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**SECURITIES AND EXCHANGE COMMISSION**

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Company Information

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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.

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(Company's Full Name)

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

Atty. Arsenio A. Alfiler Jr.

Contact Person

(632) 706-7888

Contact Telephone No.

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Fiscal Year

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FORM TYPE

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Month Day

Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

896

Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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Annual Report: FPI

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A**

**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, 2014**
2. SEC Identification Number **AS 093000120**
3. BIR Tax Identification No. **002-155-598-000**
4. **FORUM PACIFIC, INC.**
Exact name of registrant as specified in its charter
5. **Metro Manila, Philippines**
Province, country or other jurisdiction of incorporation or organization
6. (SEC Use only)
Industry Classification Code
7. **35/F, One Corporate Center, Doña Julia Vargas Ave., Cor. Meralco Ave. Ortigas Center, Pasig City**
Address of principal office
8. **Telephone No. 706-7888**
Registrant's telephone number, including area code
9. **Not applicable**
Former name, former address, and former fiscal year, if changed since last report.

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

<u>Title of Each Class</u>	<u>No. of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
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 [☒]

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 [☒] No [☐]

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

Yes [☒] 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 (SEC) on January 8, 1993, with a principal office at the 35th Floor One Corporate Center, Doña Julia Vargas Ave. corner Meralco Ave., Ortigas Center, Pasig City.

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

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

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

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

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

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

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

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

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

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

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

Business Plans

To address the foregoing matters that may raise doubt on the Company's ability to continue as a going concern, the shareholders of the Company have committed in principle to provide full financial support to the Company to sustain its operations, meet the working capital requirements and settle obligations as they fall due. The management is banking on new petroleum and gas and other mining contracts to increase profitability. The Company is also looking to explore areas adjacent to the Libertad Gas Field in northern Cebu that is producing marginally.

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

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

- Evaluate outstanding receivables and advances to affiliates and design collection program to improve the Company's financial status. The Board will also evaluate calling for the remaining stock subscription as source of fund for the future projects.
- Outline business target projects, including of which, is possible investment in mining industry apart from gas and oil exploration. The Board is currently in the evaluation of their short listed mining companies. Negotiations with potential business partners will be in place in the next twelve months.
- Determine manpower requirements if acquiring a mining company will materialize.

To date, the Company's main source of revenue came from its 33.33% capital stock investment in Forum Exploration, Inc. (FEI), a subsidiary of Pangilinan-led Forum Energy Plc. and the project operator for Libertad Gas Field or Service Contract 40 (SC40). With the new development on its management, the Company is hoping for a positive return on its investment.

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

(2) Business of Forum Pacific, Inc.

(a) Description of Registrant

(i) Principal products and services

Forum Pacific Inc. is a publicly listed holding company owning shares of stocks of an exploration company.

(ii) Export Sales

Forum Pacific, Inc. is 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 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

Forum Pacific, Inc. is not dependent on any one industry, company or customers.

(viii) Transactions with and/or dependence on related parties

Forum Pacific, Inc. 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

Forum Pacific, Inc. 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

Forum Pacific, Inc. has no cost and effects of compliance with environmental laws.

(xiv) Total Number of Fulltime Employees (as of December 31, 2014)

None

(xv) Major Risk

None

(b) Additional Requirements as to Certain Issues or Issuers

Not Applicable

Item 3. Legal Proceedings

- The Company has a legal case involvement in the “Field Investigation Office v. Prospero Pichay, et. Al. For: Malversation.” The case involves a complaint Malversation, violation of R.A. No. 3019, otherwise known as the Anti-Graft and Corrupt Practices Act,” and violation of the Manual of Regulations for Banks in relation to Section 36 and 37 of R.A. No. 7653, otherwise known as the “New Central Bank Act,” wherein the Board of Directors of the Local Water Utilities Administration (LWUA), FPI and The Wellex Group, Inc. (TWGI), among others, are charged with conspiring to (a) effect LWUA’s supposed anomalous purchase in June 2009 from FPI (127,415 shares), TWGI (310,036 shares) and other individual stockholders (78,767 shares) of their total 445,377 shares, representing approximately 60% of the total shares, in Express Savings Bank, Inc. (ESBI) in the total amount of P101,363,302.85; and (b) infuse fresh capital in ESBI amounting to a total of P700,000,000. The Company’s legal counsel filed a “Joint Rejoinder-Affidavit” dated December 1, 2014 on behalf of the Company’s directors. The case is now pending resolution before the Office of the Ombudsman as at December 31, 2014. The Company considers this as a contingency.
- A case of illegal dismissal and claims for unpaid salaries, back wages, separation pay and damages was filed by an employee (logistic coordinator), on February 1996. The respondents on the said case are James Dale Hood, Air Philippines International (Formerly), Cophil Exploration & Drilling Co., Air Philippines International, Inc. and Forum Exploration, Inc. The management is still coordinating with legal department of Forum Exploration, Inc. to handle the case since James Dale Hood was their former Assistant Drilling Manager. 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 subleases an office space from The Wellex Group, Inc. (TWGI) located at the 35th Floor One Corporate Center, Doña Julia Vargas Ave. corner Meralco Ave., Ortigas Center, Pasig City. The lease is for a period of two (2) years starting April 2012 and renewable thereafter upon mutual agreement of both parties. Office space monthly rental including storage room usage and utilities is P18,500, exclusive of VAT and withholding tax.

PART II – 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 last December 19, 1994. The high and low sales prices by quarter for the last 3 years are as follows:

<u>"CLASS A"</u>		High	Low
2014			
	First Quarter	0.180	0.180
	Second Quarter	0.163	0.154
	Third Quarter	0.215	0.189
	Fourth Quarter	0.330	0.315
2013			
	First Quarter	0.235	0.215
	Second Quarter	0.219	0.151
	Third Quarter	0.209	0.165
	Fourth Quarter	0.217	0.214
2012			
	First Quarter	0.280	0.270
	Second Quarter	0.200	0.200
	Third Quarter	0.230	0.216
	Fourth Quarter	0.230	0.200

The high, low and close market prices are P0.360, P0.330 and P0.350 per share as of March 23, 2015 (latest practicable trading date).

There were no stock price quotations for years 2010 and 1st quarter of 2011 because PSE suspended the trading of Forum Pacific Inc. shares during the period covered due to non-compliance of various reports. After compliance, the trading suspension on the shares of Forum Pacific Inc. has been lifted last May 17, 2011.

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

(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 8 calendar years. The Company's financial statements as of December 31, 2014 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 number of shareholders of record as of December 31, 2014 was 896. Common shares issued and subscribed as of December 31, 2014 were 1,838,943,246.

**Forum Pacific Inc.
Top 20 Stockholders
As of December 31, 2014**

	NAME	CLASS A NO. OF SHARES	% to TOTAL
1	International Polymer Corp	496,887,494	26.501
2	PCD Nominee Corp.	417,201,954	22.251
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	PCD Nominee Corp. (Non-Filipino)	17,649,670	0.941
13	Nestor S. Mangio	12,500,000	0.667
14	Li Chih-Hui	12,100,000	0.645
15	A & A Securities, Inc.	11,911,320	0.635
16	Mark Securities Corporation	10,772,800	0.575
17	Globalinks Sec & Stocks, Inc. A/C#	9,400,000	0.501
18	Belson Securities, Inc.	9,200,000	0.491
19	Wealth Securities, Inc.	8,240,000	0.439
20	Ruben M. Gan	7,610,000	0.406

Equity Ownership of Foreigners as of December 31, 2014

Class of Security	Total Outstanding Shares	Shares Allowed to Foreigners	Shares Owned by Foreigners	% Owned by Foreigners	Shares Owned by Filipino	% Owned by Filipino
"A"	1,838,943,246	735,577,298	47,674,562	2.5925	1,791,268,684	97.4075

Item 7. Management's Discussion and Analysis or Plan of Operations

1. Management's Discussion and Analysis

a) Key Performance Indicators

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

- Advances from Related Parties – currently, The Wellex Group, Inc. (TWGI) is funding all operational expenses of the Company. Total advances made as of December 31, 2014 and 2013 are ₱2,091,233 and ₱2,954,548, respectively. These advances are offset against the outstanding receivable of the company from TWGI.

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

Current Ratio for the Y2014 is 3959% and 318.50% for Y2013.

A significant increase in the ratio by 3641% was mainly due to reclassification of the outstanding receivable from TWGI, a stockholder of the Company, from noncurrent asset in 2013 to current asset in 2014. This account pertains to advances obtained by TWGI from the Company to finance its working capital requirements on previous years. On December 15, 2012, to settle its outstanding obligations to the Company, TWGI issued a promissory note to the Company maturing on December 15, 2015 amounting to ₱327,540,836 without interest.

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

The cash ratio of the company for the Y2014 is 30.75% and 42.22% for Y2013.

4. Debt ratio - It is one of the financial leverage ratios which measure the extent to which the firm is using long term debt. Formula is total debt divided by total assets. Debt ratio for the Y2014 is 1.12% and 1.03% for Y2013.

5. Debt-to-equity ratio - The formula is total debt divided by total equity. It indicates what proportion of equity and debt that the company is using to finance its assets. The debt to equity ratio for the Y2014 is 1.08% and 1.04% for Y2013.

Financial Highlights

The following table shows the comparative operating data and financial statements of the Company for the years ending December 31, 2014, 2013 and 2012.

	Years Ended December 31		
	2014	2013	2012
Revenues	₱ —	₱ —	₱ —
Cost and Expenses	2,125,076	2,663,872	2,393,976
Gross Profit (Loss)	(2,125,076)	(2,663,872)	(2,393,976)
Other income (expenses)	(17,179,600)	(266,808)	1,147,468
Net income (loss) before tax	(19,304,676)	(2,930,680)	(1,246,808)
Benefit from (provision for) income tax			
- Current	—	—	18,406
- Deferred	—	(30,432)	—
Net income (loss) for the year	(19,304,676)	(2,900,248)	(1,265,214)
Other comprehensive loss:			
Unrealized gain (loss) on AFS financial asset	1,254,914	(14,306,017)	20,931,962
Total comprehensive income (loss) for the year	(₱18,049,762)	(₱17,206,265)	₱ 19,666,748
Earnings (loss) per share	(₱ 0.016)	(₱ 0.002)	(₱ 0.001)

CHANGES IN RESULTS OF OPERATION

Revenues and Earnings per share

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

Cost and Expenses

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

Other Income (Expenses)

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

CHANGES IN FINANCIAL CONDITION

ASSETS

Current Assets

Cash

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

Input Tax

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

Advances to related parties (net)

Advances to TWGI

The account pertains to reclassification of the outstanding receivable from TWGI, a stockholder of the Company, from noncurrent asset in 2013 to current asset in 2014. This

account pertains to advances obtained by TWGI from the Company to finance its working capital requirements on previous years.

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

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

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

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

Noncurrent Assets

Advances to Affiliates

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

Advances to FEI

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

Available-For-Sale Financial Assets

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

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

Unquoted shares - Forum exploration, Inc. (FEI)

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

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

Quoted shares - Philippine Estates Corporation (PHES)

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

LIABILITIES

Advances from Affiliate

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

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

Accounts Payable and other liabilities

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

2. PLAN OF OPERATIONS

Business Plans

To address the foregoing matters that may raise doubt on the Company's ability to continue as a going concern, the shareholders of the Company have committed in principle to provide full financial support to the Company to sustain its operations, meet the working capital requirements and settle obligations as they fall due. The management is banking on new petroleum and gas and other mining contracts to increase profitability. The Company is also looking to explore areas adjacent to the Libertad Gas Field in northern Cebu that is producing marginally.

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

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

- Evaluate outstanding receivables and advances to affiliates and design collection program to improve the Company's financial status. The Board will also evaluate calling for the remaining stock subscription as source of fund for the future projects.
- Outline business target projects, including of which, is possible investment in mining industry apart from gas and oil exploration. The Board is currently in the evaluation of their short listed mining companies. Negotiations with potential business partners will be in place in the next twelve months.
- The Company is not expecting to purchase equipment on its acquisition of a mining company.
- Determine manpower requirements if acquiring a mining company will materialize.

To date, the Company's main source of revenue came from its 33.33% capital stock investment in Forum Exploration, Inc. (FEI), a subsidiary of Pangilinan-led Forum Energy Plc. and the project operator for Libertad Gas Field or Service Contract 40 (SC40). With the new development on its management, the Company is hoping for a positive return on its investment.

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

(i) Summary of Material Trends, Events and Uncertainties

Forum Pacific, Incorporated

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

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

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

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

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

On August 31, 2010, the Company received an order of revocation of the registration and the permit to sell the Company's securities due to late filing of the Company's 2009 annual reports. On September 8, 2010, the Company requested for an extension of time until September 30, 2010 for the filing of the Company's 2009 audited financial statements which was granted by

SEC in a letter dated September 13, 2010. On October 5, 2010, the Company again requested the SEC an additional thirty (30) working days within which to comply with the letter from the SEC dated August 31, 2010. However, on October 7, 2010, the Company's request was denied and the SEC provided a non-extendible period of three (3) days from receipt of the letter within which to submit the 2009 annual reports.

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

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

Writing-Off of Investments

Express Savings Bank, Inc. (ESBI)

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

On June 3, 2009, the Company executed a deed of absolute sale for its 127,415 shares in ESBI for P179.63 per share or equivalent to P22,887,556. The carrying amount of 289,806 shares in ESBI as of December 31, 2008 amounted to P1,22,592,758 or P423.02 per share. The difference between selling price and cost per share multiply by the number of ESBI shares as of December 31, 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 December 31, 2009 was based on the actual partial sale that occurred on July 13, 2010 in which 46,602 shares were sold for P4,660,200 at P100/share.

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

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

Forum Coal Cebu Holdings, Inc. (FCCHI)

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

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

In a special meeting held last November 21, 2011, the Company has decided to provide full valuation allowance on its investment in subsidiary. Consequently, the Company recognized impairment loss of P3,888,000 in 2011.

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

(ii) Events that will Trigger Direct or Contingent Financial Obligation

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

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

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

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

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

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

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

December 31, 2014							
	Total	On demand	Less than three months		3-12 months		1-5 years
Advances from related parties	P 3,699,742	P –	P –		P –		P 3,699,742
Trade and other payables	426,653	–	–		426,653		–
	P 4,126,395	P –	P –		P 426,653		P 3,699,742
<hr/>							
December 31, 2013							
	Total	On demand	Less than three months		3-12 months		1-5 years
Advances from related parties	P 3,682,909	P –	P –		P –		P 3,682,909
Trade and other payables	271,128	–	–		271,128		–
	P 3,954,037	P –	P –		P 271,128		P 3,682,909

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

PFRS 9, Financial Instruments. The standard requires all recognized financial assets that are within the scope of PAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or at fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely for payments of principal and interest on the outstanding balance are generally measured at amortized cost at the end of subsequent reporting periods. All other debts investments and equity investments are measured at their fair values at the end of subsequent reporting periods. For financial liabilities that are

designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income would create or increase an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. The standard is to be effective no earlier than the annual periods beginning January 1, 2017, with earlier application permitted.

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

(vi) Material Changes on Line Items in Financial Statements

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

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

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

Item 8. Financial Statements

The 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 P394,000 in 2014, P340,000 in 2013 and P323,400 in 2012 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, two (2) of whom are independent directors.
Names, ages, citizenship and position and office of all directors and executive officers

Name	Age	Citizenship	Position and Office
Rogelio D. Garcia	74	Filipino	Chairman of the Board
Peter S. Salud	59	Filipino	President / Director
Elvira A.Ting	54	Filipino	Director / Vice Chairman
Richard L. Ricardo	51	Filipino	Director
Atty. Lamberto B. Mercado,	51	Filipino	Director
Byoung Hyun Suh	58	Filipino	Independent Director
Omar M. Guinomla	41	Filipino	Director
Kenneth T. Gatchalian	38	Filipino	Director/Treasurer
Atty. Arthur Ponsaran	70	Filipino	Director
Joaquin Obieta	79	Filipino	Director
Sergio R. Ortiz-Luis, Jr.	71	Filipino	Independent Director
Atty. Arsenio A. Alfiler Jr.	69	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
Rogelio D. Garcia Director Filipino 74 years old Bachelor of Laws (LLB) University of the Philippines	Present: Forum Pacific, Inc. Wellex Industries, Inc. Wellex Industries, Inc. Metro Alliance Holdings & Equities Corp. Corp. Previous: ConyBio Philippines, Inc. NIR Placement Center, Inc.	Director since 2004 Chairman since 2005 Director up to 2004 Director since 2003 CEO 1997-2000 Executive Consultant 1998-2000

Name	Corporation	Position
Peter S. Salud President/ Director Filipino 59 years old	Present: Forum Pacific Inc. Previous: Air Philippines International Corp. New Phil. China Corp. Metrobank	President/ Director since 1996 President 1995-1996 President 1990 -1997 Senior Manager 1978-89

Name	Corporation	Position
Kenneth T. Gatchalian Director/Treasurer Filipino 37 years old B.S. in Architecture University of Texas, USA	Present: Forum Pacific, Inc. The Wellex Group, Inc. Wellex Industries, Inc. Waterfront Philippines Incorporated Previous: Philippine Estates Corporation Metro Alliance Holdings and Equities Corporation Express Savings Bank Incorporated Mabuhay Vinyl Corporation	Director since 2002 Treasurer since 2010 Director since 2002 VP for Special Projects 2011 Director since 2002 Treasurer since 2010 Vice Chairman since 2001 President/CEO 2010-2011 EVP & COO 2000-2010 Director 2000-2011 Director/Treasurer 2002-2009 Director 2002-2009 Director 2003-2004

Name	Corporation	Position
Atty. Lamberto B. Mercado Jr. Director Filipino 51 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
Atty. Arthur Ponsaran Director Filipino 70 years old CPA Lawyer University of the East Business Administration Major in Accounting University of the Philippines Bachelor of Laws	Present: Forum Pacific, Inc. Wellex Industries, Inc. Philippine Estate Corporation Corporate Counsels, Phil. Law Offices Previous: Forum Pacific, Inc.	Director since 2000 Corp. Sec. up to 2003 Director Managing Partner Corporate Secretary

Name	Corporation	Position
Atty. Arsenio A. Alfiler, Jr. Corporate Secretary Filipino 69 years old Bachelor of Laws University of the Philippines B.A. in Public Administration University of the Philippines	Present: Forum Pacific, Inc. Acesite (Phils.) Hotel Corporation Waterfront Philippines, Inc. Iloilo City Development Bank	Since 2007 Assistant Corporate Secretary Assistant Corporate Secretary Assistant Corporate Secretary

Name	Corporation	Position
Richard L. Ricardo Treasurer/Director Filipino 51 years old B.S. in Management Economics Ateneo De Manila University Treasurer/Director Filipino	Present: Forum Pacific, Inc. Wellex Industries, Inc. Waterfront Phils., Inc. Acesite (Phils.) Hotel Corp.	Director since November 11, 2014 Treasurer since Sept. 2012 Director since 2010 Corporate Affairs Officer since 2007 Compliance Officer Vice President for Corporate Affairs Compliance Officer

Name	Corporation	Position
Joaquin P. Obieta Director Filipino 79 years old Bachelor of Laws Ateneo de Manila University Chemical Engineering De La Salle University Bachelor of Theology University of Sto. Tomas	Present: Forum Pacific, Inc. Corporate Counsels, Philippines Law Office Ateneo de Manila University	Director since 2001 Managing Partner Law Professor

Name	Corporation	Position
Omar M. Guinomla Director Filipino 41 years old A.B. Management De La Salle University Masters in Business Administration Ateneo De Manila University	Present: Wellex Industries, Inc. Forum Pacific, Inc. Recovery Real Estates Corp. Pacific Rehouse Corp. Orient Pacific Corp. Recovery Development Corp.	Director since 2010 Director since Nov. 11, 2014 Chairman & President Vice President Assistant Corporate Secretary Assistant Corporate Secretary

Name	Corporation	Position
Sergio R. Ortiz-Luis, Jr. Director Filipino 70 years old Bachelor of Science in Business Administration; Masters in Business Administration De La Salle University PhD Humanities hc Central Luzon State University PhD Business Technology hc EARIST	Present: Forum Pacific, Inc. Alliance Global, Inc. Waterfront Philippines, Inc. B.A. Securities Philippine Estates Corporation Philippine Exporters Confederation, Inc.	Independent Director since June 2013 Vice Chairman since 2007 Independent Director since 2005 Independent Director since 2012 Independent Director President

Name	Corporation	Position
Byoung Hyun Suh Independent Director Korean 58 years old B.S. in Business Administration Korea University, Seoul Korea	Present: Forum Pacific, Inc. Pan Islands, Inc. Three Seven Foods & Products, Golden Jin Shan Farm Overseas Korean Traders 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

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

Ms. Elvira A. Ting, the Vice Chairman/Director, is the aunt of Mr. Kenneth T. Gatchalian, the Treasurer/Director.

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, persons nominated or chosen by the corporation to become directors, or executive officers other than the above.

(4) Involvement in Certain Legal Proceedings

A case involving present and previous member of the Board of Directors was filed before the Office of the Ombudsman re "*Field Investigation Office v. Prospero Pichay, et.al*" last year. This case involves a complaint for Malversation, a violation of R.A. No. 3019, as amended, and R.A. 7653 wherein the Board of Directors of the Local Water Utilities Administration (LWUA), Forum Pacific, Inc. (FPI) and The Wellex Group, Inc. (TWGI), among others, are charged with conspiring to (a) effect LWUA's supposed anomalous purchase in June 2009 from FPI (127,415 shares), TWGI (310,036 shares) and other individual stockholders (7,876 shares) of their total 445,377 shares, representing approximately 60% of the total shares, in Express Savings Bank, Inc. (ESBI) in the total amount of P101,363,302.85; and (b) infuse fresh capital in ESBI amounting to a total of P700,000,000.00.

Esguerra & Blanco Law Office acted as counsel for officers of Forum Pacific, Inc. As of December 31, 2014, the case was not yet decided neither convicted by final judgment respondents on the case.

Item 11. Executive Compensation

(1) Summary of Compensation Table - Annual Compensation

The following table lists the name of the Corporation's Directors and Executive Officers Annual Compensation for the three most recent years.

Name & Position	Year	Salary (in Php)	Other Variable Pay (in Php)
Peter S. Salud President/CEO/Director	2014	-	100,000.00
	2013	-	100,000.00
	2012	-	100,000.00
Elvira A. Ting Vice Chairman/Director	2014	-	50,000.00
	2013	-	50,000.00
	2012	-	50,000.00
Kenneth T. Gatchalian Treasurer/Director	2014	-	50,000.00
	2013	-	50,000.00
	2012	-	50,000.00
Rogelio D. Garcia Chairman/Director	2014	-	10,000.00
	2013	-	10,000.00
	2012	-	10,000.00
All other directors & officers as a Group (unnamed)	2014	-	40,000.00
	2013	-	40,000.00
	2012	-	40,000.00

(2) Compensation of Directors

Except for a nominal amount of per diem amounting to P10,000 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, 2014 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 with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares	Percentage to Total Outstanding Shares
Common	International Polymer Corp. No. 7 T. Santiago St., Canumay, Valenzuela City Stockholders	William T. Gatchalian Dee Hua T. Gatchalian Elvira A. Ting Sherwin T. Gatchalian Felino Canio (see Note 1)	Filipino	496,887,494	26.501%
Common	PCD Nominee Corp. 37 th Flr. Tower 1, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City Stockholder	Owns 16.69% of Westlink Global Equities, Inc. at 6 th Flr. PSE Plaza in Makati, the beneficial owner of 6.4277% represented by its President	Filipino	417,201,954	22.251%
Common	The Wellex Group, Inc. 35 th Flr. One Corporate Center, Doña Julia Vargas. cor. Meralco Aves., Ortigas Center, Pasig City Stockholder	William T. Gatchalian Dee Hua T. Gatchalian Kenneth T. Gatchalian Richard L. Ricardo Pentagon Devt. Inc. Overjoy Holdings, Inc. Elvira A. Ting (see Note 2)	Filipino	376,950,000	20.104%

(1) International Polymer Corporation ("IPC") is a significant shareholder of the Company. As per By-laws and the Corporation Code, the Board of Directors of the IPC has the power to decide how the IPC shares are to be voted every Annual Stockholders' Meeting.

(2) The Wellex Group, Inc. ("TWGI") is a significant shareholder of the Company. As per By-laws and the Corporation Code, the Board of Directors of the IPC has the power to decide how the IPC shares are to be voted every Annual Stockholders' Meeting.

(2) Security Ownership of Management

As of December 31, 2014 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	Rogelio D. Garcia	10	Filipino	0.000%
Common - Class A	Peter S. Salud	29,990	Filipino	0.002%
Common - Class A	Elvira A. Ting	400,001	Filipino	0.021%
Common - Class A	Richard L. Ricardo	100	Filipino	0.000%
Common - Class A	Atty. Lamberto B. Mercado	100	Filipino	0.000%
Common - Class A	Byoung Hyun Suh	1,000	Korean	0.000%
Common - Class A	Omar M. Guinomla	100	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	Sergio R. Ortiz-Luis, Jr.	100	Filipino	0.000%
Common - Class A	Joaquin P. Obieta	1	Filipino	0.000%
	TOTAL	431,503		0.023%

(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

The Company, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms of repayment period.

The Company's advances to Forum Exploration, Inc. (FEI) pertain to the carrying value of exploration assets transferred by the Company in prior years. No transaction in the account balance was recognized for the years ended December 31, 2014 and 2013 (please refer to Notes to the Audited Financial Statements under Note 10).

The Company's advances to The Wellex Group, Inc. (TWGI) consist of advances granted to finance their working capital requirements. On December 15, 2012, to settle its outstanding obligations to the Company, TWGI issued a one-year promissory note to the Company. In addition, the Company subleases an office space from TWGI starting April 2012. The lease is for a period of two (2) years but renewable thereafter upon mutual agreement of both parties. Also in April 2012, the Company has entered into a consultancy agreement with TWGI, whereby the latter will provide corporate planning and financial services on its various corporate functions and undertakings. Payments for the lease and management fees are being offset against intercompany receivables (please refer to Notes to the Audited Financial Statements under Note 10).

The Company's advances from Forum Exploration, Inc. Ltd. (FEI-Ltd.) pertains to received cash advances to finance the Company's acquisition of 60% stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI) in prior years. Advances from Wellex Industries, Inc. (WIN) pertain to the petty expenses paid on behalf of the Company.

Part IV – CORPORATE GOVERNANCE

Please refer to attached separate “Annual Corporate Governance Report (ACGR)”

Part V - EXHIBITS AND SCHEDULES

Item 15 Exhibits and Reports on SEC Form 17- C

(a) Exhibits Financial Statements

- Statement of Management's Responsibility for Financial Statements
- Report of Independent Public Accountants
- Balance Sheets as of December 31, 2014 and 2013
- Statements of Income for each of the three years ended
December 31, 2014, 2013, and 2012
- Statements of Changes in Equity for each of the three years ended
December 31, 2014, 2013 and 2012
- Statements of Cash Flows for each the three years ended
December 31, 2014, 2013 and 2012
- Notes to 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 (Not Applicable)
- Standards and Interpretations Effective For Annual Periods
Beginning January 1, 2014
- 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

(b) Reports on SEC Form 17-C

Report Date: June 25, 2014

The Corporation submitted a copy of resignation letter of Mr. Geronimo F. Velasco, Jr., former Chairman, dated June 10, 2014 to be effected immediately. Reason for resignation was due to pursuit of business and to give way to other members of the Board to hold the chairmanship which he assumed for the past 17 years.

Report Date: October 3, 2014

The Corporation reports the Notice of the Stockholders Meeting for 2014. The Board of Directors on its meeting held on October 3, 2014 has set the date of the Annual Stockholders' Meeting to be on November 11, 2014 with October 17, 2014 as record date for stockholders

who will have the right to vote on said meeting. The inclusive dates of closing of Stock Transfer Book are between October 20 to November 11, 2014.

The Corporation also appointed Mr. Rogelio D. Garcia as new Chairman of the Board of Directors and as Chairman of Audit and Nomination Committee, positions vacated by the resigned director, Mr. Geronimo F. Velasco, Jr.

Report Date: November 11, 2014

The Corporation reports the result of the Annual Stockholders' Meeting and the Organizational Meeting of the Board of Directors held on November 11, 2014 at One Café, 6th Flr. One Corporate Center, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City agenda of which are:

1. Election of Members of the Board of Directors for ensuing year 2014-2015
2. Appointment of External Auditors
3. Election among directors composition of the Corporation's Committee

Report Date: December 10, 2014

The Corporation submitted copies of certificates of directors and key officers on Good Corporate Governance Seminar held last December 4, 2014 at Manila Pavillion, Ermita, Manila, conducted by the SEC accredited training institution, Risks, Opportunities, Assessment and Management (ROAM), Inc.

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

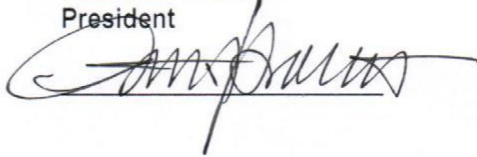
MAR 27 2015

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:



Registrant: KENNETH T. GATCHALIAN

Title: Treasurer

Signature:



Dated

MAR 27 2015

SUBSCRIBED AND SWORN to before me this MAR 27 2015 day of QUEZON CITY, 2015 in _____ affiant
(s) exhibiting to me his/their Tax Identification No. as follows:

AFFIANTS

1. Peter S. Salud
2. Atty. Arsenio A. Alfiler, Jr.
3. Kenneth T. Gatchalian

Tax Identification No.

107-777-803-000
108-760-143-000
167-406-526-000

Doc. No.: 230
Page No.: 46
Book No.: XX
Series of: 2015

ATTY. RAMON L. CARPIO
NOTARY PUBLIC

Np-89 (2015-2016) Commission Expires Dec. 31, 2016

Roll of Attorneys No. 22172

IBP OR 978729, 12/12/14, Pasig City

PTR No. 0350443, 1/6/15, Pasig City

TIN 106-918-897

MCLE IV-Compliance No. 000630, 6/19/13

Rm. 326 Doña Consolacion Bldg., Cubao, Quezon City

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	9	3	0	0	0	1	2	0	
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Company Name

[illegible]

Principal Office (No./Street/Barangay/City/Town)Province)

[illegible]

Form Type

F	S	1	4
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Department requiring the report

C	F	D	
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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

forumpacific010393@yahoo.com

Company's Telephone Number/s

706-7888

Mobile Number

[illegible]

No. of Stockholders

896Annual Meeting
Month/Day

3rd Moday of April

Fiscal Year
Month/Day

December/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Arsenio A. Alfiler, Jr.

Email Address

noyealfiler@yahoo.com

Telephone Number/s

687-7536

Mobile Number

Contact Person's Address

31st Flr. Antel Corporate Center, Doña Julia Vargas Ave., Ortigas Center, Pasig City

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

Forum Pacific, Inc.

Financial Statements
December 31, 2014 and 2013

and

Independent Auditor's Report

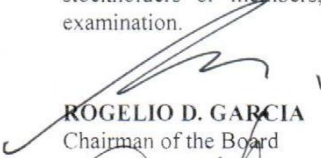



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **FORUM PACIFIC, INC.** is responsible for the preparation and fair presentation of the financial statements for the years ended **December 31, 2014 and 2013**, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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


ROGELIO D. GARCIA
Chairman of the Board


PETER S. SALUD
President


KENNETH T. GATCHALIAN
Corporate Treasurer

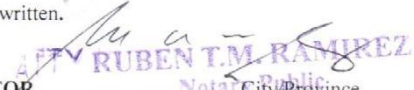
SUBSCRIBED AND SWORN to before me in MAKATI CITY City/Province, Philippines on FEB 26 2015,
affiants personally appeared before me and exhibited to me their

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

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

DOC NO: 82 ;
PAGE NO: 16 ;
BOOK NO: 32 ;
SERIES OF A ;

NOTARY PUBLIC FOR


RUBEN T.M. RAMIREZ
Notary Public
Notarial Commission No. 2734 M. Aurora St., Makati City
Commission expires on December 31, 2015
Roll of Attorney Number IBP No. 978780 /CY-2015
PTR No. PTR No. MKT 4750751/L-5-15 Makati City
IBP No. Roll No. 28947
Office Address: _____

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of **Forum Pacific, Inc.**, which comprise the statements of financial position as at December 31, 2014 and 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



24 MAR 2015

Local in Touch, Global in Reach

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Cebu Branch Office: Unit 504 Cebu Holdings Building, Cebu Business Park, Mabolo, Cebu City 6000 Phone: +63(32) 415 8108 to 10 Fax: +63(32) 232 8029
Davao Branch Office: 3rd Floor Building B Plaza De Luisa, Ramon Magsaysay Ave., Davao City 8000 Phone/Fax: +63(82) 222 6636

an independent member of **PwC** International. A worldwide organization of accounting firms and business adviser.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Forum Pacific, Inc.**, as at December 31, 2014 and 2013, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 2 to the financial statements which indicate that the Company had been incurring losses in current and prior years and has accumulated a deficit of about ₱820 million and ₱801 million as at December 31, 2014 and 2013, respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern, therefore, it may be unable to realize its assets and settle its liabilities in the normal course of the business. To address the foregoing matters, the officers and major stockholders of the Company have committed to provide full financial support to the Company to sustain its operations, meet the working capital requirements and settle obligations as they fall due. Additionally, as discussed in Note 2 to the financial statements, the Management will evaluate outstanding advances to related parties and design collection program to improve the Company's financial status. The Company is banking on new petroleum and gas, and other mining contracts to increase profitability and also evaluating short listed mining companies which the Company may acquire or invest. We have performed audit procedures to evaluate management's plan for future action as to their likelihood to improve the situation under circumstances. Our opinion is not qualified with respect to the matter emphasized.

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

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

Diaz Murillo Dalupan and Company

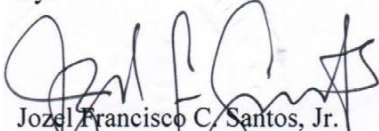
Tax Identification No. 003-294-822

BOA/PRC No. 0234, effective until December 31, 2017

SEC Accreditation No. 0192-FR-1, Category-A, effective until March 24, 2016

BIR Accreditation No. 08-001911-0-2013, effective until April 01, 2016

By:



Jozel Francisco C. Santos, Jr.

Partner

CPA Certificate No. 89044

SEC Accreditation No. 1070-AR-1, Category-A, effective until December 16, 2016

Tax Identification No. 170-035-673

PTR No. 4759246, January 8, 2015, Makati City

BIR Accreditation No. 08-001911-9-2013 effective until April 01, 2016



24 MAR 2015

February 18, 2015

FORUM PACIFIC, INC.
Statements of Financial Position

	As at December 31	
	2014	2013
ASSETS		
Current Assets		
Cash - note 5	₱ 131,186	₱ 114,471
Advances to related parties (net) - note 10	163,195,893	-
Prepayments and other current assets - note 6	38,230	749,082
	163,365,309	863,553
Noncurrent Assets		
Available-for-sale financial assets (net) - note 7	83,467,294	82,212,380
Advances to related parties (net of current portion) - note 10	120,875,454	302,476,084
Other noncurrent assets	-	33,444
	204,342,748	384,721,908
TOTAL ASSETS	₱ 367,708,057	₱ 385,585,461
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities - note 8	₱ 426,653	₱ 271,128
Noncurrent Liabilities		
Advances from related parties - note 10	3,699,742	3,682,909
	4,126,395	3,954,037
Equity		
Capital stock - note 9	1,207,543,621	1,207,543,621
Unrealized fair value gain on AFS financial assets - note 7	12,047,176	10,792,262
Deficit - note 2	(819,952,385)	(800,647,709)
	399,638,412	417,688,174
Treasury shares - note 9	(36,056,750)	(36,056,750)
	363,581,662	381,631,424
TOTAL LIABILITIES AND EQUITY	₱ 367,708,057	₱ 385,585,461

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



FORUM PACIFIC, INC.
Statements of Comprehensive Income

	For the Years Ended December 31		
	2014	2013	2012
COSTS AND EXPENSES - note 11	(₱ 2,125,076)	(₱ 2,663,872)	(₱ 2,393,976)
OTHER INCOME (EXPENSES) - net - note 12	(17,179,600)	(266,808)	1,147,168
LOSS BEFORE INCOME TAX	(19,304,676)	(2,930,680)	(1,246,808)
BENEFIT FROM (PROVISION FOR) INCOME TAX - note 13			
Current	-	-	(18,406)
Deferred	-	30,432	-
	-	30,432	(18,406)
NET LOSS FOR THE YEAR	(19,304,676)	(2,900,248)	(1,265,214)
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized fair value gain (loss) on AFS financial assets - note 7	1,254,914	(14,306,017)	20,931,962
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱18,049,762)	(₱ 17,206,265)	₱ 19,666,748
LOSS PER SHARE - note 14	(₱ 0.016)	(₱ 0.002)	(₱ 0.001)

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



1012 MAR 2015

FORUM PACIFIC, INC.
Statements of Changes in Equity

	Capital Stock (Note 9)	Treasury shares (Note 9)	Deficit (Note 2)	Unrealized Fair Value Gain (Loss) on AFS Financial Assets (Note 7)	Total
Balance as at January 1, 2012	₱ 1,207,543,621	(₱ 36,056,750)	(₱ 796,482,247)	₱ 4,166,317	₱ 379,170,941
Comprehensive income					
Net loss for the year	-	-	(1,265,214)	-	(1,265,214)
Other comprehensive income	-	-	-	20,931,962	20,931,962
Total comprehensive income (loss) for the year	-	-	(1,265,214)	20,931,962	19,666,748
Balance as at December 31, 2012	1,207,543,621	(36,056,750)	(797,747,461)	25,098,279	398,837,689
Comprehensive income					
Net loss for the year	-	-	(2,900,248)	-	(2,900,248)
Other comprehensive loss	-	-	-	(14,306,017)	(14,306,017)
Total comprehensive loss for the year	-	-	(2,900,248)	(14,306,017)	(17,206,265)
Balance as at December 31, 2013	1,207,543,621	(36,056,750)	(800,647,709)	10,792,262	381,631,424
Comprehensive income					
Net loss for the year	-	-	(19,304,676)	-	(19,304,676)
Other comprehensive income	-	-	-	1,254,914	1,254,914
Total comprehensive income (loss) for the year	-	-	(19,304,676)	1,254,914	(18,049,762)
Balance as at December 31, 2014	₱1,207,543,621	(₱ 36,056,750)	(₱ 819,952,385)	₱ 12,047,176	₱ 363,581,662

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

FORUM PACIFIC, INC.
Statements of Cash Flows

	For the Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	(P 19,304,676)	(P 2,930,680)	(P 1,246,808)
Adjustments for:			
Write-off of other asset - note 11	33,444	-	-
Provision for doubtful accounts on advances to related parties - note 12	16,313,504	-	-
Provision for impairment of input tax - note 12	849,604	-	-
Unrealized foreign exchange loss (gain) - note 12	16,833	267,176	(226,875)
Operating loss before working capital changes	(2,091,291)	(2,663,504)	(1,473,683)
Increase in prepayments and other current assets	(138,752)	(313,638)	(231,292)
Increase (decrease) in accounts payable and other liabilities	155,525	(135,656)	(2,282,589)
Net cash used in operations	(2,074,518)	(3,112,798)	(3,987,564)
Income tax paid	-	(18,406)	-
Net cash used in operating activities	(2,074,518)	(3,131,204)	(3,987,564)
CASH FLOW FROM INVESTING ACTIVITY			
Payments from advances to related parties - note 10	2,091,233	2,954,548	4,241,641
CASH FLOW FROM FINANCING ACTIVITY			
Payments of advances from related parties	-	(666)	(497)
NET INCREASE (DECREASE) IN CASH	16,715	(177,322)	253,580
CASH			
At beginning of year	114,471	291,793	38,213
At end of year	P 131,186	P 114,471	P 291,793

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

FORUM PACIFIC, INC.

Notes to Company Financial Statements

As at and for the years ended December 31, 2014, 2013 and 2012

1. CORPORATE INFORMATION

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

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

The accompanying financial statements of the Company as at and for the year ended December 31, 2014 (including the comparatives for 2013 and 2012) were approved and authorized for issue by its Board of Directors (BOD) on February 18, 2015.

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

Management’s Assessment of the Going Concern Assumption

Management believes that the going concern assumption is appropriate despite the existence of material uncertainty caused by recurring substantial losses of the Company. The Company incurred losses amounting to ₱19,304,676, ₱2,900,248 and ₱1,265,214 in 2014, 2013 and 2012, respectively. The Company had accumulated a deficit of ₱819,952,385 and ₱800,647,709 as at December 31, 2014 and 2013 respectively.

Business Plans

To address the foregoing matters that may raise doubt on the Company’s ability to continue as a going concern, the officers and major stockholders of the Company have committed to provide full financial support to the Company to sustain its operations, meet the working capital requirements and settle obligations as they fall due. The Company’s management is banking on petroleum and gas and other mining contracts to increase profitability. The Company is also looking to explore areas adjacent to the Libertad Field in northern Cebu that is producing marginally.

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

The Company's business plans in 2015 are as follows:

- Evaluate outstanding receivables and advances to related parties and design collection programs to improve the Company's financial status. The Board will also evaluate calling for the remaining stock subscription as source of fund.
- Outline business target projects, including of which, is possible investment in mining industry apart from gas and oil exploration. The board is currently evaluating their short listed mining companies. Negotiations with potential business partners will be in place in the next twelve months.
- Determine manpower requirements if acquiring a mining company will materialize.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Statement of Compliance

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

Basis of Preparation

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

Functional and Presentation Currency

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial years except for the following new and amended PFRSs and Philippine Interpretations which were adopted as at January 1, 2014.

PFRS 10 Consolidated Financial Statements, PFRS 12 Disclosure of Interest in Other Entities and PAS 27 Separate Financial Statements – Investment Entities (Amendments). The amendments to PFRS 10 define an investment entity and sets out an exception for a parent company that is an investment entity to consolidate its subsidiaries. Instead, the standard requires to measure the investment in its subsidiaries at fair value through profit or loss in accordance with PFRS 9, Financial Instruments in its consolidated and separate financial

statements (PAS 27). The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities. These amendments also introduce new disclosure requirements for investment entities in PFRS 12 and PAS 27. These amendments are effective for annual periods beginning on or after January 1, 2014. The amendments have no impact on the Company's financial statements since the Company is not an investment entity.

PAS 32 (Amendment), Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities. These amendments to PAS 32 clarify the meaning of “currently has a legally enforceable right to set off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearinghouse systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are effective for annual periods beginning on or after January 1, 2014. The amendment did not have a significant impact on the Company's financial statements as the Company does not have any financial assets and financial liabilities that qualify for offsetting.

PAS 36 (Amendment), Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets. This amendments clarify that the requirement for the disclosure of the recoverable amount of an asset or cash-generating units is only required in the periods in which the impairment has been recorded or reversed. Amendments are also made to expand and clarify the disclosure requirements when the recoverable amount has been determined on the basis of fair value less costs of disposal and to introduce a requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less costs of disposal is determined using a present value technique. The amendments are effective for annual periods beginning on or after January 1, 2014. The amendment has no impact on the Company's financial statements since the Company's non-financial assets are not impaired.

PAS 39 (Amendment), Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting, effective January 1, 2014, These amendments allow hedge accounting to continue when derivatives are novated, provided the following criteria are met: (a) the novation is required by laws or regulations; (b) the novation results in a central counterparty becoming the new counterparty to each of the parties to the novated derivative; and (c) the changes in terms of the novated derivative are limited to those necessary to effect the terms of the novated derivative. The amendments are effective for annual periods beginning on or after January 1, 2014. The amendment has no impact on the Company's financial statements since the Company has no derivatives designated as hedging instruments.

IFRIC Interpretation 21, Levies. This interpretation addresses the accounting for a liability to pay a levy that is accounted for in accordance with PAS 37 Provisions, Contingent Liabilities and Contingent Assets and those whose timing and amount is certain. This interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. The liability to pay a levy is recognized progressively when the obligating event occurs over a period of time. If the levy is subject to a minimum threshold, recognition of a levy liability occurs only at the point the minimum threshold is reached.

The amendments are effective for annual periods beginning on or after January 1, 2014. The interpretation has no impact on the Company's financial statements since the Company is not subject to levy as at the end of the reporting period.

New accounting standards, interpretations and amendments to existing standards effective subsequent to January 1, 2014

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

Annual Improvements to PFRS 2010 – 2012 Cycle

The annual improvements address the following issues:

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

The management is still evaluating the impact of the above improvements on the Company's financial statements.

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

The amendment is not applicable to the Company.

PFRS 8 (Amendment), Operating Segments – Aggregation of operating segments and Reconciliation of the total of the reportable segments' assets to the entity's assets, requires disclosure of judgments made by management in applying the aggregation criteria to operating segments which includes (a) a brief description of the operating segments that have been aggregated and (b) the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. These amendments also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly to the chief operating decision maker.

The management is still evaluating the impact of the above improvements on the Company's financial statements.

PFRS 13 (Amendment), Fair Value Measurement – Short-term receivables and payables
This amendment states that issuing PFRS 13 and amending PFRS 9, Financial Instruments and PAS 39, Financial Instruments: Recognition and Measurement did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.

The management is still evaluating the impact of the above improvements on the Company's financial statements.

PAS 16 (Amendment), Property, Plant and Equipment – Revaluation method: proportionate restatement of accumulated depreciation, clarifies that when an item of property, plant and equipment is revalued, the carrying amount of asset is adjusted to the revalued amount. At the date of revaluation, the asset is treated in one of the following ways: (a) the gross carrying

amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses, or (b) the accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is not applicable to the Company.

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

The management is still evaluating the impact of the above improvements on the Company's financial statements.

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

The amendment is not applicable to the Company.

The above improvements are effective for annual periods beginning on or after July 1, 2014 and shall be applied retrospectively. However, early application of these improvements is permitted.

Annual Improvements to PFRSs 2011 – 2013 Cycle

The annual improvements address the following issues:

PFRS 1 (Amendments to the Basis for Conclusions), First-time Adoption of Philippine Financial Reporting Standards – Meaning of effective PFRSs. The amendments state that a first-time adopter is permitted to use either the PFRS that is currently mandatory or the new PFRS that is not yet mandatory, provided that the new PFRS permits early application. If a first-time adopter chooses to early apply a new PFRS, that new PFRS will be applied throughout all the periods presented in its first PFRS financial statements on a retrospective basis, unless PFRS 1 requires otherwise.

The amendment is not applicable to the Company.

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

The management is still evaluating the impact of the above improvements on the Company's financial statements.

PFRS 13 (Amendment), Fair Value Measurement – Portfolio exception, clarifies that the scope of the portfolio exception defined in paragraph 52 of PFRS 13 applies to all contracts within the scope of, and accounted for in accordance with, PAS 39 Financial Instruments:

Recognition and Measurement or PFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in PAS 32 Financial Instruments: Presentation.

The management is still evaluating the impact of the above improvements on the Company's financial statements.

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

The management is still evaluating the impact of the above improvements on the Company's financial statements.

The above amendments are effective for annual periods beginning on or after July 1, 2014 and shall be applied retrospectively. However, early application of these amendments is permitted.

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

The amendment is not expected to have an impact on the Company's financial statements as the Company does not have contributions from employees or third parties that are linked to period of service.

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

The amendment is not applicable to the Company.

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

The standard will not have an impact on the Company's statements since the Company is no longer a first-time adopter of PFRS on its mandatory effective date. Hence, this standard is no longer applicable to the Company.

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

The amendments will not have impact on the Company's financial statements as the Company does not have property and equipment.

PFRS 9, *Financial Instruments*. The standard requires all recognized financial assets that are within the scope of PAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or at fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely for payments of principal and interest on the outstanding balance are generally measured at amortized cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. For financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or increase an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. The standard is to be effective no earlier than the annual periods beginning January 1, 2017, with earlier application permitted.

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

Financial Instruments

Initial recognition, measurement and classification of financial instruments

The Company recognizes financial assets and financial liabilities in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or

sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

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

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

As at December 31, 2014 and 2013, the Company did not hold any financial assets at FVPL and HTM, and financial liabilities at FVPL.

Determination of Fair Value and Fair Value Hierarchy

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

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

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

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

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

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

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

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

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

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

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

Fair value measurement disclosures of AFS financial assets are presented in Note 15.

“Day 1” Difference

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

Amortized Cost of Financial Instruments

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

Loans and Receivables

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

These financial assets are included in current assets if maturity is within twelve (12) months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

The Company's loans and receivables comprise of cash and advances to related parties (see Notes 5 and 10).

Cash

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

AFS Financial Assets

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

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

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

The Company's AFS financial assets include equity securities as at December 31, 2014 and 2013 (see Note 7).

Other Financial Liabilities

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

As at December 31, 2014 and 2013, included in other financial liabilities are the Company's accounts payable and other liabilities (excluding government liabilities), and advances from related parties (see Notes 8 and 10).

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of financial position if, and only if, there is a currently enforceable legal right to

offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derecognition of Financial Assets and Financial Liabilities

(a) Financial assets

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

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

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

(b) Financial liabilities

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

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

Impairment of Financial Assets

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

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

(a) Financial assets carried at cost

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

(b) Loans and receivables

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

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

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

(c) AFS financial assets

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

Impairment losses on equity investments are not reversed through the statement of comprehensive income. Increases in fair value after impairment are recognized directly as other comprehensive income. In the case of debt instruments classified as AFS financial assets, increase in fair value after impairment is reversed in statement of comprehensive income.

Input Tax

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

Impairment of Non-financial Assets

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

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

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

Retirement Benefits

The Company does not provide any retirement benefits because it does not have any employee as at December 31, 2014 and 2013. The Company's administrative functions are performed by its related party, The Wellex Group, Inc. (TWGI).

Current and Deferred Income Tax

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

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

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

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

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

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

Leases

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

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

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

Equity

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

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

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

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

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

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

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

Revenue Recognition

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

The following specific recognition criteria must also be met before revenue is recognized:

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

Cost and Expense Recognition

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

Expenses in the statements of comprehensive income are presented using the nature of expense method.

Foreign Currency-denominated Transactions and Translations

(a) Functional and Presentation Currency

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

(b) Transactions and Balances

Transactions denominated in foreign currencies are recorded using the applicable exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are retranslated using the applicable rate of exchange at the reporting date. Foreign exchange gains or losses are recognized in the statement of comprehensive income.

Related Party Relationships and Transactions

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

Basic Earnings (Loss) Per Share

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

Provisions and Contingencies

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

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

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of

economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the Company's financial statements.

Events After the Reporting Date

The Company identifies post-year events as events that occurred after the reporting date but before the date when the financial statements were authorized for issue. Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the financial statements when material.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, AND ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments and estimates that affect amounts reported in the Company financial statements. These judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company believes the following represent a summary of these significant judgments and estimate and related impact and associated risks in the Company financial statements.

Significant Accounting Judgments in Applying the Company's Accounting Policies

a) Functional currency

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

b) Impairment of available-for-sale financial assets

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

c) Operating lease commitments

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

d) Impairment of input tax

Management believes that the recoverability of input tax is doubtful since the Company is not expecting income subject to output tax in the near future. Consequently, the Company has provided full valuation allowance of its input tax in 2014.

e) Provisions and contingencies

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

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

As at December 31, 2014, the Company has no outstanding liabilities in relation to the above mentioned case.

Significant Accounting Estimates and Assumptions

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

a) Deferred tax assets

The Company reviews the carrying amounts at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Due to non-operation of the Company, management expects that the Company will continue to incur losses and the related deferred tax assets will not be utilized in the near future.

The Company’s deferred tax assets with full valuation allowance are fully disclosed in Note 13.

b) Allowance for impairment of advances to related parties

Allowance for impairment of advances to related parties is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on the status of the advances to related parties, past collection experience and other factors that may affect collectibility. Allowance for impairment loss on advances to related parties amounted to ₱213,009,332 and ₱196,695,828 in 2014 and 2013, respectively (see Note 10).

c) Allowance for impairment on AFS carried at cost

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

5. CASH

Cash represents cash in bank with outstanding balance of ₱131,186 and ₱114,471 as at December 31, 2014 and 2013, respectively. Interest income earned from bank deposits were ₱341, ₱368 and ₱238 for the years ended December 31, 2014, 2013 and 2012, respectively (see Note 12).

There is no restriction on the Company's cash as at December 31, 2014 and 2013.

6. PREPAYMENTS AND OTHER CURRENT ASSETS

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

	2014	2013
Input tax	₱ 849,604	₱ 666,907
Other current assets	38,230	82,175
	887,834	749,082
Less: Valuation allowance on input tax – note 12	(849,604)	–
	₱ 38,230	₱ 749,082

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

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

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

Investment in unquoted shares of stock represents 33.33% ownership of the Company in Forum Exploration, Inc. (FEI) in 2014 and 2013. This investment is classified as AFS financial assets as the Company does not participate in the financial and operating policy of the investee which manifests control or significant influence. These investments are stated at cost less impairment loss since there is no quoted price in an active market.

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.

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

	2014	2013	2012
At beginning of year	₱ 10,792,262	₱ 25,098,279	₱ 4,166,317
Fair value changes during the year	1,254,914	(14,306,017)	20,931,962
	₱ 12,047,176	₱ 10,792,262	₱ 25,098,279

The Company's AFS financial assets as at December 31, 2014 and 2013 are not held as collateral for its financial liabilities.

8. ACCOUNTS PAYABLE AND OTHER LIABILITIES

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

	2014	2013
Accrued expenses	₱ 406,028	₱ 240,000
Accounts payable	15,000	25,503
Withholding tax payable	5,625	5,625
	₱ 426,653	₱ 271,128

Accrued expenses consist mainly of accrued professional fees.

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

9. CAPITAL STOCK

Details of the Company's capital stock as at December 31, 2014 and 2013 are as follows:

Capital stock	Number of Shares	Par value	Total
Authorized	3,500,000,000	₱1	₱ 3,500,000,000
Issued and fully paid	819,355,920	1	₱ 819,355,920
Subscribed and fully paid			
Subscribed	1,055,644,080	1	₱ 1,055,644,080
Subscription receivable	(667,456,379)	1	(667,456,379)
	388,187,701	1	₱ 388,187,701
Subscribed and issued	1,207,543,621	1	₱ 1,207,543,621
Treasury shares	(36,056,750)	1	(36,056,750)
Issued and outstanding	1,171,486,871	₱1	₱ 1,171,486,871

The Company has one class of common shares which carry no right to fixed income.

No movement in the capital stock of the Company in 2014 and 2013 reporting periods.

There were no shares of the Company reserved for issue under options and contracts for the sale of shares as at December 31, 2014 and 2013.

Track record of registration of securities

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

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

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

The Company has 1.5 billion shares listed and traded as at December 31, 2014 and 2013.

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

December 31, 2014	₱0.315
December 31, 2013	0.168
December 31, 2012	0.200

10. RELATED PARTY TRANSACTIONS

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

Relationship, Transactions and Account Balances

	Amount/volume of transactions		Outstanding receivable (payable)		Terms
	2014	2013	2014	2013	
Common key management					
The Wellex Group, Inc.(TWGI)					(b)
Management fee	₱ 480,000	₱ 480,000			
Rent expense	150,000	150,000			
Utilities	72,000	72,000			
Cash advance	1,389,233	2,252,548	₱ 325,449,603	₱ 327,540,836	
Forum Exploration, Inc. (FEI)	-	-	171,631,076	171,631,076	(a)
	2,091,233	2,954,548	497,080,679	499,171,912	
Allowance for impairment loss	-	-	(213,009,332)	(196,695,828)	
	2,091,233	2,954,548	284,071,347	302,476,084	
Forum Exploration, Ltd.(FEL)	-	-	(3,699,742)	(3,682,909)	(c)

(a) Advances to Forum Exploration, Inc. (FEI)

Advances to FEI pertain to the carrying value of exploration assets transferred by the Company. No transaction in the account balance was recognized for the years ended December 31, 2014 and 2013.

	2014	2013
Advances	₱ 171,631,076	₱ 171,631,076
Allowance for impairment loss	(50,755,622)	(34,442,118)
Net carrying amount	₱ 120,875,454	₱ 137,188,958

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

TWGI obtained advances from the Company to finance its working capital requirement.

On December 15, 2012, to settle its outstanding obligations to the Company, TWGI issued a promissory note to the Company maturing on December 15, 2015 amounting to ₱330,495,385 without interest.

In addition, the Company subleases an office space from TWGI starting April 2012. The lease is for a period of two (2) years but renewable thereafter upon mutual agreement of both parties. The contract was renewed on May 2014 for another two (2) years. Total rental and utilities expense charged to operations amounted to ₱222,000 for the years ended December 31, 2014 and 2013 (see Note 11).

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

	2014	2013
Not later than one year	₱ 150,000	₱ 40,000
Later than one year but not later than five years	50,000	-
	₱ 200,000	₱ 40,000

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

The lease and consultancy agreement were settled through offsetting with the advances to TWGI.

	2014	2013
Advances	₱ 325,449,603	₱ 327,540,837
Allowance for impairment loss	(162,253,710)	(162,253,710)
Net carrying amount	₱ 163,195,893	₱ 165,287,127

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

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

	2014	2013
At beginning of year	₱ 3,682,909	₱ 3,415,733
Unrealized foreign exchange loss – note 12	16,833	267,176
At end of year	₱ 3,699,742	₱ 3,682,909

(d) Remuneration to key management personnel

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

(e) Others

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

11. COSTS AND EXPENSES

Cost and expenses for the years ended December consists of:

	2014	2013	2012
		₱	₱
Professional fees – note 10	₱ 1,312,733	1,772,684	1,341,122
Membership fees and dues	269,049	250,000	250,000
Rent and utilities – note 10	222,000	222,000	166,500
Travel and transportation	84,406	4,814	985
Office supplies	69,611	244,559	250,313
Representation	30,625	23,703	16,437
Communication	29,382	42,925	34,423
Taxes and licenses	22,325	21,548	320,404
Miscellaneous	84,945	81,639	13,792
	₱ 2,125,076	₱ 2,663,872	₱ 2,393,976

Membership fees and dues include annual PSE listing and registration.

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

12. OTHER INCOME (EXPENSES) - net

Other income (expenses) for the years ended December 31 consists of:

	2014	2013	2012
Provision for doubtful accounts on advances to related parties– note 10	(₱16,313,504)	₱ –	₱ –
Provision for impairment of input tax – note 6	(849,604)	–	–
Unrealized foreign exchange gain (loss) – note 10	(16,833)	(267,176)	226,875
Interest income – note 5	341	368	238
Others	–	–	920,055
	(₱17,179,600)	(₱ 266,808)	₱ 1,147,168

Other income in 2012 mainly represents the reversal of long outstanding accruals and payables including interest income from bank deposits.

13. INCOME TAXES

Reconciliation of tax expense

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

	2014	2013	2012
Loss before income tax	(P 19,304,676)	(P 2,930,680)	(P 1,246,808)
Income tax benefit at statutory rate :	(P 5,791,403)	(P 879,204)	(P 374,042)
Income tax effect on:			
Nontaxable income	(103)	(111)	68,135
Provision for doubtful accounts	4,894,052	—	—
Expired NOLCO	295,864	3,613,609	—
Expired MCIT	—	168,470	—
Change in valuation allowance	601,590	(2,902,764)	305,907
	P —	P —	P —

The composition of deferred tax assets is as follows:

	2014	2013
NOLCO	P 1,878,789	P 1,537,130
Impairment loss on AFS Securities	2,796,281	2,796,281
Unrealized foreign exchange loss	450,443	445,393
Provision for input tax	254,881	—
MCIT	61,353	61,353
	5,441,747	4,840,157
Valuation allowance	(5,441,747)	(4,840,157)
	P —	P —

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

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

As at December 31, 2014, the Company has NOLCO and MCIT that can be claimed as deduction from future income tax payable and taxable income, respectively, as follows:

Year Incurred	Expiration Date	Beginning balance	Additions	Expired	Claimed	Ending balance
NOLCO						
2014	2017	P —	P 2,125,076	P —	P —	P 2,125,076
2013	2016	2,663,872	—	—	—	2,663,872
2012	2015	1,473,683	—	—	—	1,473,683
2011	2014	986,213	—	(986,213)	—	—
		P 5,123,768	P 2,125,076	(P 986,213)	P —	P 6,262,631

Year Incurred	Expiration Date	Beginning balance	Additions	Expired	Claimed	Ending balance
MCIT						
2012	2015	P 61,353	P —	P —	P —	P 61,353

14. LOSS PER SHARE

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

	2014	2013	2012
Net loss for the year	(P 19,304,676)	(P 2,900,248)	(P 1,265,214)
Weighted average number of common shares outstanding during the year	1,171,486,871	1,171,486,871	1,171,486,871
	(P 0.016)	(P 0.002)	(P 0.001)

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Credit risk

Credit risk arises from cash and advances to related parties.

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

	2014	2013
Cash in bank	P 131,186	P 114,471
Advances to related parties, net of allowance	284,071,347	302,476,084
	P 284,202,533	P 302,590,555

The credit quality of financial assets is discussed below:

Cash in bank

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

Advances to related parties

As at December 31, 2014 and 2013, the Company classifies the credit quality of advances to related parties based on the following:

	2014	2013
Group 1	P –	P –
Group 2	284,071,347	302,476,084
Group 3	–	–
	P 284,071,347	P 302,476,084

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

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

The details of the Company's aging analysis of financial assets as at December 31, 2014 and 2013 are as follows:

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

December 31, 2013								
Cash in bank	P 114,471	P 114,471	P-	P-	P-	P-	P	-
Advances to related parties	499,171,912	-	-	-	-	-	302,476,084	196,695,828
	P 499,286,383	P 114,471	P-	P-	P-	P-	P 302,476,084	P 196,695,828

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

As at December 31, 2014 and 2013, the Company has entered into an agreement with its related party to settle the advances (see Note 10).

Liquidity risk

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

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

The Company manages liquidity risk by obtaining funds from related parties and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of liabilities.

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

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

December 31, 2013	Total	On demand	Less than three months	3-12 months	1-5 years
Account payable and other liabilities	₱ 271,128	₱ –	₱ –	₱ 271,128	₱ –
Advances from related parties	3,682,909	–	–	–	3,682,909
	₱ 3,954,037	₱ –	₱ –	₱ 271,128	₱ 3,682,909

Price risk

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

If the price of the available-for-sale financial asset had been 10% higher/lower the net income before tax for the year ended December 31, 2014 and 2013 would decrease/increase by ₱8,346,729 and ₱8,221,238, respectively.

Foreign currency risk

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

The Company is mainly exposed to foreign currency risk through its advances from a related party which amounted to ₱3,699,742 and ₱3,682,909 as at December 31, 2014 and 2013, respectively.

The sensitivity rate used on reporting foreign currency risk internally to key management personnel is 10% and it represents management's assessment of reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary assets and liabilities and adjusts their translation at the period end for a 10% in foreign exchange rates. A positive number indicates an increase in net income when the Philippine Peso strengthens at 10% against the relevant currency. For 10% weakening of the Philippine Peso against the relevant currency, there would be an equal and opposite impact on the net income. If foreign exchange rates had been 10% higher/lower, the net loss before tax would decrease /increase by ₱369,974 and ₱368,291 in 2014 and 2013, respectively.

Capital Risk Objective and Management

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

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

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

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

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

The gearing ratios as at December 31, 2014 and 2013 were as follows:

	2014	2013
Debt	₱ 4,126,395	₱ 3,954,037
Cash	131,186	114,471
Net debt	3,995,209	3,839,566
Equity	363,581,662	381,631,424
Gearing ratio	1.10%	1.01%

16. FAIR VALUE INFORMATION

Assets measured at fair value

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

	<u>Fair value as at December 31</u>		Fair value hierarchy	Valuation techniques	Significant unobservable input	Relationship of unobservable inputs to fair value
	2014	2013				
AFS financial assets	₱19,576,656	₱18,321,742	Level 1	Quoted bid prices in an active market	Not applicable	Not applicable

Assets and liabilities not measured at fair value

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

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

	2013			
	Carrying Value	Fair Value	Fair value hierarchy	Valuation techniques
Financial Assets				
Advances to related parties	₱302,476,084	₱ 277,940,276	(n/a)	(a)
Financial Liabilities				
Advances from related parties	₱ 3,682,909	₱ 3,196,397	(n/a)	(a)

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

- (a) The fair value of the non-interest bearing noncurrent assets is determined by based on the discounted value of future cash flows using the prevailing credit adjusted PDEX rates that are specific to the tenor of the instruments' cash flow as at reporting date. Discount rates used range from 3.30% in 2014 and 2.00% to 2.873% in 2013.

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

Supplementary information required by Revenue Regulations 15-2010

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

a) Output value-added tax

The Company has no output VAT since it does not have any income subject to VAT for the years ended December 31, 2014 and 2013.

b) Input value-added tax

	2014	2013
At beginning of year	₱ 666,907	₱ 394,608
Current purchases and payments for:		
Goods other than for resale or manufacture	3,239	3,239
Services lodged under cost of goods sold	179,458	269,060
	₱ 849,604	₱ 666,907

c) Taxes on importation

The Company has no import transactions for the years ended December 31, 2014 and 2013.

d) Excise Tax

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

e) Documentary stamp tax

Documentary stamp tax paid by the Company amounted to nil and ₱17 in 2014 and 2013, respectively.

f) Taxes and licenses

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

	2014	2013
Business permits	₱ 16,195	₱ 15,401
SEC filing fee	5,050	5,050
Corporate Community tax	580	580
BIR Annual registration	500	500
	₱ 22,325	₱ 21,531

g) Withholding taxes

The details of total withholding taxes for the years ended December 31, 2014 and 2013, are shown below:

	2014	2013
Withholding tax on compensation	₱ –	₱ –
Expanded withholding tax	71,356	76,201
Final withholding tax	–	–
	₱ 71,356	₱ 76,201

h) Deficiency tax assessment and tax cases

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

Supplementary information required by Revenue Regulation 19-2011

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

The schedule and information of taxable income and deductions taken for the year ended December 31, 2014 is as follows:

a) Sales/Taxable Income

The Company has no sales/receipts/fees for the years ended December 31, 2014.

b) Other non-operating and taxable income

The Company has no non-operating and taxable other income for the year ended December 31, 2014.

c) Itemized deductions

	Regular rate
Professional fees	₱ 1,312,733
Membership fees and dues	269,049
Rent and utilities	222,000
Travel and transportation	84,406
Office supplies	69,611
Representation	30,625
Communication	29,382
Taxes and licenses	22,325
Miscellaneous	84,945
Total expenses	₱ 2,125,076

d) Taxes and licenses

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

Business permits	₱ 16,195
SEC filing fee	5,050
Corporate Community tax	580
BIR Annual registration	500
	₱ 22,325

e) Other information

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

* * *

**Diaz Murillo Dalupan
and Company**

Certified Public Accountants

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

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

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

Diaz Murillo Dalupan and Company

Tax Identification No. 003-294-822

BOA/PRC No. 0234, effective until December 31, 2017

SEC Accreditation No. 0192-FR-1, Category-A, effective until March 24, 2016

BIR Accreditation No. 08-001911-0-2013, effective until April 01, 2016

By:



Jozel Francisco C. Santos, Jr.

Partner

CPA Certificate No. 89044

SEC Accreditation No. 1070-AR-1, Category-A, effective until December 16, 2016

Tax Identification No. 170-035-673

PTR No. 4759246, January 8, 2015, Makati City

BIR Accreditation No. 08-001911-9-2013 effective until April 01, 2016

February 18, 2015

Local in Touch, Global in Reach

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

FORM 17-A, ITEM 7

Financial Statements

Statement of Management's Responsibility for Financial Statements
Report of Independent Public Accountants
Statements of Financial Position as at December 31, 2014 and 2013
Statements of Comprehensive Income for each of the three years ended December 31, 2014, 2013 and 2012
Statements of Changes in Equity for each of the three years ended December 31, 2014, 2013 and 2012
Statements of Cash Flows for each of the three years ended December 31, 2014, 2013 and 2012
Notes to Financial Statements

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Appendix B. Standards and interpretations effective as at December 31, 2014

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- D. Intangible Assets – Other Assets
- E. Long-Term Debt
- F. Indebtedness of Related Parties
- G. Guarantees of Securities of Other Issuers
- H. Capital Stock
- I. List of Top 20 Stockholders of Record

FORUM PACIFIC, INC.
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

Ratio	2014	2013
Profitability ratios:		
Return on assets	N/A	N/A
Return on equity	N/A	N/A
Net profit margin	N/A	N/A
Solvency and liquidity ratios:		
Current ratio	382.90:1	3.19:1
Debt to equity ratio	0.01:1	0.01:1
Quick ratio	382.81:1	0.42:1
Cash-flow liquidity ratio	N/A	N/A
Financial leverage ratio:		
Asset to equity ratio	1.01:1	1.01:1
Debt to asset ratio	0.01:1	0.01:1
Interest rate coverage ratio	N/A	N/A

APPENDIX B

FORUM PACIFIC, INC.
DECEMBER 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted*	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		

APPENDIX B

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted*	Not Applicable
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		

APPENDIX B

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted*	Not Applicable
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		

APPENDIX B

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted*	Not Applicable
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓

APPENDIX B

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted*	Not Applicable
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases – Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

*Standards and interpretation already issued and approved in the Philippines but are not yet effective as at December 31, 2014.

FORUM PACIFIC, INC.
Schedule A. Financial Assets
December 31, 2014

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
Philippine Estates Corporation	50,196,553	19,576,656	19,576,656	12,047,176
Forum Exploration, Inc.	62,500,000	63,890,638	—	—

FORUM PACIFIC, INC.

**Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates).
December 31, 2014**

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
The Wellex Group, Inc.	P327,540,836	P —	P2,091,233	P —	P325,449,603	P —	P325,449,603
Forum Exploration, Inc.	171,631,076	—	—	—	—	171,631,076	171,631,076

FORUM PACIFIC, INC.

**Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation
of Financial Statement
December 31, 2014**

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
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None

FORUM PACIFIC, INC.
Schedule D. Intangible Assets - Other Assets
December 31, 2014

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
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None

FORUM PACIFIC, INC.
Schedule E. Long Term Debt
December 31, 2014

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
---------------------------------------	--------------------------------	---	--

None

FORUM PACIFIC, INC.
Schedule F. Indebtedness to Affiliates and Related Parties (Long-Term Loans
from Related Companies)
December 31, 2014

Name of Affiliates	Balance at beginning of period	Balance at end of period
<i>a. Other affiliates</i>		
Forum Exploration, Ltd.	₱ 3,682,909	₱ 3,699,742
	₱ 3,682,909	₱ 3,699,742

FORUM PACIFIC, INC.
Schedule G. Guarantees of Securities of Other Issuers
December 31, 2014

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
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None

FORUM PACIFIC, INC.
Schedule H. Capital Stock
December 31, 2014

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates	Directors, officers and employees	Others
Common Stock	3,500,000,000	1,171,486,871	—	200,000	2,941,303	1,168,345,568

FORUM PACIFIC, INC.

Schedule I. List of Top 20 Stockholders of Record December 31, 2014

Name of Stockholders	Citizenship	Tax Identification No.	Amount Subscribed	Percentage to Total Outstanding
International Polymer Corporation	Filipino	210-000-232-426	496,887,494	26.501
PCD Nominee Corporation	Filipino	004-774-849-000	417,201,954	22.247
The Wellex Group, Inc.	Filipino	004-740-001-000	376,950,000	20.104
E.F. Durkee & Associates, Inc.	Filipino	321-002-155-628V	77,838,563	4.151
Intra-Invest Sec., Inc.	Filipino	000-162-545-000	48,159,000	2.568
Forum Pacific, Inc.	Filipino	002-155-598-000	36,056,750	1.923
Metropolitan Management Corporation	Filipino	470-002-151-280	30,000,000	1.600
Juanito C. Uy	Filipino	127-179-750-000	22,625,001	1.207
Pacrim Energy N.L.	Others	324-668-750-000	21,000,000	1.120
Sapphire Securities, Inc.	Filipino	000-511-869-000	19,433,500	1.036
Benito Ong and/or Zita Y. Ong	Filipino	268-192-032-000	18,000,000	0.960
PCD Nominee Corporation (Non-Filipino)	Others	004-774-849-000	17,649,670	0.941
Nestor S. Mangio	Filipino	003-754-123-000	12,500,000	0.667
Li Chih-Hui	Filipino	249-099-801-000	12,100,000	0.645
A & A Securities, Inc.	Filipino	000-103-110-000	11,911,320	0.635
Mark Securities Corporation	Filipino	000-544-789-000	10,772,800	0.575
Globalinks Sec. & Stocks, Inc.	Filipino	000-849-752-000	9,400,000	0.501
Belson Securities, Inc.	Filipino	000-154-219-000	9,200,000	0.491
Wealth Securities, Inc.	Filipino	000-330-678-000	8,240,000	0.439
Ruben M. Gan	Filipino	174-154-039-000	7,610,000	0.406
			<u>1,663,536,052</u>	

COVER SHEET

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SEC Registration No.

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

(Company's Full Name)

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C	E	N	T	E	R	,	D	O	Ñ	A		J	U	L	I	A		V	A	R	G	A	S		C	O	R	.
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(Business Address : No. Street City / Town / Province)

Atty. Arsenio A. Alfiler Jr.

Contact Person

(632) 706-7888

Contact Telephone No.

1	2
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Fiscal Year

3	1
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	A	C	G	R		-		1	4	
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FORM TYPE

3rd Monday of April

Month Day
Annual Meeting

Secondary License Type, If Applicable

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Dept. Requiring this Doc.

Amended Articles Number/Section

896

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

2014 Annual Corporate Governance Report: FPI

SECURITIES AND EXCHANGE COMMISSION
SEC FORM - ACGR
ANNUAL CORPORATE GOVERNANCE REPORT

1. For the Calendar Year ended **December 31, 2014**
2. SEC Identification Number **AS 093000120**
3. BIR Tax Identification No. **002-155-598-0000**
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.

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	11
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Actual number of Directors for the year	11
---	----

(a) Composition of the Board

The Board has an optimum combination of Executive, Non-Executive and Independent Directors, and is in conformity with Securities Regulation Code and listing agreements entered into with the stock exchange in which the Company's common shares are listed, the Philippine Stock Exchange. The composition of the Board as of December 31, 2014 is as follows:

Director's Name	Type [Executive (ED), Non- Executive (NED) or Independent Director (ID)]	If Nominee, identify the principal	Nominator in the last election (If ID, state the relationship with the nominator)	Date first elected	Date last elected (If ID, state the number of years served as ID	Elected when (Annual/ Special Meeting)	No. of years served as director
Peter S. Salud	ED	-	Nomination Committee	04/15/1996	11/11/2014	Elected at Annual Meeting	19.5
Elvira A. Ting	NED	-	Nomination Committee	04/15/1996	11/11/2014	Elected at Annual Meeting	19.5
Kenneth T. Gatchalian	ED	-	Nomination Committee	12/16/2004	11/11/2014	Elected at Annual Meeting	10.5
Lamberto B. Mercado, Jr.	NED	-	Nomination Committee	07/20/1998	11/11/2014	Elected at Annual Meeting	16.5
Rogelio D. Garcia	NED	-	Nomination Committee	12/16/2004	11/11/2014	Elected at Annual Meeting	10.5
Arthur R. Ponsaran	NED	-	Nomination Committee	08/08/2000	11/11/2014	Elected at Annual Meeting	14.5
Joaquin P. Obieta	NED	-	Nomination Committee	09/25/2001	11/11/2014	Elected at Annual Meeting	13.5
Byoung Hyun Suh	ID	-	Elvira A. Ting Relationship: None	07/8/2011	11/11/2014 (refer to Note 1)	Elected at Annual Meeting	3.5
Sergio R. Ortiz-Luis, Jr.	ID	-	Elvira A. Ting Relationship: None	06/24/2013	11/11/2014 (refer to Note 2)	Elected at Annual Meeting	1.5
Omar M. Guinomla	NED	-	Elvira A. Ting Relationship: None	11/11/2014	11/11/2014	Elected at Annual Meeting	2 mos.
Richard L. Ricardo	NED	-	Elvira A. Ting Relationship: None	11/11/2014	11/11/2014	Elected at Annual Meeting	2 mos.

Notes:

- (1) Mr. Suh has been an independent director of the Company for three (3) years as of December 31, 2014.
- (2) Mr. Ortiz-Luis has been an independent director of the Company for a year and a half as of December 31, 2014.

- (b) *Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties and board responsibilities.*

Corporate Governance Policy

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

The Board of Directors is elected during the annual meeting and has the overall responsibility to oversee the activities of the company. The Board conducts itself with honesty and integrity to ensure a high standard of best practice on governance for the Company and to promote and protect the interest of the Company, its stockholders and other stakeholders.

The Company realizes its duty to protect the rights and benefits of shareholders and to place the importance on fair and equal treatment of shareholders. It is the Company's policy to disclose information with respect to business operation with accuracy and transparency, including any issues that could impact the Company's business and the rights in which shareholders and minority shareholders are entitled to, such as shareholders' participation in the shareholders' meeting to exercise their voting rights, the rights to receive dividend, or the rights to approve a decrease or an increase of capital, etc.

- (c) *How often does the Board review and approve the vision and mission?*

The vision and mission of the Company has been subject to a regular review annually and at such frequency as may be determined by the Board of Directors. The Board believes that establishing the mission and vision of the Company should be an ongoing process of review to ensure that they are still relevant for the current challenges and environment.

- (d) **Directorship in Other Companies**

- (i) **Directorship in the Company's Group**

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group of Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman
Not Applicable		

The Company's only subsidiary, Forum Cebu Coal Holdings, Inc. (FCCHI) was formally dissolved pursuant to a resolution duly adopted by the FCCHI Board of Directors and Stockholders representing at least two-thirds (2/3) of the outstanding capital stock dated October 9, 2009. The Subsidiary is deemed dissolved on July 6, 2012 upon approval by the SEC to shorten its corporate life. Consequently, loss of control occurred at the time of approval by the SEC to shorten its corporate life since the subsidiary become inexistent at that time.

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman
Elvira A. Ting	Acesite (Phils.) Hotels Corporation Philippine Estates Corporation Waterfront Philippines, Inc. Wellex Industries, Inc.	Non-Executive Executive Executive Executive
Rogelio D. Garcia	Wellex Industries, Inc. Metro Alliance Holdings & Equities Corp.	Non-Executive (Chairman) Independent
Kenneth T. Gatchalian	Wellex Industries, Inc. Waterfront Philippines, Inc.	Executive Executive
Lamberto B. Mercado, Jr.	Metro Alliance Holdings & Equities Corp. Wellex Industries, Inc. Waterfront Philippines, Inc.	Non-Executive Non-Executive Non-Executive
Arthur R. Ponsaran	Philippine Estates Corporation Wellex Industries, Inc.	Non-Executive Non-Executive
Byoung Hyun Suh	Wellex Industries, Inc.	Independent
Sergio R. Ortiz-Luis, Jr.	Philippine Estates Corporation Waterfront Philippines, Inc.	Independent Independent
Omar M. Guinomla	Wellex Industries, Inc.	Non-Executive
Richard L. Ricardo	Wellex Industries, Inc. Waterfront Philippines, Inc. Acesite (Phils.) Hotel Corp.	Executive Executive Executive
Arthur R. Ponsaran	Philippine Estates Corp. Waterfront Philippines, Inc.	Non-Executive Non-Executive

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Elvira A. Ting	International Polymer Corporation The Wellex Group, Inc. PCD Nominee Corporation	Treasurer/Director; Treasurer/Director; None Maternity Aunt of Mr. Kenneth T. Gatchalian
Kenneth T. Gatchalian	International Polymer Corporation The Wellex Group, Inc. PCD Nominee Corp.	Corporate Secretary; Vice President for Special Projects; None Nephew of Ms. Elvira A. Ting

- (iv) *Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly described other guidelines:*

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	No limits placed	N/A
Non-Executive Director	No limits placed	N/A
CEO	No limits placed	N/A

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Title of Class	Name of Director	Number of Direct shares	Citizenship	% of Capital Stock
Common	Peter S. Salud	29,990 (direct)	Filipino	0.10%
Common	Elvira A. Ting	400,001 (direct)	Filipino	2.10%
Common	Joaquin P. Obieta	1 (direct)	Filipino	0.00%
Common	Lamberto B. Mercado, Jr.	100 (direct)	Filipino	0.00%
Common	Rogelio D. Garcia	10 (direct)	Filipino	0.00%
Common	Arthur R. Ponsaran	1 (direct)	Filipino	0.00%
Common	Kenneth T. Gatchalian	100 (direct)	Filipino	0.00%
Common	Byoung Hyun Suh	1,000 (direct)	Korean	0.00%
Common	Omar M. Guinomla	100 (direct)	Filipino	0.00%
Common	Richard L. Ricardo	100 (direct)	Filipino	0.00%
TOTAL		431,403		2.20%

No director who owns shares in the company indirectly.

2) **Chairman and CEO**

- (a) *Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.*

Yes ☒ No ☐

Identify the Chair and CEO:

Chairman of the Board	Rogelio D. Garcia
CEO/President	Peter S. Salud

(b) *Roles, Accountabilities and Deliverables*

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	<ul style="list-style-type: none">• Leads/presides the meeting of the board of directors and stockholders	<ul style="list-style-type: none">• Have administration and direction of the day-to-day business affairs of the corporation• Presides at the meeting of the Board of Directors in the absence of the Chairman or Vice-Chairman of the Board of Directors
Accountabilities	<ul style="list-style-type: none">• Ensure that the meetings are held in accordance with the By-Laws• Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary• Maintain qualitative and timely lines of communication and information between the Board and Management	<ul style="list-style-type: none">• Initiate & develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board of Directors, including those for executive training, development and compensation• Make reports to the Board of Directors and stockholders• Ensure that the administrative and operational policies of the Corporation are carried out under his supervision and control
Deliverables	<ul style="list-style-type: none">• Organizes and follow all rules and regulations imposed by state law and corporation's by-laws and other agreements in order to ensure the effectiveness in all meetings• Comply with principles of good governance	<ul style="list-style-type: none">• Achieve revenue growth and increase the company's market share

3) *Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?*

If any of the offices becomes vacant for whatever cause, the Board of Directors, by majority vote may elect a successor who shall hold office for the unexpired term. Elected officers are normally come from within the organizations with qualifications known to the Board.

4) **Other Executive, Non-Executive and Independent Directors**

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

The company strives to promote diversity within the Board too. Positions that are not taken up by the major shareholders are filled by members who have relevant experience and can bring new ideas and opinions to the company. Profiles of director are maintained and updated annually and at such frequency as needed. Directors are directed also to inform the corporate secretary of their latest seminars and trainings attended.

Does it ensure that at least one non-executive director has experience in the sector or industry the company belongs to? Please explain.

The company ensures that at least one of its non-executive directors have relative experience in holding and mining companies (industries where the company belongs). It prefers its independent directors to be well versed in corporate matters, especially in financial or industry matters.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	<ul style="list-style-type: none"> • To design, develop and implement strategic plans for the company in a cost-effective and time-efficient manner • Responsible for the day-to-day operation of the company, including managing committees and staff and developing business plans in collaboration with the board for the future of the company 	<ul style="list-style-type: none"> • Custodian of the governance process • Monitor the executive activity and contribute to the development of business strategy and act in the interest of the stockholders 	<ul style="list-style-type: none"> • Improves corporate credibility and governance standards • Plays vital role in risk management and active role in various committees (e.g. audit committee) to ensure good governance
Accountabilities	<ul style="list-style-type: none"> • Accountable to the Chairman of the Board and reports to the board and stockholders on a regular basis (quarterly, semiannually or annually) about the results of operation and financial condition of the company 	<ul style="list-style-type: none"> • Provide an independent view of the company, distinct from its day-to-day operations • Appointed to bring to the board: independence, impartiality, wide experience, specialist knowledge and personal qualities 	<ul style="list-style-type: none"> • To acquire proper understanding of the business of the company • Have fiduciary duty to act in good faith and in the interest of the company • Constructively challenge and independently contribute to the work of the board
Deliverables	<ul style="list-style-type: none"> • Meet corporate objectives 	<ul style="list-style-type: none"> • Ensures performance of executive management is monitored with regard to the progress being made towards achieving agreed company strategy and objectives 	<ul style="list-style-type: none"> • Provides credible financial conditions and result of operations reports as being part of committee conducting review of financial statements and material matters

Provide the company's definition of "independence" and describe the company's compliance to the definition.

The Company believes that independence is evidenced by ability to constructively challenged and independently contribute to the work of the Board. An independent director shall mean a person other than an officer or employee of the Company, its parent or its subsidiaries or any other individual having a relationship with the Company as would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

It is the Company's Board's policy that each Board committee should have independent directors, that two-thirds (2/3) of Audit Committee will comprise of independent directors and Remuneration Committee should have at least one independent director.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

Prior to issuance of SEC Memorandum Circular No. 9, Series of 2011, the Company does not have a term limit for independent directors. In compliance with the new memorandum, the Company will observe the term limits for independent directors in succeeding years in order to enhance the effectiveness of independent directors and encourage the infusion of fresh ideas in the board of

directors.

As stated in the new memorandum, independent directors, after completion of the five-year service period, will recommend undergoing a “cooling off” period of two (2) years. After the cooling off period, the Company still wishes to bring them back and limit their term pursuant to the new memorandum of another five (5) years.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
Geronimo F. Velasco, Jr.	Chairman of the Board	June 23, 2014	Pursuit of business
Federico E. Puno	Independent Director	June 9, 2014	Health reasons

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	Nominated & Pre-screened by Nomination Committee/Elected	Ex-officio, competence & performance
(ii) Non-Executive Directors	Nominated & Pre-screened by Nomination Committee/Elected	<ul style="list-style-type: none"> Capable of providing an independent and impartial view of the board's considerations and decisions while also identifying strongly with the company's affairs Pragmatic and have the ability to compromise Integrity, common sense, good judgment, tenacity and diplomacy
(iii) Independent Directors	Nominated & Pre-screened by Nomination Committee/Elected	<ul style="list-style-type: none"> Have at least one (1) share of stock of the corporation At least a college graduate or has sufficient management experience to substitute for such formal education or he shall be engaged or exposed to the business of the corporation for at least five (5) years He shall be twenty on (21) years old up to seventy (70) years old, however, due to consideration shall be given to qualified independent directors up to the age of eighty (80) He shall have been proven to possess integrity and probity He shall be assiduous
Procedure	Process Adopted	Criteria
b. Re-appointment		
(i) Executive Directors	Election at Annual Stockholders' Meeting	One vote for one share (criteria same with Selection/Appointment)
(ii) Non-Executive Directors	Election at Annual Stockholders'	One vote for one share (criteria

	Meeting	same with Selection/Appointment)
(iii)Independent Directors	Election at Annual Stockholders' Meeting	One vote for one share (criteria same with Selection/Appointment)
c. Permanent Disqualification – No Directors Who Permanently Disqualified		
(i) Executive Directors	Evaluated by the Board grounds for disqualification and vote by majority	Convicted by final judgment or order by a court or competent administrative body of any crime, offense of moral turpitude, offense punishable by imprisonment and such other offenses
(ii) Non-Executive Directors	Same process for executive directors	Same criteria for executive directors
(iii)Independent Directors	Same process for executive directors	Same criteria for executive directors <ul style="list-style-type: none"> • If becomes an officer, employee or consultant of the Corporation
d. Temporary Disqualification – No Directors Who Temporarily Disqualified		
(i) Executive Directors	Will be given sixty (60) business days from such disqualification to take appropriate action to remedy or correct the disqualification. If fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.	<ul style="list-style-type: none"> • Refusal to comply with the disclosure requirements of Securities Regulation Code and its implementing Rules & Regulation • Absence of more than 50% of all regular and special meetings of the Board • Dismissal or termination for cause as director of any public or listed corporation
(ii) Non-Executive Directors	Same process for executive directors	Same criteria for executive directors
(iii)Independent Directors	Same process for executive directors	<ul style="list-style-type: none"> • If equity ownership in the Corporation exceeds 2% of the subscribed capital stock • Same with criteria for executive directors
e. Removal – No Directors Removed from Office		
(i) Executive Directors	N/A	N/A
(ii) Non-Executive Directors	N/A	N/A
(iii)Independent Directors	N/A	N/A
f. Re-instatement – No directors re-instated into office		
(i) Executive Directors	N/A	N/A
(ii) Non-Executive Directors	N/A	N/A
(iii)Independent Directors	N/A	N/A
g. Suspension – No Directors Suspended		
(i) Executive Directors	N/A	N/A
(ii) Non-Executive Directors	N/A	N/A
(iii)Independent Directors	N/A	N/A

Voting Result of the last Annual General Meeting:

Name of Director	Votes Received
Rogelio D. Garcia	950,367,298 or 51.68% of the Total Issued & Outstanding Capital
Federico E. Puno	950,367,298 or 51.68% of the Total Issued & Outstanding Capital
Elvira A. Ting	950,367,298 or 51.68% of the Total Issued & Outstanding Capital
Byoung Hyun Suh	950,367,298 or 51.68% of the Total Issued & Outstanding Capital
Kenneth T. Gatchalian	950,367,298 or 51.68% of the Total Issued & Outstanding Capital
Arthur R. Ponsaran	950,367,298 or 51.68% of the Total Issued & Outstanding Capital
Lamberto B. Mercado, Jr.	950,367,298 or 51.68% of the Total Issued & Outstanding Capital
Joaquin P. Obieta	950,367,298 or 51.68% of the Total Issued & Outstanding Capital
Omar M. Guinomla	950,367,298 or 51.68% of the Total Issued & Outstanding Capital
Richard L. Ricardo	950,367,298 or 51.68% of the Total Issued & Outstanding Capital

6) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any.

No formal orientation program for new directors but each new incoming Board Member is given detailed briefing on the company's background by the CEO and/or other officers. Other Board members may also provide inputs about the company and various issues facing the company.

- (b) State any in-house training and external courses attended by Directors and Senior Management for the past three (3) years:

The Company has organized an in-house Corporate Governance seminar for its Directors and Senior Management last December 4, 2014 as conducted by Risk, Opportunities, Assessment and Management (ROAM), Inc., a SEC accredited training provider.

- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year:

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Rogelio D. Garcia	December 4, 2014	Corporate Governance Seminar	Risk, Opportunities, Assessment and Management (ROAM), Inc.
Peter S. Salud	December 4, 2014	Corporate Governance Seminar	Risk, Opportunities, Assessment and Management (ROAM), Inc.
Elvira A. Ting	December 4, 2014	Corporate Governance Seminar	Risk, Opportunities, Assessment and Management (ROAM), Inc.
Kenneth T. Gatchalian	December 4, 2014	Corporate Governance Seminar	Risk, Opportunities, Assessment and Management (ROAM), Inc.
Omar M. Guinomla	October 21, 2014	The SEC-PSE Corporate Governance Forum	SEC/PSE/USAID/MBC
	December 4, 2014	Corporate Governance Seminar	Risk, Opportunities, Assessment and Management (ROAM), Inc.
Richard L. Ricardo	October 21, 2014	The SEC-PSE Corporate Governance Forum	SEC/PSE/USAID/MBC
	December 4, 2014	Corporate Governance Seminar	Risk, Opportunities, Assessment and Management (ROAM), Inc.
Lamberto B. Mercado, Jr.	December 4, 2014	Corporate Governance Seminar	Risk, Opportunities, Assessment and Management (ROAM), Inc.
Joaquin P. Obieta	December 4, 2014	Corporate Governance Seminar	Risk, Opportunities, Assessment and Management (ROAM), Inc.
	July 17&18, 24& 25 2014	Mandatory Continuing Legal Education	Asian Center for Legal Excellence (ACLEX)
Arthur R. Ponsaran	July 17&18, 24& 25 2014	Mandatory Continuing Legal Education	Asian Center for Legal Excellence (ACLEX)
Sergio R. Ortiz-Luis, Jr.	November 11, 2014	Corporate Governance Training	Risk, Opportunities, Assessment and Management (ROAM), Inc.
	June 16, 2014	Bringing the Buy Pinoy Campaign to the Next Level	Buy Pinoy Movement Foundation, Inc.

B. CODE OF BUSINESS CONDUCT & ETHICS

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	<ul style="list-style-type: none"> Must openly disclose a potential, real or perceived conflict of interest Do not vote on activities in which there is a conflict of interest 	<ul style="list-style-type: none"> To act at all times in the Company's best interests Are not allowed to be involved in the decision making process if conflict of interest is present 	<ul style="list-style-type: none"> To act at all times in the Company's best interests Are not allowed to be involved in the decision making process if conflict of interest is present

(b) Conduct of Business and Fair Dealings	<ul style="list-style-type: none"> Should follow best practices and company policy Must be on arm's-length terms and free of favorable treatment 	Should follow best practices and company policy	Should follow best practices and company policy
(c) Receipt of gifts from third parties	<ul style="list-style-type: none"> Must be avoided or terminated unless, after disclosure to the Board, is not harmful to the Company Social amenities customarily associated with legitimate business relationships are permissible (lunch, dinner or occasional gifts of modest value) 	<ul style="list-style-type: none"> Must be avoided or terminated To act at all times in the Company's best interests 	<ul style="list-style-type: none"> Must be avoided or terminated To act at all times in the Company's best interests
(d) Compliance with Laws & Regulations	Must adhere and commit to meeting high ethical standards to comply with all applicable laws & regulations	Must adhere and commit to meeting high ethical standards to comply with all applicable laws & regulations	Must adhere and commit to meeting high ethical standards to comply with all applicable laws & regulations
(e) Respect for Trade Secrets/Use of Non-public Information	Discourage from using such information	Discourage from using such information	Discourage from using such information
(f) Use of Company Funds, Assets and Information	Regulated through Manual on Corporate Governance and related Company Policies and Procedures Manual	Regulated by Company Policies and Procedures Manual	Regulated by Company Policies and Procedures Manual and Employee Handbook
(g) Employment & Labor Laws & Policies	Meet at least the minimum criteria set by the labor authorities	Meet at least the minimum criteria set by the labor authorities	Meet at least the minimum criteria set by the labor authorities
(h) Disciplinary action	Based on Manual on Corporate Governance	Based on Company Policies and Procedures Manual	Based on Company Policies and Procedures Manual and Employee Handbook
(i) Whistle Blower	No formal company policy	Based on Company Policies and Procedures Manual	Based on Company Policies and Procedures Manual and Employee Handbook
(j) Conflict Resolution	Based on Manual on Corporate Governance	Based on Company Policies and Procedures Manual	Based on Company Policies and Procedures Manual and Employee Handbook

2) *Has the code of ethics or conduct been disseminated to all directors, senior management and employees?*

Rules and procedures of the company have been disseminated to senior management and employees. Directors are furnished copies of Manual on Corporate Governance for guidance.

3) *Discuss how the company implements and monitors compliance with the code of ethics or conduct.*

The Company has an annual review of the directors, senior management and employees' performance. It also conducts general assembly to re-orient employees and review them on the implementing code of conduct and business ethics of the company. Any infringement of the rules & regulation are reported to appropriate level of management and suitable action is taken within the bounds of law and guidance of the policies and procedures manual of the company.

4) *Related Party Transactions*

(a) *Policies and Procedures*

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parents, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers, directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	All related party transactions especially those involving material interest must be reviewed and approved by audit committee. Such transactions have to be on arm's-length basis and supported by documents for recording.
(2) Joint Ventures	All related party transactions especially those involving material interest must be reviewed and approved by audit committee. Such transactions have to be on arm's-length basis and supported by documents for recording.
(3) Subsidiaries	Not applicable (the Company has no subsidiary)
(4) Entities Under Common Control	All related party transactions especially those involving material interest must be reviewed and approved by audit committee. Such transactions have to be on arm's-length basis and supported by documents for recording.
(5) Substantial Stockholders	All related party transactions especially those involving material interest must be reviewed and approved by audit committee. Such transactions have to be on arm's-length basis and supported by documents for recording.
(6) Officers including spouse/children/siblings/parents	All related party transactions especially those involving material interest must be reviewed and approved by audit committee. Such transactions have to be on arm's-length basis and supported by documents for recording.
(7) Directors including spouse/children/siblings/parents	All related party transactions especially those involving material interest must be reviewed and approved by audit committee. Such transactions have to be on arm's-length basis and supported by documents for recording.
(8) Interlocking director relationship of Board of Directors	Directors involved must notify the Board of any related party transactions subject to review and evaluation of the audit committee.

(b) *Conflict of Interest*

(i) *Directors/Officers and 5% or more Shareholders*

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Directors: Elvira A. Ting Kenneth T. Gatchalian	Shareholders and directors of the company from which the company subleases an office space and entered into consultancy agreement for providing corporate planning and financial services
Name of Officers: Kenneth T. Gatchalian (Treasurer)	Shareholder and director of the company from which the company subleases an office space and entered into consultancy agreement for providing corporate planning and financial services
Name of Significant Shareholders: The Wellex Group, Inc.	Lessor of the Company from which it subleases an office space. It also provides corporate planning and financial services for the company as covered by the Management Consultancy Agreement entered by both parties.

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	The Company recognized the significance of a whistle blower policy. Any detection of possible conflict of interest should be notified and reported to appropriate level of management (Board of Directors) and resolved within the Board.
Group	Not applicable. It's only subsidiary, FCCHI was formally dissolved on July 6, 2012.

5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family, commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Name of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
No such relationship exists	N/A	N/A

- (b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders or significant equity (5% or more) and the company:

Name of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
The Wellex Group, Inc.	Commercial & Contractual	Lessor of the Company from which it subleases an office space. It also provides corporate planning and financial services for the company as covered by the Management Consultancy Agreement entered into by both parties.

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

No such shareholders agreements in place that may impact on the control, ownership and strategic direction of the company

Name of Shareholders	% of Capital Stock Affected (Parties)	Brief Description of the Relationship
N.A.	N.A.	N.A.

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	No conflicts or differences occurred for the last three (3) years
Corporation & Third Parties	No conflicts or differences occurred for the last three (3) years
Corporation & Regulatory Authorities: Securities and Exchange Commission (SEC)	In year 2010, SEC revoked the registration and the permit to sell of the Company's securities due to late filing of the Company's 2009 annual reports. After request made for extension of period to comply which the SEC granted, the Company still failed to comply and request for another extension which the SEC denied this time. After balancing the situations and circumstances, the Company compromise to pay fines and penalties in lieu of the revocation of the registration and permit to sell securities. The Company wanted, as much as possible to resolve any conflict, especially with regulatory authorities, by observing due process. Admission of fault is a factor plus determining the justification of paying fines and penalties.

C. BOARD MEETINGS & ATTENDANCE

- 1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

Regular meetings of the Board of Directors are held as needed. The Company generally decides on these meetings a few weeks in advance of the date these take place rather than pre-scheduling before or at the beginning of the year.

- 2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Rogelio D. Garcia	11/11/2014	4	4	100
Member	Peter S. Salud	11/11/2014	4	4	100
Member	Elvira A. Ting	11/11/2014	4	4	100
Member	Kenneth T. Gatchalian	11/11/2014	4	4	100
Member	Lamberto B. Mercado, Jr.	11/11/2014	4	4	100
Member	Omar M. Guinomla	11/11/2014	4	1*	25
Member	Arthur R. Ponsaran	11/11/2014	4	4	100
Member	Joaquin P. Obieta	11/11/2014	4	4	100
Member	Richard L. Ricardo	11/11/2014	4	1*	25
Independent	Byoung Hyun Suh	11/11/2014	4	4	100
Independent	Sergio R. Ortiz-Luis, Jr.	11/11/2014	4	4	100

*newly elected directors last November 11, 2014

- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? **No**
- 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

As per Corporation's By-Laws, a majority of the number of directors constitutes a quorum for the transaction of corporate business and every decision of at least a majority of the directors present at the meeting at which there is a quorum is valid as a corporate act except for the election of officers which requires the vote of a majority of all the members of the Board.

- 5) Access to Information

(a) How many days in advance are board papers for board of directors meetings provided to the board?

Generally, all the board papers are sent a week in advance of the meeting.

(b) Do board members have independent access to Management and the Corporate Secretary?

Yes, they do (personally, and via telephone/mobile, e-mail and fax transmission)

- (c) *State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc.?*

The Corporate Secretary shall be the custodian of and shall maintain the corporate books and record and shall be the recorder of the Corporation's formal actions and transactions. His/Her specific duties include recording the minutes and transactions of all meetings of the directors and the stockholders; to keep record books showing the details required by law with respect to the stock certificates of the corporation, including ledgers and transfer books; to keep corporate seal and affix it to all papers and documents requiring a seal and to attest by his signature all corporate documents requiring the same; to attend to the giving and serving of all notices of the Corporation and assists the Chairman in preparing the agenda; to certify to such corporate acts, countersign corporate documents or certificates, and make reports or statements as may be required of him by law or by government rules and regulations; and to act as the inspector at the election of directors and, as such, to determine the number of shares of stock outstanding and entitled to vote, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and to receive votes, ballots or consents, determine the results, and do such acts as are proper to conduct the election or vote.

Yes, the function of the Corporate Secretary includes assisting in the preparation of the agenda of the meetings. Being a lawyer, the Corporate Secretary also counsels and advises the Board on the proper steps and legal implications of taking certain corporate actions such as shares issuances and other forms of exercise of corporate powers. He/She ensures that the Board and the members of senior management have the proper advice in the discharge of their duties to the corporation and the stockholders.

- (d) *Is the corporate secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.*

The Company's corporate secretary is a lawyer. He has practiced law for over 27 years.

- (e) *Committee Procedures*

Disclose whether there is procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes

☒

No

☐

Committee	Details of the procedures
Executive	No such committee
Audit	Management will notify the members of the committee of any material matters that need to be addressed by the committee. Outline of the agenda will be send through e-mail, fax transmission or sending hard copies to their offices.
Nomination	Any vacancies on the board seat are addressed by this committee. Management provides information with regards to qualifications and professional background of nominees to members of this committee for pre-screening and recommendation on the next meeting of the board.
Remuneration	Copies of presentation and outline of agenda are provided by management to members of this committee.
Others (specify)	No other committees

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and if so, provide details:

Procedures	Details
No formal procedure but members can ask for external advice	External advice not requested in the past

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
Not applicable	No changes made	Not applicable

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Based on section 13 of corporation's By-Laws (as amended). Remuneration should be determined by the Board of Directors considering the corporation's culture, industry standards and control environment.	Based on section 13 of corporation's By-Laws (as amended). Remuneration should be determined by the Board of Directors upon recommendation of the CEO/President.
(2) Variable remuneration	Not provided	Not provided
(3) Per diem allowance	CEO/President who is also a director shall receive a per diem allowance for his attendance at each meeting of the Board based on section 8 of corporation's By-Laws (as amended).	Based on recommendation of CEO/President in cooperation with Compensation Committee.
(4) Bonus	Based on annual profitability	Based on annual profitability
(5) Stock options and other financial instruments	Not provided	Not provided
(6) Others (specify)	Not provided	Not provided

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	As determined by the Board and recommendation of Compensation Committee	Basic pay, performance bonus depending on company profitability	Compensation package as determined by the Compensation Committee less corresponding withholding taxes.
Non-Executive Directors	As determined by the Board and recommendation of Compensation Committee	Nominal amount of per diem during attendance in meetings.	Compensation package as determined by the Compensation Committee less corresponding withholding taxes.

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
Not presented to stockholders	Not applicable

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	300,000.00	30,000.00	-0-
(b) Variable Remuneration	-0-	-0-	-0-
(c) Per diem allowance	-0-	-0-	30,000.00
(d) Bonuses	-0-	-0-	-0-
(e) Stock options and/or other financial instruments	-0-	-0-	-0-
(f) Others (specify)	-0-	-0-	-0-
Total	300,000.00	30,000.00	30,000.00

Due to continued losses suffered by the company, other forms of compensation have been suspended.

Other Benefits	Executive Directors	Non-executive Directors (other than independent directors)	Independent Directors
(g) Fixed Remuneration	No other benefits provided	No other benefits provided	No other benefits provided
(h) Variable Remuneration	No other benefits provided	No other benefits provided	No other benefits provided
(i) Per diem allowance	No other benefits provided	No other benefits provided	No other benefits provided
(j) Bonuses	No other benefits provided	No other benefits provided	No other benefits provided
(k) Stock options and/or other financial instruments	No other benefits provided	No other benefits provided	No other benefits provided
(l) Others (specify)	No other benefits provided	No other benefits provided	No other benefits provided
Total	Not applicable	Not applicable	Not applicable

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of equivalent shares	Total % from Capital Stock
N/A	N/A	N/A	N/A	N/A

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
N/A	N/A	N/A

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Not applicable. The Management function of the company is performed by its affiliate as covered by the management consultancy agreement entered into by both parties.	Total management fee paid during the year amounted to P360,000.00

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-Executive Directors (NED)	Independent Director (ID)				
Executive	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Audit	-0-	-2-	1	Develop a transparent financial management system	Review all financial reports against its compliance	Perform oversight financial management functions	Pre-approve all audit plans and scope of work and issuance of audit reports
Nomination	1	1	1	Attract personnel that can act as guides to the company's expansionary prospects	Pre-screen & shortlist candidates	Review and evaluate the qualifications of all persons nominated to the Board	Decide if candidates possess the right qualifications & can be elected to the Board
Remuneration	2	-0-	1	Compensate competent personnel adequately to retain their services	Establish procedures to develop policy on remuneration of directors and officers	Provide oversight over remuneration of senior management & other key personnel to ensure that their compensation is consistent with the corporation's culture, strategy and the business environment in which it operates	Designate amount of remuneration to attract and retain personnel
Others (specify)	N/A	N/A	N/A	N/A	N/A	N/A	N/A

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	N/A	N/A	N/A	N/A	N/A	N/A
Member (ED)	N/A	N/A	N/A	N/A	N/A	N/A
Member (NED)	N/A	N/A	N/A	N/A	N/A	N/A
Member (ID)	N/A	N/A	N/A	N/A	N/A	N/A
Member	N/A	N/A	N/A	N/A	N/A	N/A

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Rogelio D. Garcia (NED)	11/11/2014	1	1	100	1
Member (NED)	Elvira A. Ting (NED)	11/11/2014	1	1	100	2
Member (ID)	Byoung Hyun Suh (ID)	11/11/2014	1	1	100	1

Disclose the profile or qualifications of the Audit Committee members.

Mr. Garcia, 74 years old, holds a Law Degree from the University of the Philippines. He has extensive background in different industry and serves on the Boards of several companies. Ms. Ting, 53 years old, holds a degree in BSBA Major in Management at Philippine School of Business Administration. She serves on the Boards of several companies, including banking institutions, hotel, investment and holding companies. Being a treasurer on other companies, gives her knowledge on financial management and pertinent accounting standards. Mr. Suh, 57 years old, holds other directorships in several companies, including mining industry in which the company belongs. He can provide independent view of the company and gives unbiased audit decisions. He took up Bachelor's Degree in Business Administration from Korea University, Seoul, South Korea.

Describe the Audit Committee's responsibility relative to the external auditor.

Prior to the commencement of the external audit, Audit Committee discuss with the external auditors the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts. The committee performs oversight functions over the corporation's internal and external auditors. It ensures that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions. The committee review reports submitted by the internal and external auditors. It also evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Rogelio D. Garcia (NED)	11/11/2014	1	1	100	1
Member (ED)	Peter S. Salud (ED)	11/11/2014	1	1	100	3
Member (ID)	Sergio R. Ortiz-Luis, Jr. (ID)	11/11/2014	1	1	100	1

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Peter S. Salud (NED)	11/11/2014	1	1	100	1
Member (ID)	Sergio R. Ortiz-Luis, Jr. (ID)	11/11/2014	1	1	100	1
Member (ED)	Kenneth T. Gatchalian (ED)	11/11/2014	1	1	100	1

(e) Others (specify)

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	N/A	N/A	N/A	N/A	N/A	N/A
Member (ED)	N/A	N/A	N/A	N/A	N/A	N/A
Member (NED)	N/A	N/A	N/A	N/A	N/A	N/A
Member (ID)	N/A	N/A	N/A	N/A	N/A	N/A
Member	N/A	N/A	N/A	N/A	N/A	N/A

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the change:

Name of Committee	Name	Reason
Executive	Not applicable	Not applicable
Audit	Mr. Geronimo F. Velasco, Jr. Mr. Federico E. Puno	No longer part of the Board due to resignation last June 23, 2014 due to pursuit on his own business. Replaced by Mr. Rogelio D. Garcia. No longer part of the Board due to resignation last June 9, 2014 due to health reasons. Replaced by Mr. Byoung Hyun Suh.
Nomination	Mr. Geronimo F. Velasco Kenneth T. Gatchalian	No longer part of the Board due to resignation last June 23, 2014 due to pursuit on his own business. Replaced by Mr. Rogelio D. Garcia. Replaced by independent director, Mr. Sergio R. Ortiz-Luis, Jr. to comply with company's policy re: Each committee must have at least one independent director.
Remuneration	Federico E. Puno	No longer part of the Board due to resignation last June 9, 2014 due to health reasons. Replaced by Mr. Sergio R. Ortiz-Luis, Jr.
Others (specify)	Not applicable	Not applicable

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	Not applicable	Not applicable
Audit	Review and recommendation for approval by the Board the audited financial statements	Write-off of investment in subsidiary. Address going concern issues
Nomination	Considered antecedents of people nominated for the positions	Nominate competent members only
Remuneration	Considered financial condition of the company in connection with providing remuneration to directors and officers	Capability of the company to provide escalated amount of remuneration to directors and officers based on company financial condition
Others (specify)	Not applicable	Not applicable

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues Addressed
Executive	Not applicable	Not applicable
Audit	Will conduct regular evaluation of investment & determination of impairment. Updates on some operational activities.	Impairment of investment. Firm up of internal controls and suggestion of cost cutting measures
Nomination	Will continue review & evaluation of qualifications of all nominees	Term limit of independent directors & pre-screen of qualifications of new nominees
Remuneration	Will establish check and balance procedure in providing remuneration package to directors and officers	Capability of the company to provide escalated amount of remuneration to directors and officers based on company financial condition
Others (specify)	Not applicable	Not applicable

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

Risk management is a fundamental part of the Company's business strategy and effective corporate governance. The Company adopts a risk philosophy aimed at maximizing business opportunities and minimizing adverse outcomes, thereby enhancing shareholder value by balancing risk and reward.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Company's risk management is coordinated with the Board of Directors, and focuses on actively securing the short-term cash flows by minimizing the exposure to financial markets. The Board have reviewed the effectiveness of the risk management system and satisfied itself on its adequacy.

(c) Period covered by the review – current year 2014

(d) How often the risk management system is reviewed and the director's criteria for assessing its effectiveness;

The Board reviews the risk management system annually simultaneous with the on-going audit of financial statements. The Board uses different approach in assessing effectiveness of various risk areas such as: gearing ratio for capital risk, carrying amount of financial assets for credit risk, ratio of cash to current liabilities for liquidity ratio, etc.

(e) Where no review was conducted during the year, an explanation why not. - The Board had conducted review annually.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Liquidity Risk	Regularly monitoring cash position	Be able to meet financial obligations as they fall due
Capital Risk	Monitor capital on the basis of the gearing ratio (net debt divided by total capital). Keep the gearing ratio below 50%	To ensure the company's 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.

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Not applicable (the Company don't have a subsidiary)		

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
All shareholders have one vote per share; so minority shareholders voting power is not truncated

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Liquidity Risk	The Company will not be able to meet its financial obligations as they fall due.	Regularly monitoring cash position Maintaining adequate reserves, banking facilities and reserve borrowing facilities Monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities
Capital Risk	The Company will not be able to continue as a going concern and unable to maintain its strong credit rating and healthy capital ratios	Monitoring capital on the basis of gearing ratio and keeping it below 50% as proportion to net debt to capital. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Not applicable (the Company don't have a subsidiary)		

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Audit Committee	Oversight control Financial reporting control	Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk of the corporation including regular receipt from Management of information on risk exposures and risk management activities.

		Monitor and evaluate the adequacy and effectiveness of corporation's internal control system including financial reporting control and information technology security
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G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

- (a) Explain how the internal control system is defined for the company;
Internal controls encompasses a set of rules, policies and procedures the Company implements to provide reasonable assurance that its financial reports are reliable, its operations are effective and efficient and its activities comply with applicable laws and regulations.
- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;
The Board of Director reviewed the effectiveness of internal control system at regular meetings or at such frequency as needed and satisfied itself on its effectiveness and adequacy.
- (c) Period covered by the review – current year 2014
- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system
The Board of Director reviewed the effectiveness of internal control system at regular meetings or at such frequency as needed using criteria such as control activities, information and communication system and monitoring.
- (e) Where no review was conducted during the year, an explanation why not. – there was a review conducted by the Board of Directors

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting Process
To provide the Board, senior management and stockholders with reasonable assurance that its key organizational and procedural controls are effective, appropriate and complied with.	Nature and complexity of business and the business culture; volume, size and complexity of transactions; degree of risks; degree of centralization and delegation of authority; extent and effectiveness of information technology; extent of regulatory compliance	In-house internal audit function	Marites Gaa	Internal Auditor shall report to the Audit Committee. She should submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee.

- (b) *Do the appointment and/or removal of the Internal Auditor or the accounting/auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?*

Yes. It requires approval of the Audit Committee.

- (c) *Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?*

The Internal Auditor shall report to the Audit Committee. Also, the Internal Auditor should submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee.

Yes. The internal auditor has a direct and unfettered access to the board, audit committee and to all records, properties and personnel.

- (d) **Resignation, Re-assignment and Reasons**

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reasons
None	N/A

- (e) **Progress against Plans, Issues, Findings and Examination Trends**

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	The audits undertaken are based on the annual internal audit plan approved by the audit committee. Variations to the plan can occur but need to be considered with and agreed by the audit committee. Focus of audit for the current year 2014 was on liquidity and capital risk and compliance with laws and regulations. Respondents include treasury and accounting department, legal and executive management. Notice to conduct audit and list of audit requirements (documents, accounting books, survey forms, etc.) were sent to department heads two weeks before the actual conduct of the audit. Audit was completed and report was issued to Audit Committee on its meeting on June 25, 2014.
Issues	Compliance with applicable laws and regulations Liquidity and Capital Risk
Findings	<p>The company is exposed to liquidity and capital risk. Liquidity risk refers to the risk that the Company will not be able to meet its financial obligation as they fall due. Capital risk, on the other hand, refers to risk that the Company will not be able to continue as a going concern and maintains its strong credit rating and healthy capital ratios to support its business and maximize shareholder value.</p> <p>The company also receives review letters from SEC and PSE during the year:</p> <ul style="list-style-type: none"> March 3, 2014 - An order of payment of penalty amounting to P11,000.00 by violating SEC Memorandum Circular No.18 Series of 2013 by belatedly posting its ACGR on its website. The company tried to set up its website in 2013, but because of the cost and technical abilities to maintain such website, the company wasn't able to set it up on time. July 1, 2014 – A show cause letter was received for allegedly late disclosing Mr. Geronimo's resignation. The corporate secretary has explained to SEC that though the resignation letter received from Mr. Geronimo was dated June 10, 2014, the letter was sent through facsimile only last June 23, 2014. SEC has accepted the rationale.

	<ul style="list-style-type: none"> • August 18, 2014 – A reprimand letter from PSE for first violation of Section 13.1 of the Disclosure Rules for late disclosure of (a) the monetary penalty in the amount of Php2,533,700 for non-compliance with SRC on its 2010 Annual Reports, Quarterly Reports, Current Reports and General Information Sheet; and (b) shareholdings of Mr. Byoung Hyun Suh, a director of the Company, who was elected during the Company's Annual Stockholder's Meeting held on July 8, 2011. • September 1, 2014 – An inquiry letter was received from SEC on why the company is not yet filing its Information Statement in connection with the 2014 Annual Stockholders' Meeting. The corporate secretary informed the commission that the company has not yet hold its annual meeting of stockholders for the year 2014 due to the untimely resignation of two (2) of the independent directors and still in search of replacements. He will inform the Commission on the details of the 2014 annual stockholders' meeting. The Commission has accepted the company's position on the matter.
Examination Trends	Inspection of documents, accounting books, quarterly reports and letter correspondences were conducted. Identified audit procedures applicable on those auditable areas. Quantitative analysis and comparison of year-to-year figures were made. Material findings and significant exceptions were noted. Internal audit report normally includes audit comment and findings, risk and weaknesses and audit suggestions/recommendations to address such weaknesses.

The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation".

Policies & Procedures	Implementation
Delivering reports to management timely	Implemented
Periodic audits by an internal auditor to access operations and to ensure compliance of rules and regulations	Implemented; with exceptions noted (e.g. not in compliance with disclosure requirements of SEC)
Properly securing cash and checks within a department	Implemented
Restricting access to sensitive, private, or confidential data to authorized individuals by using password/PIN	Implemented
Procedures in safeguarding assets	Implemented

(g) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
The external auditor of the Corporation shall not at the same time provide it with services of an internal auditor. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor	All requested information is provided; the Company does not interfere in influencing analysts conclusions. Restricted by the company from trading in the company's shares	All requested information are provided; the Company does not interfere in influencing banks' conclusions	Have not hired any rating agencies in the past

- (h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such information must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

Undertaking

The Chairman, president, compliance officer and two independent directors are attesting that the Company complied with the SEC Code of Corporate Governance. They confirmed that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure compliance.

H. ROLE OF STAKEHOLDERS

- 1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	Deal with queries and service requests promptly, efficiently and courteously Respond to service/product issues and complaints fully and transparently Publish clear and helpful information about the product/service offered/provide	Providing accurate data on market price of company's share
Supplier/ contractor selection practice	Treat all contractor/supplier equally and based selection on the proposal provided	If fully operational, source of equipment needed in the exploration process. Selection of stock broker for the management of company's various investments in stock.
Environmentally friendly value-chain	Achieve consistently high standards of behavior towards the society and the environment	Consideration of the environment when exploration of mining sites will pursue. Compliance on obtaining permits from regulatory bodies.
Community interaction	Sensitively deal with issued related to the public interest and participate in activities that are beneficial to communities and environment.	Donate to different organizations financial assistance to support their programs

Anti-corruption programmes and procedures	Implement transparency and integrity in all transactions	Preventing factors that prevent transparency and feed corruption
Safeguarding creditors' rights	Avoid dishonest actions or any actions that may infringe upon the rights or creditors as established by law or through mutual agreements	Meet financial and other covenants set by creditors

- 2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?
The annual report of the company generally states its corporate responsibility or sustainability. It doesn't have separate detailed report.
- 3) Performance-enhancing mechanisms for employee participation.
- (a) What are the company's policy for its employees' safety, health and welfare?
The company's administrative functions are provided by affiliate as covered by the consultancy agreement entered with The Wellex Group, Inc. (TWGI). As a result, the company doesn't have rank and file employees, only executives who are also member of the board. The company will hire employees when explorations on its projects pursue and transactions will become voluminous. Policies on employees' safety, health and welfare will be put in place. For the meantime, TWGI have policies of its own covering its employees' safety, health and welfare.
- (b) Show data relating to health, safety and welfare of its employees.
Not applicable
- (c) State the company's training and development programmes for its employees. Show the data.
Not applicable.
- (d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.
Not applicable
- 4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.
Not applicable

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

- (a) Holding 5% shareholding or more

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	% of total o/s shares
Common	International Polymer Corporation, T. Santiago St., Canumay, Valenzuela City (Stockholder)	same as record owner (see note 1)	Filipino	496,887,494	26.501
Common	PCD Nominee Corporation, 37/F Tower 1, The Enterprise Center, 6766 Ayala Ave. Cor. Paseo De Roxas, Makati City (Stockholder)	PCD Participants and their clients (see note 2)	Filipino	417,201,954	22.251
Common	The Wellex Group Inc., 35th Flr., One Corporate Center, Doña Julia Vargas ave., cor, Meralco ave., Ortigas Center, Pasig City (Stockholder)	same as record owner (see note 3)	Filipino	376,950,000	20.104

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

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

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

Schedule A

PCD Nominee	No. of Shares Held	%
Westlink Global Equities, Inc.	74,764,600	17.41
Ansaldo. Godinez & Co., Inc.	26,367,000	6.06
COL Financial Group, Inc.	26,075,606	6.00
Ventures Securities, Inc.	17,775,600	4.09
Abacus Securities Corporation	17,451,458	4.01
Tri-State Securities, Inc.	13,920,000	3.20
Belson Securities, Inc.	13,752,996	3.16
Globalinks Securities & Stocks, Inc.	11,560,754	2.66
Quality Investments & Securities Corporation	9,486,250	2.18
Yao & Zialcita, Inc.	8,840,000	2.03
Wealth Securities, Inc.	8,602,000	1.98
Angping & Associates Securities, Inc.	8,562,500	1.97
Evergreen Stock Brokerage & Sec., Inc.	8,267,000	1.90
Eastern Securities Development Corporation	7,935,000	1.82
Yu & Company, Inc.	6,950,000	1.60
Others	156,891,190	39.93
TOTAL	417,201,954	100.00

Security Ownership of Directors and Management

Title of Class	Name of Director	Number of Direct shares	Citizenship	% of Capital Stock
Common	Peter S. Salud	29,990 (direct)	Filipino	0.10%
Common	Elvira A. Ting	400,001 (direct)	Filipino	2.10%
Common	Joaquin P. Obieta	1 (direct)	Filipino	0.00%
Common	Lamberto B. Mercado, Jr.	100 (direct)	Filipino	0.00%
Common	Rogelio D. Garcia	10 (direct)	Filipino	0.00%
Common	Arthur R. Ponsaran	1 (direct)	Filipino	0.00%
Common	Kenneth T. Gatchalian	100 (direct)	Filipino	0.00%
Common	Byoung Hyun Suh	1,000 (direct)	Korean	0.00%
Common	Omar M. Guinomla	100 (direct)	Filipino	0.00%
Common	Richard L. Ricardo	100 (direct)	Filipino	0.00%
TOTAL		431,403		2.20%

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	No; included on the manual on corporate governance & company policy that are made available to public
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) or directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	No; included on the manual on corporate governance. Certificate of attendance is filed/disclosed to SEC & PSE within 10 days after the training
Number of board of directors/commissioners meeting held during the year	No but disclosed on the certificate of attendance filed to SEC & PSE
Attendance details of each director/commissioner in respect of meetings held	No but disclosed on the certificate of attendance filed to SEC & PSE
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

Should the Annual Report not disclose any of the above, please indicate reason for the non-disclosure.

- The details that are not part of the SEC Form 17-A are included in other disclosures or company documents that are made public

3) External Auditor's fee

Name of Auditor	Audit Fee	Non-audit Fee
Diaz Murillo Dalupan and Company, <i>Certified Public Accountants</i>	P394,000.00	-0-

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

- Information including reports and company announcements are uploaded at the Company's website
- Disclosures made to PSE & SEC
- Formal request of specific report are addressed to the office of Corporate Secretary.

5) Date of release of audited financial report: The Board of Directors reviewed, approved and authorized issuance of the audited financial statement for the year ended December 31, 2014 on February 18, 2015; filed to SEC and disclosed to PSE on March __, 2015.

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) Disclosure of RPT

RPT	Relationship	Nature	Value
The Wellex Group, Inc.	Affiliate; Common key management	Receivable for financing of working capital requirements in prior years	P325,449,603
Forum Exploration, Inc.	Common key management	Receivable for the carrying value of exploration assets transferred by the Company	171,631,076
Forum Exploration, Ltd.	Common key management	Payable for the cash advances received to finance acquisition of subsidiary in prior years	(3,699,742)

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

The transactions related with related parties are undertaken on an arms-length basis, documented and implementation of check and balance procedures to protect stakeholders' interest. Periodic updates and review of transactions are made to determine collectability and commitments to obligations are addressed.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its by-laws.

Quorum Required	Majority of capital stock must be present or represented
-----------------	--

(b) System Used to Approved Corporate Acts

Explain the system used to approve corporate acts.

System Used	Giving of notice; Presentation of proposed corporate act and opportunity for discussion/Q&A; Voting
Description	Stockholders are apprised of corporate acts requiring stockholder approval in the Notice and Agenda of Meeting and Information Statement; During the meeting itself, proposed corporate acts on which stockholder approval is sought are presented and explained to the stockholders, and questions/comments are solicited, received and entertained

(c) Stockholders' Right

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
No difference between the two codes	No difference between the two codes

Dividends

Declaration Date	Record Date	Payment Date
The Corporation have not declared and paid dividends for the last three years due to losses suffered.		

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
At Annual Stockholders' meeting, a time is allotted for any questions, comments or concerns that the stockholders wanted to raise. The Company adopted question and answer portion for the clarification of issues.	Agenda of the meeting are included on the notice. The stockholders may voice out his/her queries to the Chairman of the Board and the management directly or write down his queries on a sheet of paper. Questions are reiterated for the knowledge of all present and answered by management verbally. The Chairman will ask if the stockholder satisfied himself with the answer and may welcome follow up questions. The Corporate Secretary will take down notes and include this on the minutes.

- 8) State the company policy of asking shareholders to actively participate in corporate decisions regarding:

- (a) Amendments of the company's constitution
- (b) Authorization of additional shares
- (c) Transfer of all or substantially all assets, which in effect results in the sale of the company

All the above crucial decisions are discussed and must be approved by the shareholders by vote. Before the annual meeting, notice being sent to stockholders in advance includes agenda so they can prepare to discuss these issues. If the management is proposing such changes, the shareholders have a right to vote with, or against it. The Company encourages shareholders' participation and continuously invites shareholders to regularly attend Annual Shareholders' Meeting or any Special Stockholders' Meeting duly called for, to review, consider and approve corporate acts stated above.

- 9) Does the company observe a minimum of 21 business days for giving out notices to the AGM where items to be resolved by shareholders are taken up? – **Yes**

- a. Date of sending out notices: **October 21, 2014**
- b. Date of the Annual/Special Stockholders' Meeting: **November 11, 2014**

Resolution	Approving	Dissenting	Abstaining
Approval of minutes of the June 24, 2013 Stockholders' Meeting	950,367,298 votes or 51.68%	No dissenting votes	No abstentions
Approval of Management Report and 2013 Audited Financial Statements	950,367,298 votes or 51.68%	No dissenting votes	No abstentions
Confirmation and ratification of all acts and accomplishments of management and Board of Directors	950,367,298 votes or 51.68%	No dissenting votes	No abstentions
Election of 9 regular directors and 2 independent directors	950,367,298 votes or 51.68%	No dissenting votes	No abstentions
Re-appointment of Diaz Murillo Dalupan and Company, CPAs as External Auditors	950,367,298 votes or 51.68%	No dissenting votes	No abstentions
Re-appointment of Corporate Counsels, Philippines as Legal Counsels	950,367,298 votes or 51.68%	No dissenting votes	No abstentions

10) Date of publishing of the result of the votes taken during the most recent AGM for all resolutions

Result of the votes is not published but available for public view at the office of the corporate secretary; will start publishing on the next stockholders' meeting.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
No modifications made	No modifications made

(f) Stockholders' Attendance

(i) Details of attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Name of Board Members/Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Rogelio D. Garcia Peter S. Salud Kenneth T. Gatchalian Elvira A. Ting Byoung Hyun Suh Omar M. Guinomla Richard L. Ricardo Joaquin P. Obieta Arthur R. Ponsaran Lamberto B. Mercado, Jr. Sergio R. Ortiz-Luis, Jr. Arsenio A. Alfiler, Jr.	November 11, 2014	Motion and Seconding; Solicitation of Objections	0.07%	51.61%	51.68%
Special	No special meeting held	N/A	N/A	N/A	N/A	N/A

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

On the voting procedure adopted by the company on previous election (Motion & Seconding & Solicitation of Objections), counting and validation of votes is unnecessary. Should there be a voting by ballot, the external auditors, who are expected to attend the ASMs and SSMs (as necessary), shall be authorized to validate the votes.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

The corporation has only one class of registered security, Class A – Common Share. Yes, common shares carry one vote for one share.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	Conformably with By-Laws, stockholders who cannot attend ASM/SSMs but wish to send a representative are required to execute written proxies which must be in the hand of the corporate secretary before the time set for the meeting.
Notary	Proxies are not required to be notarized
Submission of Proxy	All proxies must be in the hands of the secretary before

	the time set for the meeting.
Several Proxies	No company policy
Validity of Proxy	Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the secretary. A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expressed his intention to vote in person.
Proxies executed abroad	No company policy
Invalidated Proxy	No company policy
Validation of Proxy	The decision of the secretary on the validity of proxies shall be final and binding until set aside by a court of competent jurisdiction.
Violation of Proxy	No company policy

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
Notices for regular or special meetings of stockholders shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called. In case of special meetings, only matters stated in the notice can be the subject or motions or deliberations at such meeting, but may be waived, expressly or impliedly by any stockholder, in person, or by proxy, before or after the meeting.	Notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery or by mailing the notice at least two (2) weeks prior to the date of the meeting of each stockholder of record at his last known post office address or by publishing the notice in a newspaper of national circulation.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	911
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	October 21, 2014
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	October 21, 2014
State whether CD format or hard copies were distributed	Copies distributed were in CD format
If yes, indicate whether requesting stockholders were provided hard copies	Stockholders may request hard copies address to the office of the corporate secretary. Hard copies are also available during the meeting.

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Not disclosed since no dividend is to be declared
The amount payable for final dividends	N/A
Documents required for proxy vote.	N/A

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

- (a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
Recognize right of minority stockholders to influence Board composition by cumulative voting.	Notice of Meeting/Information Statement expressly sets out procedure for cumulative voting.
Allow nominations to the Board of Directors to come from minority stockholders	All nominations for members of the Board of Directors are accepted for screening and selection
Equal treatment of shareholders holding the same class of shares	One vote for one share is implemented

- (b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes

K. INVESTORS RELATIONS PROGRAM

- 1) Discuss the company's external and internal communication policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

Manual on corporate governance shall be available for inspection by any stockholders of the Corporation at reasonable hours on business days. All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this manual to all employees and related third parties, and likewise enjoin compliance in the process. Communication process is reviewed annually and at such frequency as needed.

Reports and disclosures of major company announcements are reviewed by the executive management. Such disclosures shall be prepared and submitted to the regulatory bodies (SEC & PSE) through the Compliance Officer with the assistance of the Corporate Secretary.

- 2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objective	Aims to develop and maintain quality communication between the company and its various stakeholders
(2) Principles	Enable investors to make appropriate investment decisions
(3) Modes of Communications	Disclose information to PSE/SEC; communication lines are open to company stakeholders
(4) Investor Relations Officer	Peter S. Salud; tel#706-7888

- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

Name the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

All major decisions or significant corporate acts to be taken have to be approved by the majority of the Board of Directors and the stockholders on special meeting, as necessary. Not every merger or acquisition had an independent third party providing a fairness opinion. In the event of the occurrence of such transactions, the management will compose a committee to evaluate all aspects in terms of financial (competent accountant for the transaction price), legal (lawyer & paralegal for documentation), etc. to ensure that the transactions to be entered are at the company's best interest.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
If the company's financial condition became stable, it wishes to donate financially to its chosen charities. As of now, the company will strive to become profitable again for the benefit of its management, employees, and stockholders and be of help to community. Hence, the company's staff gave a helping hand with the repacking of relief goods organized by the City Government of Valenzuela for the victims of typhoon Yolanda last 2012. A line up of social responsibility activities for 2015 are in place in cooperation with fellow affiliated companies.	

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	Periodic self-appraisal	Board discussion and participation
Board Committees	Periodic self-appraisal	Meetings target by the committees
Individual Directors	Periodic self-appraisal	Attendance on board meetings; board discussion and participation
CEO/President	Periodic review of management & the CEO & President	Attainment of company objectives

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees.

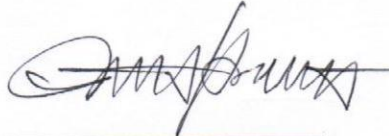
Violations	Sanctions
First offense	Reprimand
Second offense	Suspension
Third offense	Removal from office; termination

SIGNATURES


Pursuant to the requirement of the Securities and Exchange Commission, this **Annual Corporate Governance Report** is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Pasig on MAR 31 2015.



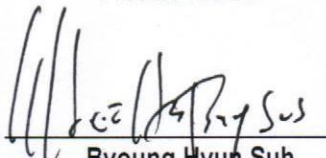
Rogelio D. Garcia
Chairman of the Board



Peter S. Salud
President/CEO



Sergio R. Ortiz-Luis, Jr.
Independent Director



Byoung Hyun Suh
Independent Director



Lamberto B. Mercado, Jr.
Compliance Officer

Subscribed and sworn to before me this _____ day of MAR 31 2015, 2015, affiants exhibiting to me their Tax Identification Numbers, as follows:

Name	TIN	Issuer
1. Rogelio D. Garcia	108-672-299-000	Bureau of Internal Revenue
2. Peter S. Salud	107-777-803-000	Bureau of Internal Revenue
3. Sergio R. Ortiz-Luis, Jr.	107-846-672-000	Bureau of Internal Revenue
4. Byoung Hyun Suh	122-963-522-000	Bureau of Internal Revenue
5. Lamberto B. Mercado, Jr.	136-012-428-000	Bureau of Internal Revenue

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NOTARY PUBLIC FOR

Notarial Commission No. FOR THE CITY OF MANILA PHILIPPINES
Commission expires on December 31, 2015
Roll of Attorney Number PTR NO 3828152 01/05/12/MLA
PTR No. ROLL NO 33586
IBP No. MCLE COMPLIANCE NO. IV-002385018/15/14
Office Address: 2/F YMCA OF MANILA BLDG
350 ANTONIO VILLEGAS ST
ERMITA MANILA TEL 525-05-86
EMAIL ADD atty.richardanolin@yahoo.com
TIN # 116-095-269-000