial liabilities

	2011		2010	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Trade and other payables	**P 2,781,622**	**P 2,781,622**	P 6,658,843	P 6,658,843
Advances from related parties	**282,554,019**	**282,554,019**	279,744,073	279,744,073
	P 285,335,641	**P 285,335,641**	P286,402,916	P286,402,916

b) Fair value estimation

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

Cash and trade and other payables - These approximate fair values as they are relatively short-term maturities and have no definite terms of payment.

Quoted AFS equity securities - Fair value is based on quoted prices as of reporting dates.

Unquoted AFS equity securities - These are carried at cost less allowance for impairment losses because fair value cannot be measured reliably due to of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value.

Advances to/from related parties – the fair value of advances to/from related parties is not reasonably determined due to the unpredictable timing of future cash flows.

c) Fair Value of Financial Instruments

The different fair value valuation methods are fully disclosed in Note 3.

As of December 31, 2011 and 2010, the fair value of available-for-sale financial assets are measured using Level 1 and Level 2 as follows:

December 31, 2011

	Level 1	Level 2	Total
Available-for-sale financial assets	**P 11,695,797**	**P 4,660,200**	**P 16,355,997**

December 31, 2010

	Level 1	Level 2	Total
Available-for-sale financial assets	**P 3,814,938**	**P 4,660,200**	**P 8,475,138**

16. CAPITAL RISK MANAGEMENT

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

The Group 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 December 31, 2011 and 2010 are 1.58% and 2.5%, respectively. Total debt is equivalent to debt shown in the statements of financial position. Total equity comprises all components of equity as shown in the statements of financial position. Total equity amounts to P369,948,916 and P397,522,062, as of December 31, 2011 and 2010, respectively.

The Group 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 statement of financial position) less cash. Total capital is calculated as Equity as shown in the consolidated statements of financial position plus Net Debt.

During 2011, the Group Company's strategy, which was unchanged from 2010, was to keep the gearing ratio below 50% as proportion to net debt to capital. The gearing ratios as at December 31, 2011 and 2010 were as follows:

	2011	2010
Trade and other payables	**P 2,781,622**	P 6,658,843
Advances from related parties	**282,554,019**	279,744,073
Less: Cash	**(38,213)**	(102,082)
Net debt	**285,297,428**	286,300,834
Total equity	**369,948,916**	397,522,062
Total capital	**P655,246,344**	684,348,389
Gearing ratio	**43.54%**	41.80%

17. SUPPLEMENTAL NON CASH FLOW INFORMATION

Non-cash flow information of the Group consists of advances granted to related parties from proceeds from sale of available-for-sale financial assets amounting to P11,578,900 and P22,887,556 in 2011 and 2010, respectively.

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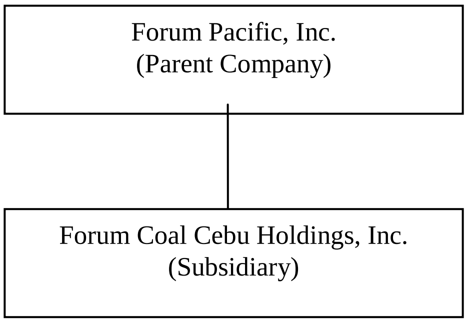
FORUM PACIFIC, INC. AND SUBSIDIARY
APPENDIX A – FINANCIAL SOUNDNESS
DECEMBER 31, 2011

	2011	2010
Profitability ratios:		
Return on assets	**Nil**	Nil
Return on equity	**Nil**	Nil
Net profit margin	**Nil**	Nil
Solvency and liquidity ratios:		
Current ratio	**8.71%**	1.53%
Debt to equity ratio	**77.14%**	72.05%
Financial leverage ratio:		
Asset to equity ratio	**177.14%**	172.05%
Debt to asset ratio	**43.55%**	41.88%
Interest rate coverage ratio	**Nil**	Nil

FORUM PACIFIC, INC. AND SUBSIDIARY
APPENDIX B – MAP OF CONGLOMERATE OR GROUP
OF COMPANIES WITHIN WHICH THE COMPANY BELONGS
DECEMBER 31, 2011



FORUM PACIFIC, INC. AND SUBSIDIARY
APPENDIX C – STANDARDS AND INTERPRETATIONS EFFECTIVE FOR ANNUAL PERIODS BEGINNING JANUARY 1, 2011
DECEMBER 31, 2011

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

FORUM PACIFIC, INC. AND SUBSIDIARY
SCHEDULE A – FINANCIAL ASSETS
DECEMBER 31, 2011

Name of Issuing entity and description of Investment	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Value based on market quotation at end of reporting period	Income received and accrued
Philippine Estates Corporation	50,196,553	P11,695,797	P11,695,797	
Forum Exploration, Inc.	62,500,000	73,211,573	73,211,573	
		84,907,370	93,278,487	
Allowance for impairment loss		9,320,935	17,692,052	
		75,586,435	75,586,435	

FORUM PACIFIC, INC. AND SUBSIDIARY
SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2011

Name and designation of debtor	Balance at beginning of period	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period

Not Applicable

FORUM PACIFIC, INC. AND SUBSIDIARY
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2011

Name and designation of debtor	Balance at beginning of period	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
Not Applicable						

FORUM PACIFIC, INC. AND SUBSIDIARY
SCHEDULE D – INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2011

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending balance
Others	P 33,443	P –	P –	P –	P –	P 33,443

FORUM PACIFIC, INC. AND SUBSIDIARY
SCHEDULE E – LONG TERM DEBT
DECEMBER 31, 2011

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long term debt" in related statement of financial position	Amount shown under caption "Long-term debt" un the related statement of financial position

Not Applicable

FORUM PACIFIC, INC. AND SUBSIDIARY
SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2011

Name of related party	Balance at beginning of period	Balance at end of period
Affiliates		
The Wellex Group, Inc.	P 340,499,971	P 334,737,025
Forum Exploration, Inc.	172,273,002	172,303,262
Forum Energy, Plc	171,193,672	171,361,415
Forum Exploration (FEI), Ltd.	13,946	13,969
FEPCo	97,627,351	97,732,902
	781,607,942	776,148,573
Allowance for impairment loss	(179,474,769)	(196,695,828)
	P 602,133,173	P 579,452,745

FORUM PACIFIC, INC. AND SUBSIDIARY
SCHEDULE G – GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2011

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee

Not Applicable

FORUM PACIFIC, INC. AND SUBSIDIARY
SCHEDULE H – CAPITAL STOCK
DECEMBER 31, 2011

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares reversed for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	3,500,000,000	1,171,486,871	–	200,000	2,940,503	1,168,346,368