

COVER SHEET

A S 0 9 3 0 0 0 1 2 O

SEC Registration No.

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

(Company's Full Name)

2 2 N D F L O O R C I T I B A N K T O W E R ,
8 7 4 1 P A S E O D E R O x A S S T R E E T
M A K A T I C I T Y

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

Atty. Arsenio A. Alfiler Jr.
Contact Person

(632) 706-7888
Contact Telephone No.

1 2 3 1 1 7 A
Fiscal Year FORM TYPE Month Day
Annual Meeting

Secondary License Type, If Applicable

Amended Articles Number/Section

Dept. Requiring this Doc.

Total Amount of Borrowings

995

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

Document I.D.

LCU
Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

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, 2010
2. SEC Identification Number AS 093000120 3. BIR Tax Identification No. 312-002-155-598
4. F O R U M P A C I F I C , I N C .
Exact name of registrant as specified in its charter
5. M e t r o M a n i l a , P h i l i p p i n e s
(Province, country or other jurisdiction of incorporation or organization)
6. (SEC Use only)
Industry Classification Code
7. 22ND Floor, Citibank Tower, 8741 Paseo de Roxas St., Makati City
Address of principal office
8. T e l e p h o n e N o . 8 4 8 - 0 8 4 8 1 1 2 2 6
Registrant's telephone number, including area code
9. AIR PHILS. INTERNATIONAL CORP. - 8F Rufino Plaza Bldg.. Ayala Ave. Makati City
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 4 and 8 of the RSA:

<u>Title of Each Class</u>	<u>No. of Shares of Common Stock Outstanding:</u> <u>and Amount of Debt Outstanding</u>
Common Shares - P1.00 par value	Issued - P 1,838,943,246 Subscribed —690,679,167 (Subscription Receivable - P 1,148,264,079)

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

12. Check whether the registrant:

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

Yes ☒

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: P964,605,352.00

14. Not Applicable

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

A. DESCRIPTION OF BUSINESS

(1) Business Development

Forum Pacific, Inc. is a company incorporated in the Philippines and registered with the Securities and Exchange Commission on January 8, 1993, with a principal office at the 22nd Floor, Citibank Tower, Paseo de Roxas, Makati City.

The shares of FPI are listed and traded in the Philippine Stocks Exchange or PSE. Formerly known as Air Philippines International Corporation, FPI was registered to engage in investing, purchasing and acquiring assets of any kind and description with the secondary purpose of engaging in the exploration, development and production of petroleum and related products, as well as other mineral and chemical substances. The company is a holding company, owning shares of stocks of an exploration company and another holding shares of stocks. FPI and its subsidiaries are collectively referred to as the Group".

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

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

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

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

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

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

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

To address the foregoing matters that may raise doubt on the Group's ability to continue as a going concern, management and stockholders of the Group have committed in principle to provide full financial support to the Group to sustain its operations, meet

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

Business Development of the Subsidiaries:

(2) Business of Forum Pacific, Inc.

(a) Description of Registrant

(i) Principal products and services

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

Investment in FCCHI

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

FCCHI has 60% ownership of Forum Cebu Coal Corporation (FCCC), a domestic corporation which holds 100% interest in one (1) Coal Operating Contract in Cebu-COC 131.

As discussed in Note 1, FCCHI sold all of its shareholdings of FCCC on September 23, 2009 and decided to liquidate its business through shortening of its corporate term until November 30, 2009. Accordingly, FCCHI changed its basis of accounting in the preparation of its financial statements from the going-concern basis to the liquidation basis of accounting. Financial information of FCCHI for 2009 reflects the remaining assets at their liquidating values as of September 30, 2009. The Group used the September 30, 2009 audited financial statements of FCCHI as basis in the preparation of the consolidated financial statements inasmuch as management believes that transactions occurred subsequently until December 31, 2009 are minimal and that all significant account balances do not differ materially from the amount reported in the September 30, 2009 audited financial statements.

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

(ii) **E x p o r t S a l e s** Forum Pacific Inc and its subsidiary are not engaged in export sales.

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

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

(v) **C o m p e t i t i o n** Since the subsidiary of the company is still on the exploration period, the company is not engaged in any competitions.

(vi) **Sources and availability of raw materials and principal supplier** none

- (vii) Dependence on one or few major customers FPI is not dependent on any one industry, company or customers.
- (viii) Transactions with and/or dependence on related parties FPI has no major transactions on related parties.
- (ix) Patent, Trademark, Copyright, Franchise, Concession or Royalty Agreement none
- (x) Government Approval of Principal Products or Services
FPI has no major approval from the government.
- (xi) Effect of Existing or Probable Governmental Regulations on Business
none
- (xii) Estimate of the Amount Spent During Each Year of the Last Three Calendar Years on Research and Development Activities
none
- (xiii) Cost and Effects of Compliance with Environmental Laws
FPI has no cost and effects of compliance with environmental laws.
- (xiv) Total Number of Fulltime Employees (as of December 31,2010)
none
- (xv) Major Risk
none
- (b) Additional Requirements as to Certain Issues or Issuers

Not Applicable

Item 3. Legal Proceedings

A case of illegal dismissal and claims for unpaid salaries, basic wages, separation pay and damages was filed by an employee (logistic coordinator), on February 1996 which is currently pending with the NLRC. Management believes that the termination was valid and 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 fourth quarter of the fiscal year covered.

Item 5. Properties

Description of Properties

The Company's executive office is on 22nd Floor, Citibank Tower, 8741 Paseo de Roxas, Makati City.

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. Here are list of the high and low sales price by quarter for the last 3 years are as follows

<u>"CLASS A"</u>			
2010	High	Low	
First Quarter	-	-	
Second Quarter	-	-	
Third Quarter	-	-	
Fourth Quarter	-	-	
2009	High	Low	
First Quarter	-	-	
Second Quarter	-	-	
Third Quarter	-	-	
Fourth Quarter	-	-	
2008	High	Low	
First Quarter	-	-	
Second Quarter	-	-	
Third Quarter	-	-	
Fourth Quarter	-	-	

(2) Dividends

(a) The company's Articles of Incorporation states that dividends may be declared only out of the unrestricted retained earnings. The Company has declared no cash dividends on its common shares for the last 6 calendar years. The Company's financial statements as of December 31, 2010 reflect negative retained earnings. Thus, unless the Company's retained earnings position changes, the directors will not be able to legally declare any dividends on its common shares.

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

(3) Recent Sales of Unregistered or Exempt Securities

There are no recent sales of unregistered or exempt securities.

(4) Holders

a) The numbers of shareholders of record as of December 31, 2010 were 984 Common shares issued and subscribed as of December 31, 2010 were 1,838,943,246.

Forum Pacific Inc. Top 20 Stockholders:

	NAME	CLASS A— NO. OF SHARES HELD	% to TOTAL
1	International Polymer Corp	496,887,494	26.501
2	PCD Nominee Corp.	396,027,824	21.121
3	The Wellex Group, Inc.	376,950,000	20.104
4	E.F. Durkee & Associates, Inc.	77,838,563	4.151
5	Intra-Invest Sec., Inc.	48,159,000	2.568
6	Forum Pacific, Inc.	36,056,750	1.923
7	Metropolitan Management Corporation	30,000,000	1.600

8	Juanito C. Uy	22,625,001	1.207
9	Pacrim Energy N.L.	21,000,000	1.120
10	Sapphire Securities, Inc.	19,433,500	1.036
11	Benito Ong and/or Zita Y. Ong	18,000,000	0.960
12	Renato Chua	16,740,000	0.893
13	NestorS. Mangio	12,500,000	0.667
14	A&ASecurities, Inc.	11,911,320	0.635
15	Mark Securities Corporation	10,772,800	0.575
16	Globalinks SEC & Stocks, Inc.	9,400,000	0.501
17	Belson Securities, Inc	9,200,000	0.491
18	Wealth Securities, Inc.	8,240,000	0.439
19	Ruben M. Gan	7,610,000	0.406
20	David Go Securities Corporation	6,880,000	0.367

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

1. Management's Discussion and Analysis

a) Key Performance Indicators

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

1. Advances to Related Parties - all payments made by the company were came from the account of the TWGI.
2. Current Ratios - Current Assets against the Current Liabilities of the Company. Current Ratio for the Y2010 is 7.52 and 21.99 for Y2009
3. Cash Ratio - the most conservative liquidity ratio. It excludes all current assets except the most liquid: cash and cash equivalents. The cash ratio of the company for the Y2010 is 0.015 and 0.089 for Y2009
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 Y2010 is 0.42 and 0.40 for Y2009.
5. Debt-to-equity ratio - The formula is total debt divided by total equity. The debt to equity ratio for the Y2010 is 0.72 and 0.67 for the Y2009.

Financial Highlights

The following table shows the comparative operating data and financial statements of the Company for the years ending December 31, 2010, 2009 and 2008.

	Years Ended December 31		
	2010	2009	2008
REVENUES (net) - note 3	P -	P -	P 348,902
COSTS AND EXPENSES - notes 3 and 8	5,596,284	1,506,025	13,591,559
GROSS LOSS	(5,596,284)	(1,506,025)	(13,242,657)
OTHER INCOME (EXPENSES) - net - notes 3 and 9	(59,348,950)	(20,488,217)	(157,470,451)
LOSS BEFORE INCOME TAX	(64,945,234)	(21,994,242)	(170,713,108)
BENEFIT FROM (PROVISION FOR)			
INCOME TAX - notes 3 and 11	(30,432)	1,270,500	8,257,439

NET LOSS FOR THE YEAR	(64,975,666)	(20,723,742)	(162,455,669)
OTHER COMPREHENSIVE LOSS			
Unrealized loss on available-for-sale financial assets - notes 3 and 5	(1,560,700)	(15,085,037)	-
Translation adjustment	577,216	-	-
	(983,484)	(15,085,037)	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(P 65,959,150)	(P 35,808,779)	(P162,455,669)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Equity of the parent in:			
Net loss for the year	(P 64,975,666)	(P 12,558,505)	(P152,846,694)
Other comprehensive loss	(1,214,370)	(15,085,037)	-
	(66,190,036)	(27,643,542)	(152,846,694)
Minority interest:			
Net loss for the year	-	(8,165,237)	(9,608,975)
Other comprehensive loss	230,886	-	-
	230,886	(8,165,237)	(9,608,975)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(P 65,959,150)	(P 35,808,779)	(P162,455,669)
LOSS PER SHARE - notes 3 and 12	(P 0.036)	(P 0.015)	(P 0.083)

CHANGES IN RESULTS OF OPERATION

Revenues and Earnings per share

- Revenue recorded for the year 2008 was 348,902 Since, the parent company ceased to have control over ESBI the company has no revenues recorded in the year 2009 and 2010.
- The company incurred loss of P65.9M in year 2010, P35.8 M in year 2009 and losses in 2008 amounted to P 162.4 M The loss per share for 2010 was (0.036), 2009 was (P0.015) and(P0.083) in 2008.

Cost and Expenses

- Cost and expenses consisted primarily of fines and penalties, professional fees, office supplies, communication, taxes and licenses, transportation & travel and other expenses. For the Year 2010 P5.5M and in Y2009 an amount of P1.5M were recorded.
- See notes to the financial statements and its breakdowns.

CHANGES IN FINANCIAL CONDITION

ASSETS

Cash and Cash Equivalent

In the year 2010 the total Cash and Cash Equivalent was P102, 082 and in year 2009 the total Cash and Cash Equivalent was P203,751.

Advances to Affiliates

This account consists of advances mainly to The Wellex Group, Inc. (TWGI) and Forum Exploration, Inc. (FEI). The total amount of recorded for the year 2010 and 2009 were P552.6M and P614.5M respectively.

Advances to TWGI

Transactions between the Group and TWGI primarily consist of interest bearing advances granted to finance TWGI's working capital requirements. The Group also subleases its office space from TWGI (see Note 13).

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

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

Due to default in quarterly payments, management has estimated and recognized impairment loss amounting to P32,944,556 in 2010 for its advances to TWGI. Total collections of advances to TWGI amounted to P1,207,854 and P833,604 in 2010 and 2009, respectively.

In 2010, the Company recognized impairment loss amounting to P17,221,059 on its advances to FEI.

Advances to FEI

The advances to FEI pertain to the carrying value of exploration net assets transferred by the Parent Company.

Current Liabilities

Accounts Payable, Accrued Expenses, Withholding Taxes Payable and Income tax payable

These accounts consist of Accounts Payable, Withholding tax Payable, Income Tax Payable and Accrued Expense account and a total amounted to P6.6 Million for 2010 and P2.2 Million for 2009. See notes to the Notes to the Financial Statements.

(i) Summary of Material Trends, Events and Uncertainties

Forum Pacific, Incorporated

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

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

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

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

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

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

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

Express Savings Bank, Inc. (ESBI)

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

On June 3, 2009, the Parent Company executed a deed of absolute sale for its 127,415 shares in ESBI for P1 79.63 per share or equivalent to P22,887,556. The carrying amount of 289,806 shares in ESBI as of December 31, 2008 amounted to P1 22,592,758 or P423.02 per share. The difference between selling price and cost per share multiply by the number of ESBI shares as of 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 Parent Company executed a deed of absolute sale for its 115,789 shares in ESBI at P100 per share or equivalent to P11,578,900 which is equal to the carrying value as of December 31, 2009 of P11,578,900. The Parent Company reclassified the corresponding unrealized fair value loss amounting to P9,220,278 from unrealized fair value loss on available-for-sale financial assets in equity to the statement of comprehensive income

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

Since the Forum Pacific Inc. are still looking a strategic partner to enhance the development of the company specially in exploration business, the company are no events that will trigger direct of contingent financial obligation that is material to Forum Pacific Inc. including any default or acceleration of an obligation (Please see the notes in Audited Consolidated Financial Statements.)

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

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

(iv) Any Known Trends, Events of Uncertainties (Material Impact on Net Sales! Net Income)

In the Audited Financial Statement 2010 states that the total comprehensive loss amounted to P65.9 million. (Please see Notes to Financial Statements)

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

The adoption of PFRS 5 stated that "Non-current Assets Held for Sale and Discontinued Operations." FPI will have no impact on the consolidation financial statements, other than those discussed in Notes to Financial Statement No. 3.

(vi) Material Changes on Line Items in Financial Statements

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

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

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

Item 8. Financial Statements

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

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

Information on Independent Accountant and other Related Matters

(1) External Audit Fees and Services

- (a) Audit and related fees for Forum Pacific Incorporated (Parent) are P280,000 in 2010, P 360,000 in 2009 and P350,000 in 2008 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 an independent accountant on whom the principal accountant expressed reliance in its report regarding a significant subsidiary, has resigned (or indicated it has declined to stand for re-election after the completion of the current audit) or was dismissed in the two most recent fiscal years or any subsequent interim period. Furthermore, there was no disagreement with the former accountant on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 10. Directors and Executive Officers of the Issuer

(1) Directors, including Independent Directors and Executive Officers

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

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

Name	Age	Citizenship	Position and Office
Geronimo F. Velasco	51	Filipino	Chairman of the Board / Independent Director
Peter S. Salud	56	Filipino	President / Director
Weslie T. Gatchalian	31	Filipino	Director
Elvira A.Ting	51	Filipino	Director / Vice Chairman
Federico E. Puno	64	Filipino	Independent Director
Atty. Lamberto A. Mercado	48	Filipino	Director
Evelyn dela Rosa	47	Filipino	Director
Rogelio D. Garcia	71	Filipino	Director
Kenneth T. Gatchalian	35	Filipino	Director/Treasurer
Atty. Arthur Ponsaran	66	Filipino	Director
Joaquin Obieta	75	Filipino	Director
Atty. Arsenio A. Alfiler Jr.	56	Filipino	Corporate Secretary

b. Terms of Office as a Director

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

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

Name	Corporation	Position
Geronimo F. Velasco Chairman of the Board and Independent Director Filipino 51 years old B.S. in Commerce and Master of Business Administration University of Sta Clara and The Wharton School University, Pennsylvania	Present: Forum Pacific Inc. Gravel Inc. Republic Glass Holding Corporation Anchor Steel Industries	Director since 1995 President / Director President / Vice Chairman Director

Name	Corporation	Position
Peter S. Salud President / Director Filipino 56 years old	Present: Forum Pacific Inc. Previous: Air Philippines New Phil. China Corp. Metrobank	President / Dir. since 1996 President 1995 - 1996 President 1990 - 1997 Senior Manager 1978 -89

Name	Corporation	Position
Weslie T. Gatchalian Director Filipino 31 years old Oxford Brookes University, U.K. -- BA Honours Degree/DipHE Business and Operation Mngt. London Metropolitan University Master (MA) Degree in Management	Present: Forum Pacific Inc. NPC Alliance Corporation Metro Alliance Metro Alliance Mabuhay Vinyl Corporation Wellex Industries, Inc. Westlink Global Equities Corp. Previous: Wellex Industries, Inc. Waterfront Hotels and Casinos PCI Bank Westlink Global Equities	Director since 2005 Director since 2005 EVP since 2005 Assistant VP 2004-2005 Director since 2005 President 2008 Assistant Vice President Director since 2005 - 2008 Sales and Marketing 2002-2003 Leasing and Finance 2001 Trainee 1999— 2000

Name	Corporation	Position
Elvira A.Ting Director / Vice Chairman Filipino 51 years old BSBA major in Management Phil. School of Business Administration	Present: Forum Pacific Inc. MAHEC and CPDSI AHI, FEZ and ZDI GAC Logistic, Inc. Mabuhay Vinyl Corp. Phil.Estate Corp. Express Savings Bank Wellex Industries, Inc. Waterfront Phil., Inc. Previous: Wellex Industries, Inc Air Philippines PCI Bank	Director since 1996 Director since June 2002 Dir.& Treasurer, 2004 Director since 2002 Director since 2003 President & CEO Chairperson & Director Vice President 2008 Treasurer President 2001 - 2008 Treasurer, 1996 Director, 1991 - 1993

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

Name	Corporation	Position
Atty. Arthur Ponsaran Director Filipino 67 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. Wellex Industries Inc. Phil. Estate Corporation Express Savings Bank Corporate Counsels, Philippines Law Offices Previous: Forum Pacific Inc.	Director since 2000 Corp.Sec. up to 2003 Director since 2000 Director Director Managing Partner Corporate Secretary

Name	Corporation	Position
Atty. Lamberto A. Mercado Jr. Director Filipino 48 year 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
Evelyn dela Rosa Director Filipino 47 year old Bachelor of Arts Master in Mass Communication Centro Escolar University	Present: Forum Pacific Inc.	Director since 2001

Name	Corporation	Position
Kenneth T. Gatchalian Director/Treasurer Filipino 35 years old B.S. in Architecture University of Texas, USA	Present: Forum Pacific, Inc. MAHEC and CPDSI AHI, FEZ and ZDI GAC Logistics, Inc. Mabuhay Vinyl Corp. Phil.Estate Corp. Express Savings Bank Wellex Industries, Inc. Waterfront Phil., Inc. Previous: Not employed prior 2000	Director since 2002 Dir. & Tresurer since 2002 Director 2004 Dir. & Tresurer since 2002 Director 2003-2004 EVP & COO since 2000 Director since 2002 Director since 2002 Vice Chairman since 2001

Name	Corporation	Position
Federico Puno Independent Director Filipino 64 years old	Present: Forum Pacific Inc. Previous: Nat'l Power Corp. Anchor Steel Corp. Republic Glass Holdings	Director since 1996 President Director Director

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

a) Mr. Kenneth T. Gatchalian, the Director / Treasurer b) Mr. Weslie T Gatchalian, the Director and c) Ms. Elvira A.Ting, the Director and the Acting Chairman who is a sister in law, there are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, persons nominated or chosen by the corporation to become directors, or executive officers

(4) Involvement in Certain Legal Proceedings

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

Item 11. Executive Compensation

(1). Summary of Compensation Table - Annual Compensation

Name & Principal Position	Year	Salary	Bonus	Other Compensation
Mr. Peter S. Salud	2010	-	-	-
President / CEO	2009	-	-	-
	2008	-	-	-
Mr. Geronimo F. Velasco	2010	-	-	-
Chairman	2009	-	-	-
	2008	-	-	-
Ms. Elvira A. Ting	2010	-	-	-
Treasurer	2009	—	-	-
	2008	—	-	-
Other Directors	2010	—	-	-
	2009	—	-	-
	2008	—	-	-
All Directors & Officers as a	2010	—	-	-
Group Unnamed	2009	-	-	-
	2008	-	-	-

(2) Compensation of Directors

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

(3) Employment Contracts and Termination of Employment and Change—in-Control Arrangements

There is no employment contract and termination of employees and change-in-control arrangement with directors and executive officers.

(4) Warrants and Options Outstanding: Repricing

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

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

(1) Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2010 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:

<i>Title of Class</i>	<i>Name, Address of Record Owner & Relationship w/ Issuer</i>	<i>Name of Beneficial Owner & Citizenship Relationship w/ Record Owner</i>	<i>No. of Shares</i>	<i>Percent</i>
Common International Polymer Corp.	22/F Citibank Tower 8741 Paseo de Roxas St. Makati City	William T. Gatchalian Dee Hua T. Gatchalian Elvira A. Ting Sherwin T. Gatchalian Felino Canio	Filipino 496,887,494	26.50 1
Common The Wellex Group Inc.	G/F Makati Exchange Bldg. Ayala Ave. Makati City	Represented by it's Treasurer Ms. Elvira A. Ting	Filipino 376,950,000	20.104
Common PCD Nominee Corporation	G/F Makati Stock Exchange Bldg. Ayala Avenue, Makati City	Owns 17.90% of Westline Global Equities Inc. at 6F PSE Playa in Makati the beneficial owner of 6.4277% represented by its. President	Filipino 396,027,824	21.124

(2) Security Ownership of Management

As of December 31, 2010 the security ownership of individual directors, executive officers and nominees of Forum Pacific Inc. is as follows:

<i>Title of Class</i>	<i>Name of Beneficial Owner</i>	<i>Amount & Nature of Beneficial Ownership</i>	<i>Citizenship</i>	<i>Percent of Class</i>
Common - Class A	Geronimo F. Velasco	10,000	Filipino	.000 %
Common - Class A	Weslie T. Gatchalian	100	Filipino	.000 %
Common - Class A	Peter S. Salud	29,990	Filipino	.001 %
Common - Class A	Elvira A. Ting	400,001	Filipino	.021 %
Common - Class A	Federico E. Puno	2,010,000	Filipino	.107%
Common - Class A	Evelyn dela Rosa	100	Filipino	.000 %
Common - Class A	Joaquin P. Obieta	1	Filipino	.000%

Common - Class A	Lamberto A. Mercado	100	Filipino	.000 %
Common - Class A	Rogelio D. Garcia	10	Filipino	.000 %
Common - Class A	Arthur R. Ponsaran	1	Filipino	.000 %
Common - Class A	Kenneth T. Gatchalian	100	Filipino	.000 %
	Total	2 , 4 5 0 , 4 0 3		0.129 %

(3) Voting Trust Holders of 5% or More

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

(4) C h a n g e s i n C o n t r o l There is no change in control of Forum Pacific Inc. and there is no arrangement, which may result in change control.

Item 13 Certain Relationships and Related Transactions

NONE

Part IV - CORPORATE GOVERNANCE

Item 14 Corporate Governance

- (a) Company's Compliance Officers is mandated to monitor the compliance to all concerned the provisions and requirements of the Manual on Corporate Governance, facilitate the monitoring. The Compliance Officer has established the "Corporate Governance Monitoring and Assessment" to measure or determine the level of compliance of the Corporation with the Amended Manual on Corporate Governance (Manual).
- (b) Forum Pacific Inc. believes that its Amended Manual on Corporate Governance is in line with the leading practices and principles on good governance, and as such, is in full compliance.
- (c) There were minor deviations from the Corporation's Manual during the period January to December 2007 due mainly to recent changes and business development plans.
- (d) Forum Pacific Inc. will improve its Amended Manual on Corporate Governance when appropriate and warranted, in the Board of Directors' best judgment. In addition, it will be improved when regulatory agency such as the SEC requires the inclusion of a specific provision.

Part V - EXHIBITS AND SCHEDULES

Item 15 Exhibits and Reports on SEC Form 17- C

(a) Exhibits

Consolidated Financial Statements

- Statement of Management's Responsibility for Financial Statements
- Report of Independent Public Accountants
- Consolidated Balance Sheets as of December 31, 2010 and 2009
- Consolidated Statements of Income for each of the three years ended December 31, 2010, 2009, and 2008
- Statements of Changes in Equity for each of the three years ended December 31, 2010, 2009 and 2008
- Consolidated Statements of Cash Flows for each the three years ended December 31, 2010, 2009 and 2008
- Notes to Consolidated Financial Statements

Supplementary Schedules

Report of Independent Public Accountants on Supplementary Schedules:

- Marketable Securities - (Current Marketable Equity Securities and Other Short-term Cash Investments.
- Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)
- Non-Current Marketable Securities, Other Long-Term Investments in Stock, and Other Investments
- 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
- List of top 20 Stockholders

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 the Pasig City on May-05, 2011

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 City

Registrant PETER S. SALUD
Title President

Signature

Registrant ARSENIO A. ALFILER JR.
Title Corporate Secretary

Signature

Registrant KENNETH T. GATCHALIAN
Title Treasurer

Signature

Date: May 05, 2011

MAY 05 2011

SUBSCRIBER AND SWORN to before me this 05 day of May 2011 affiants exhibiting to me their respective Residence Certificates as follows:

Names	Res. Cert. No.	Date of Issue	Place of Issue
1. Peter S. Salud	00142499	January 28, 2011	City of Manila
2. Arsenio A. Alfiler	12130290	January 05, 2011	Pasig City
3. Kenneth T. Gatchalian	06600990	January 11, 2011	Valenzuela City

Doc. No. 300
Page No. 71
Book No. 55
Series of 2011

Ramon J. Asis Jr.
NOTARY PUBLIC
No. 12345
Commission Expires 12/31/2012
J No. 12345
R No. 12345

FORUM PACIFIC, INC.
INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
FORM 17-A ITEM 7

Consolidated Financial Statements

Statement of Management's Responsibility for Consolidated Financial Statements
Report of Independent Public Accountants
Consolidated Statements of Financial Position as of December 31, 2010 and 2009
Consolidated Statements of Comprehensive Income for each of the three years ended December 31, 2010, 2009 and 2008
Consolidated Statements of Changes in Equity for each of the three years ended December 31, 2010, 2009 and 2008
Consolidated Statements of Cash Flows for each of the three years ended December 31, 2010, 2009 and 2008
Notes to Consolidated Financial Statements

Supplementary Schedules

Report of Independent Public Accountants on Supplementary Schedules

- A. Marketable Securities
- B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates).
- C. Non-Current Marketable Equity Securities, Other Long-Term Investments in Stock, and Other Investments
- D. Indebtedness of Unconsolidated Subsidiaries and Affiliates
- E. Intangible Assets - Other Assets
- F. Long Term Debt
- G. Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies)
- H. Guarantees of Securities of Other Issuers
- I. Capital Stock
- J. List of Top 20 Stockholders of Record as of December 31, 2010



25th Floor East Wing, One Corporate Center, Plaza Jelle Varma Ave., cor. Meralco Ave.,
Ortigas Center, Pasig City, Telephone No. 766-7668

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **FORUM PACIFIC, INC. AND SUBSIDIARIES** is responsible for all information and representation contained in the consolidated financial statements for the years ended December 31, 2010 and 2009. The consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposal and liabilities are recognized. The management likewise discloses to the Company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the consolidated financial statements before such statements are approved and submitted to the stockholders of the Company.

Diaz Merillo Datagan and Company, the independent auditors and appointed by the stockholders, has examined the consolidated financial statements of the Company as of December 31, 2010 in accordance with Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

Signed under oath by the following:


GERONIMO F. VELASCO
Chairman of the Board


PETER S. CALUB
President


KENNETH T. GATCHALIAN
Treasurer

SUBSCRIBED AND SWORN to before me this 14th day of June, 2011 affiant:
exhibiting to me their Community Tax Certificates as follows:

<u>AFFILIANTS</u>	<u>CTC No.</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
1. Geronimo F. Velasco	06009018	February 22, 2011	Makati City
2. Peter S. Salud	00142499	January 28, 2011	City of Manila
3. Kenneth T. Gatchalian	06608998	January 11, 2011	Valenzuela City

James F. Reilly Jr.
NOTARY PUBLIC
My Comm. Expires March 13, 1981
My Exp. No. 27-03-11-Q.C.
My Exp. No. 07-03-11-Q.C.
MICHELS LIMITED

Doc. No. 357
Page No. 22
Book No. 15
Series of 2011

Financial Statements for the Years
Ended December 31, 2010 and 2009
And Independent Auditors' Report

**Diaz Murillo Dalupan
and Company**

Certified Public Accountants

Independent Auditors' Report

The Board of Directors and Stockholders
FORUM PACIFIC, INC. AND SUBSIDIARY
22nd Floor, Citibank Tower, 8741 Paseo de Roxas St.,
Makati City, Philippines

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audits 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Local in Touch, Global in Reach

5th Floor, Don Acosta Building Dela Roca, corner Salcedo St., Legaspi Village, Makati City 1205 Philippines / Telephone: +6321 854 5851 to 55 / Fax: +6321 818 1812 / Website: www.dmdcpa.com.ph
Cebu Branch Office: 5th Mt. Calvary Building Building, Cebu Business Park, Mactan, Cebu City 6000 Phone: +6320 491 8828 to 10 Fax: +6320 332 8828
Service Branch Office: 3rd Floor Building B Plaza De Lina, Banawe Magway Ave., Banawe City 6000 Phone/Fax: +6320 332 8828

is a duly-licensed member of  (PAC) Inc. (PAC), an umbrella organization of accounting firms and business advisors.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material aspects, the consolidated financial position of Perum Pacifica, Inc. and Subsidiary as at December 31, 2008 and 2009 and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to the financial statements which indicates that the Group has been incurring losses in current and prior years and has accumulated a deficit of P766.2 million and P699.3 million as at December 31, 2008 and 2009, respectively.

As discussed further in notes 2 and 13, on August 31, 2010, the Parent Company received an order of revocation of the registration and the permit to sell the Parent Company's securities due to late filing of its 2009 audited financial statements. On September 8, 2010, the Parent Company requested for an extension of time until September 30, 2010 for such filing which was granted by SEC in a letter dated September 15, 2010. On October 5, 2010, the Parent Company requested the SEC an additional thirty (30) working days within which to comply with the letter from the SEC dated August 31, 2010. However, on October 7, 2010, the Parent Company's request was denied and the SEC provides a non-extension period of three (3) days from receipt of the letter within which to submit the 2009 annual reports.

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

Report on Other Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The applicable supplementary Schedules A to J (see table of contents) of the Group as of December 31, 2010 and for the year then ended is presented for purposes of complying with the Securities Regulation Code 681 and SEC Memorandum Circular No. 11, series 2008 and are not part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Diaz Murillo Dalupan and Company
by:


Rosemary D. De Mesa

Partner

CPA Certificate No. 29084

SEC Accreditation No. 1089-A, effective February 23, 2014

Tax Identification No. 104-576-953

PIR No. 2689021, January 21, 2011, Makati City

BIR Accreditation No. 08-001911-7-2010, effective until April 13, 2013

Perm Tax Identification No. 003-294-822

Perm BOA/PRC No. 0234, effective until December 31, 2011

SEC Accreditation No. 0192-F, effective until April 6, 2013

May 2, 2011

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

	December 31	
ASSETS	2010	2009
Current Assets		
Cash - notes 3 and 14	P 102,082	P
Advances to related parties - notes 3, 4, 10, 14 and 15	50,000,000	203,75
	50,102,082	50,203,751
Noncurrent Assets		
Advances to related parties (net) - notes 3, 4, 10, 14 and 15	552,658,666	614,515,312
Available-for-sale financial assets - notes 3, 4, 5, 14 and 15	81,686,711	94,826,311
Other noncurrent assets - note 3	33,444	-
	634,378,821	709,341,623
TOTAL ASSETS	P684,480,903	P759,545,374
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables - notes 3, 6 and 14	6,658,843	P 2,282,005
Noncurrent Liabilities		
Advances from related parties - notes 3, 10 and 14	279,744,073	302,476,942
Deferred tax liability - notes 3 and 11	30,432	-
	279,774,505	302,476,942
	286,433,348	304,758,947
Equity		
Capital stock - notes 3 and 7	1,206,617,960	1,206,617,960
Treasury shares - notes 3 and 7	(34,605,596)	(
Unrealized fair value loss on available-for-sale financial assets - notes 3 and 5	(7,425,459)	34,605,596
Translation adjustment - note 3	346,330)
Deficit - note 3	(764,197,562)	(15,085,037)
Equity attributable to equity holders of the parent	400,735,673	457,705,431
Minority interest - note 3	(2,688,118)	(2,919,004)
	398,047,555	454,786,427
TOTAL LIABILITIES AND EQUITY	P684,480,903	P759,545,374

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

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

	Years Ended December 31		
	2010	2009	2008
REVENUES (net) - note 3	P -	P -	P 348,902
COSTS AND EXPENSES - notes 3 and 8	5,596,284	1,506,025	13,591,559
GROSS LOSS	(5,596,284)	(1,506,025)	(13,242,657)
OTHER INCOME (EXPENSES) - net - notes 3 and 9	(59,348,950)	(20,488,217)	(157,470,451)
LOSS BEFORE INCOME TAX	(64,945,234)	(21,994,242)	(170,713,108)
BENEFIT FROM (PROVISION FOR)			
INCOME TAX - notes 3 and 11	(30,432)	1,270,500	8,257,439
NET LOSS FOR THE YEAR	(64,975,666)	(20,723,742)	(162,455,669)
OTHER COMPREHENSIVE LOSS			
Unrealized loss on available-for-sale financial assets - notes 3 and 5	(1,560,700)	(15,085,037)	-
Translation adjustment	577,216	-	-
	(983,484)	(15,085,037)	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(P 65,959,150)	(P 35,808,779)	(P162,455,669)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Equity of the parent in:			
Net loss for the year	(P 64,975,666)	(P 12,558,505)	(P152,846,694)
Other comprehensive loss	(1,214,370)	(27,643,542)	(152,846,694)
	(66,190,036)	(27,643,542)	(152,846,694)
Minority interest:			
Net loss for the year	-	(8,165,237)	(9,608,975)
Other comprehensive loss	230,886	-	-
	230,886	(8,165,237)	(9,608,975)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(P 65,959,150)	(P 35,808,779)	(P162,455,669)
LOSS PER SHARE - notes 3 and 12	(P 0.036)	(P 0.015)	(P 0.083)

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

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

	Capital Stock (Notes 3 and 7)	Treasury Shares (Notes 3 and 7)	Unrealized Fair Value Loss on Available-for-Sale Financial Assets (Notes 3 and 5)	Translation Adjustment (Note 3)	Deficit (Note 3)	Minority Interest (Note 3)	Total
Balance on January 1, 2008, as amended	P1,204,617,960	(P 34,605,596)	-	-	(P506,306,655)	(P 3,632,162)	P660,673,557
Total comprehensive loss for the year	-	-	-	-	(132,658,898)	(9,808,972)	(142,467,870)
Effect of deconsolidation of FSNB - note 7	-	-	-	-	151,208,388	9,323,234	160,531,622
Balance at December 31, 2008	1,206,617,960	(34,605,596)	-	-	(700,944,945)	(3,717,910)	467,349,509
Total comprehensive loss for the year	-	-	(35,085,037)	-	(12,558,505)	(8,165,237)	(55,808,779)
Effect of deconsolidation of FCCC - note 7	-	-	-	-	14,281,554	8,964,143	23,245,697
Balance at December 31, 2009	1,206,617,960	(34,605,596)	(15,095,037.00)	-	(699,221,896)	(2,919,004)	454,786,427
Total comprehensive loss for the year	-	-	(1,360,700)	346,330	(64,975,666)	230,886	(65,959,150)
Reclassification adjustment	-	-	9,220,278	-	-	-	9,220,278
Balance at December 31, 2010	P1,206,617,960	(P 34,605,596)	(P 7,425,459)	P 346,330	(P764,197,562)	(P 2,688,118)	P398,047,555

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

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

	Years Ended December 31		
	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	(P 64,945,235)	(P 21,994,242)	(P170,713,108)
Adjustments for:			
Impairment losses - note 9	50,165,615	-	136,228,925
Reclassification adjustment on unrealized fair value loss on available-for-sale financial assets	9,220,278	-	-
Unrealized foreign exchange loss (gain) - note 9	(101,440)	6,755,652	21,003,114
Loss on assignment of liabilities	-	16,259,591	-
Depreciation and amortization	-	-	14,799
Unrealized fair value gain on financial assets at fair value through profit or loss	-	-	(8,031,445)
Gain on sale of non-current assets held for sale	-	-	(9,721,533)
Interest income	-	-	(348,902)
Operating income (loss) before working capital changes	(5,660,782)	1,021,001	(31,568,150)
Decrease (increase) in other assets	-	38,832	(38,834)
Increase (decrease) in trade and other payables	4,435,244	(2,122,857)	(31,940,051)
Cash used in operations	(1,225,538)	(1,063,024)	(63,547,035)
Income tax paid	(50,541)	-	-
Interest received	-	-	348,902
Net cash used in operating activities	(1,276,079)	(1,063,024)	(63,198,133)
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection (grant) of advances to related parties	1,207,854	(24,708,040)	(72,549,740)
Increase in other noncurrent assets	(33,444)	-	-
Increase deferred exploration cost	-	-	(1,670,155)
Proceeds from sale of non-current assets held for sale (net)	-	-	153,020,388
Net cash generated from (used in) investing activities	1,174,410	(24,708,040)	78,800,493
CASH FLOWS FROM FINANCING ACTIVITY			
Increase in advances from related parties	-	720,149	-
EFFECT OF EXCHANGE RATE CHANGES ON CASH	-	-	(21,003,114)
NET DECREASE IN CASH	(101,669)	(25,050,915)	(5,400,754)
CASH			
At beginning of year	203,751	25,254,666	30,655,420
At end of year	P 102,082	P 203,751	P 25,254,666

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

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

1. CORPORATE INFORMATION

Forum Pacific, Inc., (the “Parent Company”), formerly known as Air Philippines International Corporation, is a domestic corporation registered with the Philippine Securities and Exchange Commission (SEC) on January 8, 1993 mainly to engage in investing, purchasing and acquiring assets of any kind and description with the secondary purpose of engaging in the exploration, development and production of petroleum and related products as well as other mineral and chemical substances.

The financial position and results of operations of the Parent Company and its Subsidiary, (herein referred to as the “Group”) are consolidated in these financial statements.

The Parent Company’s shares are listed and traded in the Philippine Stock Exchange (PSE). Its principal office is located at the 22nd Floor, Citibank Tower, Paseo de Roxas, Makati City.

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

On September 23, 2009, FCCHI decided through its Board of Directors to liquidate its business through shortening of its corporate term until November 30, 2009. Currently, FCCHI is in the process of completing all requirements for SEC approval and securing clearance from the Bureau of Internal Revenue (BIR).

The accompanying consolidated financial statements as of and for the year ended December 31, 2010, including its comparatives for year 2009, were approved and authorized for issue by the Parent Company’s Board of Directors on May 2, 2011.

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

Management’s Assessment of the Going Concern Assumption

Management believes that the going concern assumption is appropriate despite the existence of material uncertainty caused by recurring substantial losses of the Group. The Group had incurred losses amounting to P64,975,666 and P20,723,742 in 2010 and 2009, respectively. The Group has sustained a deficit of P764,197,562 and P699,221,896 in 2010 and 2009, respectively.

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

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

In 2009, the Parent Company again received an order of revocation of the registration and the permit to sell the Parent Company's securities due to late filing of the Parent Company's 2008 audited financial statements (see Note 13).

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

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

Business Plans

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are set forth to facilitate the understanding of data presented in the consolidated statements of financial position. The policies have been consistently applied to all years presented, unless otherwise stated.

Basis of Preparation and Presentation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of assets, liabilities, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1 (Revised 2007), *Presentation of Financial Statements*. The Group presents all items of income and expenses in a single statement of comprehensive income. Two comparative periods are presented for the

statement of financial position when the Group applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements, or reclassifies items in the financial statements.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated. Functional currency is the currency of the primary economic environment in which the Group operates.

Items included in the consolidated financial statements of the Group are measured using its functional currency, the currency of the primary economic environment in which the entity operates.

New Interpretations, Revisions and Amendments to PFRS

Effective in 2010 that are relevant to the Group

In 2010, the Group adopted the following new PFRS, revisions, amendments and annual improvements that are relevant to the Group and effective for consolidated financial statements for the annual period beginning on or after January 1, 2010.

PAS 27 (Revised 2008)	:	Consolidated and Separate Financial Statements
PAS 36 (Amendment)	:	Impairment of Assets
PAS 39 (Amendment)	:	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
Various Standards	:	2009 Annual Improvements to PFRS

Discussed below are relevant information about these new and amended standards.

PAS 27 (Revised), "Consolidated and Separate Financial Statements" (effective from July 1, 2009)

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the equity is re-measured to fair value and a gain or loss is recognized in profit or loss. The adoption of the standard did not result in any adjustment to the consolidated financial statements as there were no transactions with non-controlling interests during the year.

The amendment has no impact on the Group's 2010 consolidated financial statements.

PAS 36 (Amendment), "Impairment of Assets" (effective January 1, 2010)

The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purpose of impairment testing is an operating segment, as defined by paragraph 5 of PFRS 8, *Operating segments* (that is, before the aggregation of segments with similar economic characteristics).

The amendment has no impact on the Group's consolidated financial statements.

PAS 39 (Amendment), "Financial Instruments: Recognition and Measurement – Eligible Hedged Items" (effective from July 1, 2009)

The amendment provides for the following: a) new application guidance to clarify the existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedge relationship; and b) additional application guidance on qualifying items; assessing hedge effectiveness; and designation of

financial items as hedged items.

The amendment has no impact on the Group's 2010 consolidated financial statements.

2009 Annual Improvements to PFRS. The FRSC has adopted the Improvements to PFRS 2009. Most of these amendments became effective for annual periods beginning on or after July 1, 2009, or January 1, 2010. Among those improvements, only the following amendments were identified to be relevant to the Group's consolidated financial statements but which did not also have any material impact on its consolidated financial statements:

- *PAS 1 (Improvement), "Presentation of Financial Statements" (effective from January 1, 2010)*

The terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classifications.

- *PAS 7 (Amendment), "Statement of Cash Flows" (effective from January 1, 2010)*

The amendment clarifies that only an expenditure that results in a recognized asset can be classified as a cash flow from investing activities. Under its current policies, only recognized assets are classified by the Group as cash flow from investing activities.

- *PAS 17 (Improvement), "Leases" (effective January 1, 2010)*

The improvement removes the specific guidance on classifying land as lease so that only the general guidance remains.

The amendment has no material effect on the Group's 2010 consolidated financial statements.

Effective in 2010 that are not relevant to the Group

The following amendment and interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2010 but are not relevant to the Group's consolidated financial statements: •

- *IFRIC 9, "Embedded Derivatives – Amendments" (effective July 1, 2009)*
- *IFRIC 17, "Distributions of Non-cash Assets to Owners" (effective July 1, 2009)*
- *IFRIC 18 (Improvement), "Transfer of Assets from Customer" (effective July 1, 2009)*
- *PFRS 1 (Revised), "First-time Adoption of PFRS" (effective July 1, 2009)*
- *PFRS 2 (Amendments), "Group Cash-Settled Share-Based Payment Transaction" (effective January 1, 2010)*
- *PFRS 3 (Revised), "Business Combinations" (effective July 1, 2009)*
- *PFRS 5 (Improvement), "Noncurrent Assets Held for Sale and Discontinued Operations" (effective from January 1, 2010)*
- *PFRS 8 (Improvement), "Operating Segments" (effective from January 1, 2010)*

Effective Subsequent to 2010 that are relevant to the Group

There are new PFRS, revisions, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2010. Management has initially determined the following pronouncements, which the Group will apply in accordance with their transitional provisions, to be relevant to its consolidated financial statements.

PAS 24 (Revised)	:	Related Party Disclosures
PFRS 7 (Amendment)	:	Financial Instruments: Disclosures
PFRS 9	:	Financial Instruments

Discussed below are relevant information about these new and amended standards.

PAS 24 (Revised), "Related Party Disclosures" (effective from January 1, 2011)

Earlier application of the standard, in whole or in part, is permitted but the Group opted not to early adopt the standard. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group is currently reviewing the impact of the standard on its related party disclosures in time for its adoption of the revised standard in 2011.

PFRS 7 (Amendment), "Financial Instruments: Disclosures" (effective July 1, 2011)

The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g., securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken at the end of a reporting period. The Group believes that adoption of the amendments in 2012 will not have any significant effect on its consolidated financial statements as they only affect disclosures and the Group usually provides adequate information in its consolidated financial statements in compliance with disclosure requirements.

PFRS 9, "Financial Instruments" (effective from January 1, 2013)

PAS 39 will be replaced by PFRS 9 in its entirety which is being issued in phases. The main phases are (with a separate project dealing with derecognition):

- Phase 1: Classification and Measurement
- Phase 2: Impairment Methodology
- Phase 3: Hedge Accounting

To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning January 1, 2013. Other chapters dealing with impairment methodology and hedge accounting are still being developed.

Management is yet to assess the impact that this amendment is likely to have on the consolidated financial statements of the Group. However, it does not expect to implement the amendments until all chapters of PFRS 9 have been published at which time the Group expects it can comprehensively assess the impact of the revised standard.

Effective subsequent to 2010 but not relevant to the Group

- *PAS 12 (Amendments), "Deferred Tax : Recovery of Underlying Asset" (effective January 1, 2012)*
- *IFRIC 14 (Amendment), "Prepayments of a Minimum Funding Requirement"*

(effective January 1, 2011)

”

- *IFRIC 15 “Agreements for the Construction of Real Estate (effective July 1, 2010)*
- *IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”
(effective July 1, 2010)*

The Group will apply the relevant new accounting standards in accordance with the transitional provisions applicable to the Group. It is currently evaluating the impact of these standards on its consolidated financial statements.

Basis of Consolidation

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

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

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

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

Minority Interest

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

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

Brief summary of the subsidiary's nature of business and operations

FCCHI

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

FCCHI has 60% ownership of Forum Cebu Coal Corporation (FCCC), a domestic corporation which holds 100% interest in one (1) Coal Operating Contract in Cebu-COC 131.

As discussed in Note 1, FCCHI sold all of its shareholdings of FCCC on September 23, 2009 and decided to liquidate its business through shortening of its corporate term until November 30, 2009. Accordingly, FCCHI changed its basis of accounting in the preparation of its financial statements from the going-concern basis to the liquidation basis of accounting. Financial information of FCCHI for 2009 reflects the remaining assets at their liquidating values as of September 30, 2009. The Group used the September 30, 2009 audited financial statements of FCCHI as basis in the preparation of the consolidated financial statements inasmuch as management believes that transactions occurred subsequently until December 31, 2009 are minimal and that all significant account balances do not differ materially from the amount reported in the September 30, 2009 audited financial statements.

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

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. In addition, the following specific 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.
- Dividend income is recognized when the stockholders' right to receive the payment is

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

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at each statement of financial position date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified at fair value through profit or loss are initially recognized at fair value, plus transaction costs. Financial assets carried at fair value through profit or loss is initially recognized at fair value and transaction costs are expensed in the consolidated statements of comprehensive income.

The foregoing categories of financial assets are more fully described below:

a) Financial assets at fair value through profit or loss

This category includes financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling it in the near term or if so designated by management. All derivatives fall into this category, except for those designated and effective as hedging instruments. Assets in this category are classified as current.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognized in consolidated statement of comprehensive income as part of other income (expense). Financial assets (except derivatives and financial instruments originally designated as financial assets at fair value through profit or loss) may be reclassified out of fair value through profit or loss category if they are no longer held for the purpose of being sold or repurchased in the near term.

The Group has no financial assets at fair value through profit or loss during the years ended December 31, 2010 and 2009.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor, with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date which are classified as non-current assets.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through amortization process. Interest earned or incurred is recorded as "interest income" in the consolidated statement of comprehensive income.

The Group's cash and advances to related parties are included in this category.

c) Held-to-maturity financial assets

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as held-to-maturity if the Group has the positive intention and ability to hold them until maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity financial assets are included in non-current assets under Financial Assets account in the statements of financial position, except those maturing within 12 months of the statement of financial position date.

Held-to-maturity financial assets are measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes in the carrying amount of the investment are recognized in the consolidated statement of comprehensive income.

The Group has no held-to-maturity financial assets during the years ended December 31, 2010 and 2009.

d) Available-for-sale financial assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets under the Financial Assets account in the consolidated statements of financial position unless management intends to dispose of the investment within 12 months from the statement of financial position date.

All financial assets within this category are subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in the consolidated statement of financial position as part of other

comprehensive income, net of any effects arising from income taxes. Gains and losses arising from securities classified as available-for-sale are recognized in the consolidated statement of comprehensive income when they are sold or when the investment is impaired.

Dividends earned on holding available-for sale financial assets are recognized as “other income” when the right of the payment has been established. These are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the consolidated statement of financial position date.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, when the related assets and liabilities are presented gross in the consolidated statements of financial position.

Impairment of Financial Assets

The Group assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably measured. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, a breach of contract such as a default or delinquency in interest or principal payments, the probability that the debtor will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortize cost 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 (excluding future expected credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance and the amount of loss is recognized in the statement of comprehensive income. Impaired financial asset together with the associated allowance are written-off when they are assessed as uncollectible.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance. Any subsequent reversal of an impairment loss is recognized to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date and recognized as income. If a write-off is subsequently recovered, the recovery is recognized as income.

Financial assets classified as available-for-sale

For assets classified as available-for-sale, impairment is measured as the difference between the original cost and the fair value. A significant or prolonged decline in the fair value of available-for-sale securities below cost is considered in determining whether the securities are impaired. In the case of impairment, the cumulative loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. If circumstances change, impairment losses on available-for-sale equity instruments are not reversed through profit or loss. On the other hand, if in a subsequent period, the fair value of a debt instrument

classified as available-for-sale increase and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Financial assets carried at cost

For assets carried at cost, impairment is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Derecognition of Financial Assets

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

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

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

Claims for Input Value Added Tax (VAT)

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

Other Non-Current Assets

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

Financial Liabilities

Financial liabilities are recognized in the Group's consolidated financial statements when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Group's financial liabilities, except debt instruments classified as at fair value through profit or loss.

Since the Group does not have financial liabilities classified as at fair value through profit or loss, all financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, when appropriate, a shorter period.

Financial liabilities include advances from related parties and trade and other payables (see Notes 6 and 10).

Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees. It is necessary to estimate the amount or timing of accruals, however, the uncertainty is generally much less than for provisions.

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

Equity

Capital stock is determined using the nominal value of shares that have been issued. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds, net of tax. Proceeds and/ or fair value of consideration received in excess of par value are recognized as additional-paid-in capital.

Treasury shares are the Group's equity instruments which are reacquired and recognized at cost and presented as reduction in equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of treasury stock. Any difference in the carrying amount and consideration upon reissuance or cancellation of shares is recognized as additional-paid-in capital.

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

Unrealized fair value gain/loss on change in fair value on available-for-sale financial assets is recognized when there is a difference between the fair value of available-for-sale financial assets and its carrying value.

Retirement Benefits

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

Taxation

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the statement of financial position date.

Deferred income tax is provided using the balance sheet liability method, on all temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, unused net operating losses carryover (NOLCO) and unused minimum corporate income tax (MCIT), to the extent that it is probable that taxable net profit will be available against which the deductible temporary differences and unexpired NOLCO and MCIT can be utilized.

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

Income tax relating to items recognized in other comprehensive income is recognized in other comprehensive income and not in profit and loss.

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

Leases

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The Group does not have such arrangement.

The Group accounts for its leases as follows:

a) Group as Lessee

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

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

b) Group as Lessor

Leases wherein the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating lease. Lease income from operating lease is recognized in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

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

Earnings Per Share (EPS)

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

Related Parties and Related Party Transactions

Parties are considered related if one party has control, joint or significant influence over the other party in making financial and operating decisions. The key management personnel of the Group and post-employment benefit plans for the benefit of Group's employees are also considered to be related parties.

Individuals, associates or companies that directly or indirectly control or are controlled by or under common control are considered related parties.

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

Foreign Currency Transactions

The accounting records of the Group are maintained in Philippine peso. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of comprehensive income.

Provisions

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the statement of financial position date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, where time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation.

Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These 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 outflow of economic benefits is probable.

Events After the Reporting Period

The Group identifies subsequent events as events that occurred after the statement of financial position date but before the date when the consolidated financial statements were authorized for issue. Any subsequent events that provide additional information about the Group's consolidated financial position at the statement

of financial position date are reflected in the consolidated financial statements. Events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Judgments

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

a) Functional currency

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

b) Classification of financial instruments

The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the guidelines set by PAS 39 on the definitions of a financial asset, a financial liability or equity. In addition, the Group also determines and evaluates its intention and ability to keep the investments until its maturity date.

The substance of a financial instrument, rather than its legal form and the management's intention and ability to hold the financial instrument to maturity generally governs its classification in the consolidated statements of financial position.

c) Determination of fair value of financial instruments

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

d) Impairment of available-for-sale financial assets

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

e) Operating lease commitments

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

f) Provisions and contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 3, subheadings Provisions and Contingencies.

Estimates

The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances of the Group's consolidated financial statements. Actual results could differ from those estimates. The following are the relevant estimates performed by management on its December 31, 2010 and 2009 consolidated financial statements:

a) Valuation of financial assets other than receivable

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

Unrealized fair value loss recognized on available-for-sale financial assets amounted to P 7,425,459 and P15,085,037 in 2010 and 2009, respectively. This was reported under "Other comprehensive loss" account and presented separately in the equity section of the consolidated statements of financial position.

b) Deferred tax assets

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

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

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

Deferred tax assets amounted to P58,108,318 and P39,445,734 as of December 31, 2010 and 2009, respectively (see Note 11). These were provided with full valuation allowance.

c) 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 P179,474,769 and P129,309,154 as of December 31, 2010 and 2009, respectively (see Note 10).

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account consists of:

	Forum Exploration, Inc. (FEI)	Express Savings Bank, Inc. (ESBI)	Philippine Estates Corporation (PHES)	Total
December 31, 2010				
Net carrying amount, December 31, 2009	P 73,211,573	P 16,239,100	P 5,375,638	P 94,826,311
Disposals	-	(11,578,900)	-	(11,578,900)
Unrealized fair value loss	-	-	(1,560,700)	(1,560,700)
Net carrying amount, December 31, 2010	P 73,211,573	P 4,660,200	P3,814,938	P81,686,711
Acquisition cost	P 73,211,573	P 28,612,804	P 7,529,480	P109,353,857
Unrealized fair value loss	-	(3,710,917)	(3,714,542)	(7,425,459)
Accumulated impairment loss	-	(20,241,687)	-	(20,241,687)
Net carrying amount, December 31, 2010	P 73,211,573	P 4,660,200	P3,814,938	P81,686,711

	FEI	ESBI	PHES	Total
December 31, 2009				
Net carrying amount, December 31, 2008		P 52,057,852	P 7,529,480	P132,798,905
Disposals	P 73,211,573	(22,887,557)	-	(22,887,557)
Unrealized fair value loss	-	(12,931,195)	(2,153,842)	(15,085,037)
Net carrying amount, December 31, 2009	P 73,211,573	P 16,239,100	P 5,375,638	P 94,826,311
Acquisition cost	P 73,211,573	P 99,705,201	P 7,529,480	P180,446,254
Unrealized fair value loss	-	(12,931,195)	(2,153,842)	(15,085,037)
Accumulated impairment loss	-	(70,534,906)	-	(70,534,906)
Net carrying amount, December 31, 2009	P73,211,573	P 16,239,100	P5,375,638	P 94,826,311

FEI

In 2003, 66.67% ownership, or 125 million shares of the Parent Company in FEI, was sold to Tracer Petroleum Corporation (TPC), now Forum Energy, Inc. Subsequent to sale, the Parent 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.

ESBI

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

On June 3, 2009, the Parent Company executed a deed of absolute sale for its 127,415 shares in ESBI for 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 P122,592,758 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 Parent Company executed a deed of absolute sale for its 115,789 shares in ESBI at P100 per share or equivalent to P11,578,900 which is equal to the carrying value as of December 31, 2009 of P11,578,900. The Parent Company reclassified the corresponding unrealized fair value loss amounting to P9,220,278 from unrealized fair value loss on available-for-sale financial assets in equity to the statement of comprehensive income.

PHES

This pertains to the Parent Company's investment in 50,196,553 common shares which are registered and traded in the PSE and constitutes 3% ownership.

The fair value of PHES investment as of December 31, 2009 has been determined directly by reference to published prices in the active market. Consequently, an unrealized fair value loss was recognized amounting to P2,153,842 and charged to "other comprehensive loss" account in the 2009 statement of comprehensive income and shown separately as "Unrealized fair value loss on available-for-sale financial assets" in equity.

6. TRADE AND OTHER PAYABLES

The details of the account are as follows:

	2010		2009
Accounts payable - trade	P2,119,301	P	285,190
Accrued expenses	4,524,542		1,934,274
Withholding taxes payable	15,000		12,000
Income tax payable	-		50,541
	P6,658,843		P 2,282,005

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

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

2009 are as follows:

7. CAPITAL STOCK

Details of the Group's share capital as of December 31, 2010 and

	Amount	Shares
Authorized common shares of P1 par value per share	P3,500,000,000	3,500,000,000
Issued and fully paid	P 819,355,920	819,355,920
Subscribed and fully paid		
Subscribed	1,055,644,080	1,055,644,080
Subscriptions receivable	(668,382,040)	(668,382,040)
	387,262,040	387,262,040
Subscribed and issued	1,206,617,960	1,206,617,960
Less cost of treasury shares	(34,605,596)	(34,605,596)
Issued and outstanding	P1,172,012,364	1,172,012,364

The cost of the Group's treasury shares amounted to P34,605,596 as of December 31, 2010 and 2009. Such treasury shares restrict the Group from declaring an equivalent amount from the unappropriated retained earnings as dividends.

As a consequence of the deconsolidation of FCCC in 2009 due to the disposal of FCCHI's shareholdings on FCCC, the Group derecognized a deficit and minority interest in FCCHI amounting to P 14,281,554 and P 8,964,143, respectively.

As a consequence of the deconsolidation of ESBI in 2008 due to loss of control, the Group derecognized a deficit and minority interest in ESBI amounting to P15 1,208,388 and P9,525,234, respectively.

8. COSTS AND EXPENSES

This account includes the following:

	2010	2009	2008
Fines and penalties – note 13	P2,771,200	P -	P1,234,000
Professional fees	2,422,384	880,150	948,471
Office supplies	95,078	17,377	106,701
Communication	34,981	39,921	76,749
Taxes and licenses	10,000	174,522	38,627
Transportation and travel	3,870	2,187	29,535
Marketing fee	-	-	5,722,659
Salaries, wages and employee benefits	-	-	3,124,107
Litigation	-	-	954,669
Rent	-	-	576,882
Share options expense	-	-	485,489
Forward			

Continued

Power, light and water	-	-	120,458
Repairs and maintenance	-	-	71,715
Insurance	-	-	29,028
Representation and entertainment	-	-	22,183
Depreciation and amortization	-	-	14,799
Controllable equipment	-	-	18,916
Others	258,771	391,868	16,571
	P 5,596,284	P 1,506,025	P 13,591,559

9. OTHER INCOME (EXPENSES) - net

This account consists of:

	2010	2009	2008
Unrealized foreign exchange gain (loss)	P 101,440	(P 6,755,652)	(P 21,003,114)
Loss on assignment of liabilities	-	(16,259,591)	-
Reclassification adjustment – note 5	(9,220,278)	-	-
Provision for unclaimed input tax	(64,563)	-	-
Impairment loss	(50,165,615)	-	(136,228,925)
Gain on sale of non-current assets held for sale	-	-	9,721,533
Unrealized fair value loss on financial assets at FVPL - notes 4 and 8	-	-	(8,031,445)
Realized loss on foreign exchange	-	-	(2,929,546)
Others	66	2,527,026	1,001,046
	(P59,348,950)	(P20,488,217)	(P157,470,451)

10. RELATED PARTY TRANSACTIONS AND RELATED PARTY ACCOUNTS

The details of advances to related parties as of December 31, 2010 and 2009 are as follows:

Nature of Relationship	2010	2009
The Wellex Group, Inc. (TWGI)	P341,025,464	P 330,654,418
Forum Exploration, Inc. (FEI)	172,273,002	172,903,788
Forum Energy Plc. (FEPlc)	171,193,672	184,866,540
FEPCo	97,627,350	105,384,659
Forum (FEI) Ltd.	13,947	15,061
Total	782,133,435	793,824,466
Less: current portion	50,000,000	50,000,000
Non-current portion	732,133,435	743,824,466
Allowance for impairment loss – note 4	(179,474,769)	(129,309,154)
	P552,658,666	P 614,515,312

The details of advances from related parties as of December 31, 2010 and 2009 are as follows:

Nature of Relationship		2010	2009
Forum (FEI) Ltd.	Common directorship	P142,253,605	P154,005,408
FEPlc	Common directorship	60,364,340	65,185,509
FEPCo	Common directorship	77,126,128	83,286,025
		P279,744,073	P302,476,942

In the previous years, the Group extended/obtained advances to/from related parties to finance the exploration activities of the related parties and to fund the overhead expenses of the Group. These advances are, in general, do not have fixed repayment terms and do not carry interest.

The net advances to FEPCo arose from expenses directly incurred by FEPCo on behalf of the Group.

Advances to TWGI

Transactions between the Group and TWGI primarily consist of interest bearing advances granted to finance TWGI's working capital requirements. The Group also subleases its office space from TWGI (see Note 13).

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

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

Due to default in quarterly payments, management has estimated and recognized impairment loss amounting to P32,944,556 in 2010 for its advances to TWGI. Total collections of advances to TWGI amounted to P1,207,854 and P833,604 in 2010 and 2009, respectively.

In 2010, the Company recognized impairment loss amounting to P17,221,059 on its advances to FEI.

Advances to FEI

The advances to FEI pertain to the carrying value of exploration net assets transferred by the Parent Company.

Advances to and from FEPlc

In 2008, the Group recognized a net receivable from FEPlc as a result of a strategic plan to share the Group's financial resources to its related parties to minimize financing cost.

In 2009, prior to the sale of FCCHI's shareholdings on FCCC to CR Nichrome, Inc., FCCHI assumed the outstanding obligations of FCCC from FEPlc amounting to P67.124 million, after offsetting the receivables and payables. A loss amounting to P16,259,591 was recognized as a result of the assumption of liabilities from FEPlc.

Advances to and from FEPCo

The net advances to FEPCo arose from general and administrative expenses directly incurred by FEPCo on behalf of the Group. These general and administrative expenses include salaries and wages, rent, taxes, office expenses and transportation and travel.

Advances from Forum (FEI), Ltd.

This account refers to the obligation of FCCHI from Forum (FEI), Ltd., which has the following major terms:

- i. the loan may be paid in minimum of tranches of US\$250,000 or multiples of such amount, at six- monthly intervals in December and June each year;
- ii. the Borrower shall pay interest in arrears on the loan, in respect of each interest period occurring three years from the anniversary of the effective date on the relevant interest payment date at the floating rate;
- iii. the floating rate means London Interbank Offered Rates (LIBOR) plus three percent;
- iv. the aggregate outstanding amount of the loan shall be repaid in full by the borrower, together with any interest due, on or before the final payment date;
- v. the lender may, at the request of the borrower, remit advances to any subsidiary of the Borrower and may accept payments from any subsidiary or holding company of the Borrower in satisfaction of amounts due to the lender; and
- vi. at the Lender's option, amounts due from the borrower may be offset against the agreed value of services provided by the borrower to the lender or at the lender's request to the lender's subsidiaries or holding companies (other than borrower).

11. INCOME TAXES

The details of the Group's NOLCO and MCIT as of December 31, 2010 and 2009 are as follows:

<u>Year Incurred</u>	<u>NOLCO</u>	<u>MCIT</u>	<u>Expiry Date</u>
2010	P 12,045,362	P -	2013
2009	159,670	50,541	2012
2008	626,798	-	2011
	P 12,831,830	P 50,541	

MCIT amounting to P50,541 in 2009 are attributable to the Parent Company. The Group's MCIT in 2007 amounted P20,079 expired during the year.

- a. The Group is subject to MCIT of 2% based on gross income or regular income tax of 30%, whichever is higher.

- b. The Group claimed its unexpired NOLCO amounting to P477,945 in 2007 and a portion of its unexpired NOLCO in 2008 amounting to P702,726 as deduction from its normal taxable income in 2009.

FCCHI did not recognize deferred tax asset on NOLCO in 2010, 2009 and 2008 as its management believes that these cannot be recovered prior to expiration.

- c. The following are the composition of deferred tax assets and liability:

	2010	2009	2008
Impairment loss on advances to related parties	P 53,842,430	P38,792,746	P38,792,746
NOLCO	3,763,743	150,134	504,336
Unrealized foreign exchange loss	432,234	432,234	-
MCIT	50,541	70,620	20,079
Unclaimed input VAT	19,369	-	-
	58,108,317	39,445,734	39,317,161
Valuation allowance	(58,108,317)	(39,445,734)	(39,317,161)
	P -	P -	P -

Deferred tax liability represents unrealized foreign exchange gain on advances to related parties.

- d. The reconciliation between the benefit from income tax computed at statutory income tax rate and the Group's actual income tax expense is shown below:

	2010	2009	2008
Income tax benefit at statutory rate of 30% in 2009 and 35% in 2008	(P19,483,570)	(P 6,598,273)	(P 59,749,588)
Income tax effect on:			
Change in valuation allowance and temporary differences	18,662,583	128,573	16,864,504
Non-deductible expenses	831,340	-	431,900
Expired NOLCO and MCIT	20,079	-	-
Loss on assumption of liabilities	-	4,877,877	-
Reversal of deferred tax liability	-	(1,321,041)	-
Unrecognized deferred tax assets	-	1,642,364	-
Effect of translation on gain on sale of COC 132	-	-	2,203,957
Unrealized loss on market valuation	-	-	2,811,006
Impairment loss	-	-	24,687,217
Shares options exercised	-	-	169,921
Gain on expiration of share options	-	-	(315,366)
Reversal of deferred tax liability	-	-	(2,635,317)
Change in income tax rate (from 35% to 30%)	-	-	6,549,514
Unrecognized deferred tax assets	-	-	415,029
Interest income subjected to final tax	-	-	(122,116)
Income tax expense (benefit)	P 30,432	(P 1,270,500)	(P 8,257,439)

Relevant tax regulations

In May 2005, Republic Act No. 9337, “An Act Amending Certain Provisions of the Revised National Internal Revenue Code of 1997, As Amended and for Other Purposes,” (the Act) was passed into law effective November 1, 2005. Among others, the Act includes the following significant revisions:

- i) Change in the corporate income tax rate from thirty-two percent (32%) to thirty-five percent (35%) effective November 1, 2005 until December 31, 2008, and will be reduced to thirty percent (30%) effective January 1, 2009 and onwards;
- ii) Change in the rate to be used in the reduction of interest expense allowed as deductible expense from thirty-eight percent (38%) to forty-two percent (42%) effective November 1, 2005 until December 31, 2008, and will be reduced to thirty-three percent (33%) effective January 1, 2009 and onwards; and
- iii) The ten percent (10%) VAT rate remains unchanged, with the President of the Philippines having a standby authority effective January 1, 2006 to increase the VAT rate to 12% under certain conditions (the rate was increased to 12% effective February 1, 2006).

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

The Group opted to continue claiming itemized deduction.

12. LOSS PER SHARE

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

	2010	2009	2008
Income (loss) attributable to parent	(P 64,975,666)	(P 12,558,505)	(P 152,846,694)
Weighted average number of common shares outstanding during the year	1,840,394,404	1,840,394,404	1,840,394,404
	(P 0.035)	(P 0.007)	(P 0.083)
Other comprehensive loss attributable to parent	(P 1,214,370)	(P 15,085,037)	P -
Weighted average number of common shares outstanding during the year	1,840,394,404	1,840,394,404	-
	(P 0.001)	(P 0.008)	P -
	(P 0.036)	(P 0.015)	(P 0.083)

The diluted earnings per share for the years ended December 31, 2010, 2009 and 2008 have not been calculated as no diluting events existed during those years.

13. COMMITMENTS AND CONTINGENCIES

- a. The Parent Company subleases an office space from TWGI. During the year, the parties mutually agreed that the Parent Company would not yet share in the rent expense until it earns income from operations.
- b. On May 7, 2007, the SEC suspended the trading of the Parent Company's shares for late filing of its 2004 and 2005 annual reports. The Parent Company failed to comply with the Suspension Order when it paid the penalty after the due date. However, it committed another violation when it failed to timely file its 2006 annual financial reports and 2007 first quarter reports. On October 19 and November 6, 2007, the Parent Company requested the SEC to allow the Parent Company to pay a monetary fine in lieu of the revocation of the registration of its securities due to late filing of the required reports. On May 5, 2008, a petition was filed to lift SEC's Order of Revocation and was lifted by SEC En Banc on July 31, 2008.

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

Fines and penalties of P2,771,200 was subsequently paid on February 14, 2011 in lieu of the Parent Company's revocation of Registration of Securities and Permit to Sell securities.

- c. Management believes that there are no commitments and contingent liabilities arising from the normal course of business that will have material impact on the Group's financial statements.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks, which result from both its operating and investing activities. The Group's principal financial instruments comprise of cash and advances to and from related parties and accrued expenses and other payables. The main purpose of these financial instruments is to raise finance for the Group's operation. The Group has various other financial assets and liabilities which arise directly from its operations.

The Group has policies and guidelines to cover credit risk, market risk, interest rate risk and liquidity risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's results and financial position. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principle.

Foreign currency risk

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

The Group is mainly exposed to foreign currency risk through its advances to/from related parties.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the statement of financial position date are as follows:

	2010	2009
Advances to related parties	P268,620,069	P 283,745,059
Advances from related parties	224,797,016	237,930,551
	P493,417,085	P521,675,610

The following table details the Group's sensitivity to a 10% increase and decrease in the Philippine Peso against the relevant foreign currencies. 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.

	2010	2009
Advances to related parties	P 26,862,007	P 28,374,506
Advances from related parties	22,479,702	23,793,055
	P49,341,709	P52,167,561

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group is mainly exposed to credit risk through its cash in banks and advances to related parties. The Group, from time to time, grants advances to related parties. The designation of whether advances from a related party to be interest or non-interest bearing rests with the management, upon careful examination of the given fact.

The Group has adopted stringent procedures in extending credit terms to its affiliates and in monitoring its credit risk.

The details of the Group's maximum exposure to credit risk are as follows:

	2010	2009
Cash in banks	P 102,082	P 203,751
Advances to related parties – note 10	602,658,666	664,515,312
	P602,658,666	P664,719,063

The details of the Group's aging analysis of financial assets as of December 31, 2010 and 2009, are as follows:

Past due but not impaired									
December 31, 2010	Total	Neither past due nor impaired	< 30 days	31-90 days	91-180 days	181-360 days	1-3 years	> 3 years but not impaired	Impaired
Cash in bank	P 102,082	P102,082	P-	P-	P-	P-	P-	P -	P -
Advances to related parties- note 10	782,133,435	-	-	-	-	-	-	602,658,666	179,474,769
	P782,235,517	P102,082	P-	P-	P-	P-	P-	P602,658,666	P179,474,769

Past due but not impaired									
December 31, 2009	Total	Neither past due nor impaired	< 30 days	31-90 days	91-180 days	181-360 days	1-3 years	> 3 years but not impaired	Impaired
Cash in bank	P 203,751	P203,751	P-	P-	P-	P-	P-	P -	P -
Advances to related parties - note 10	793,824,466	-	-	-	-	-	-	664,515,312	129,309,154
	P794,028,217	P203,751	P-	P-	P-	P-	P-	P664,515,312	P129,309,154

Liquidity Risk

Liquidity risk refers to the risk that the Group will not be able to meet its financial obligations as they fall due. The Group is mainly exposed to liquidity risk through its maturing liabilities. The Group has a policy of regularly monitoring its cash position to ensure that maturing liabilities will be adequately met. The details of the maturity analysis of the Group's liabilities are as follows:

December 31, 2010	Total	On demand	Less than three months	3-12 months	1-5 years
Advances from related parties	P 279,744,073	P -		P -	
Trade and other payables	6,658,843	6,658,843	P -	-	P 279,744,073
	P 286,402,916	P 6,658,843	P -	P -	P 279,744,073

December 31, 2009	Total	On demand	Less than three months	3-12 months	1-5 years
Advances from related parties	P 302,476,942	P -	P -	P -	P 302,476,942
Trade and other payables	2,282,005	50,541	-	2,231,464	-
	P 304,758,947	P 50,541	P -	P 2,231,464	P 302,476,942

Interest rate risks

Interest rate risk is usually classified to cash flow and fair value interest rate risk. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's interest rate management exposure policy centers on reducing its exposure to changes in interest rates. The Group's exposure to changes in interest rate relates primarily to cash in bank and other receivables with fixed interest rates.

As part of its risk management activities, the Group closely monitors the movements of interest rates in the market and reviews its assets and liability structure to ensure that exposures to fluctuations in interest rates are kept within acceptable limits.

The Group's interest rate management exposure policy centers on reducing its exposure to changes in interest rates. The Group's exposure to changes in interest rates relates only to cash in bank amounting to P102,082 and P203,751 in 2010 and 2009, respectively. These balances are short-term in nature and with the current interest rate level, any variation in the interest will not have material impact on the statements of comprehensive income of the Group.

Capital risk

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

The Parent Company's BOD and management 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 Group's external environment and the risks underlying the Group's business operations and industry.

The Group monitors capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity. Debt-to-equity ratios as of December 31, 2010 and 2009 are 72% and 67%, respectively. Total debt is equivalent to debt shown in the consolidated statements of financial position. Total equity comprises all components of equity as shown in the consolidated statements of financial position. Total equity amounts to P 398,047,555 and P454,786,427 as of December 31, 2010 and 2009, respectively.

The gearing ratios as at December 31, 2010 and 2009 were as follows:

		2010		2009
Trade and other payables	P	6,658,843	P	2,282,005
Advances from related parties		279,744,073		302,476,942
Less: cash		(102,082)		(203,751)
Net debt		286,300,834		304,555,196
Total equity		398,047,555		454,786,427
Total capital		P684,348,389		P759,341,623
		41.8%		40.1%

There are no changes in the Group's approach to capital management during the year.

Comparison of Carrying Amounts and Fair Values

The table below presents a comparison by category of carrying amounts and estimated fair values of the Group's financial assets and liabilities as of December 31, 2010 and 2009.

	December 31, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash	P 102,082	P 102,082	P 203,751	P 203,751
Advances to related parties (net)	602,658,666	602,658,666	664,515,312	664,515,312
Available-for-sale financial assets	81,686,711	81,686,711	94,826,311	94,826,311
	P684,447,459	P684,447,459	P759,545,374	P759,545,374
Financial liabilities				
Trade and other payables	P 6,658,843	P 6,658,843	P 2,282,005	P 2,282,005
Advances from related parties	279,744,073	279,744,073	302,476,942	302,476,942
	P286,402,916	P286,402,916	P304,758,947	P304,758,947

Fair Value of Financial Instruments

The carrying amounts of cash, loans and receivables and trade and other payables approximate their fair values due to the relatively short-term duration of these financial instruments.

The carrying amount of available-for-sale financial assets is based on stock's prevailing market rate as of the year-end.

The Group determines the fair value of financial assets based on fair value hierarchy. The different levels of fair value hierarchy were defined as follows:

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

2010					
	Total	Level 1	Level 2	Level 3	
Available-for-sale financial assets	P 8,475,138	P 3,814,938	P 4,660,200	P	-
2009					
Available-for-sale financial assets	P21,614,738	P 5,375,638	P 16,239,100	P	-

15. SUPPLEMENTAL NON CASH FLOW INFORMATION

Non-cash flow information of the Group consists of advances granted to related parties from proceeds from sale of available-for-sale financial assets amounting to P11,578,900 and P22,887,556 in 2010 and 2009, respectively.

* * *

FORUM PACIFIC, INC. AND SUBSIDIARY
Schedule A. Marketable Securities - (Current Marketable Equity Securities
and Other Short-term Cash Investments)
December 31, 2010

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
--	---	---	--	-----------------------------------

None

FORUM PACIFIC, INC. AND SUBSIDIARY

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

December 31, 2010

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
-----------------------------------	-----------------------------------	-----------	----------------------	------------------------	---------	----------------	--------------------------------

None

FORUM PACIFIC, INC. AND SUBSIDIARY

Schedule C. Non-Current Marketable Equity Securities, Other Long-Term Investments in Stock, and Other Investments
December 31, 2010

Name of Issuing entity and description of Investment (1)	Number of shares or principal amount of bonds and notes	Amount in Pesos	Equity in earnings (losses) of investees for the period	Other	Distribution of earnings by investees	Amount in Pesos	Dividends received from investments not accounted for by the equity method
Philippine Estates Corporation	50,196,553	P3,814,938	Not applicable	-	-	P3,814,938	-
Forum Exploration, Inc.	62,500,000	73,211,573	Not applicable	-	-	73,211,573	-
Express Savings Bank, Inc	46,602	4,660,220	Not applicable	-	-	4,660,220	-
<i>b. Consolidated Subsidiaries</i>							
Forum Coal Cebu Holdings, Inc.	43,200	3,888,000	-	-	-	3,888,000	-

FORUM PACIFIC, INC. AND SUBSIDIARY
Schedule D. Indebtedness of Unconsolidated Subsidiaries and Affiliates
December 31, 2010

Name of Affiliates	Balance at beginning of period	Balance at end of period
<i>a. Other affiliates</i>		
The Wellex Group, Inc.	P 330,654,418	P341,025,464
Forum Exploration, Inc.	172,903,788	172,273,002
Forum Energy Plc.	184,866,540	171,193,672
Forum (FEI) Ltd.	15,061	13,946
FEPCo	105,384,659	97,627,351
	793,824,466	782,133,435
Allowance for impairment loss	(129,309,154)	(179,474,769)
	P 664,515,312	P602,658,666

FORUM PACIFIC, INC. AND SUBSIDIARY
Schedule E. Intangible Assets - Other Assets
December 31, 2010

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
-------------	----------------------	----------------------	---------------------------------	------------------------------	--	-------------------

None

FORUM PACIFIC, INC. AND SUBSIDIARY
Schedule F. Long Term Debt
December 31, 2010

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. AND SUBSIDIARY
Schedule G. Indebtedness to Affiliates and Related Parties (Long-Term Loans
from Related Companies)
December 31, 2010

Name of affiliate	Balance at beginning of period	Balance at end of period
<i>a. Other affiliates</i>		
Forum Exploration, Inc.	P154,005,408	P142,253,605
Forum Energy Plc.	65,185,509	60,364,340
FEPCo	83,286,025	77,126,128
	P302,476,942	P279,744,073

FORUM PACIFIC, INC. AND SUBSIDIARY
Schedule H. Guarantees of Securities of Other Issuers
December 31, 2010

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

None

FORUM PACIFIC, INC. AND SUBSIDIARY
Schedule I. Capital Stock
December 31, 2010

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance <u>sheet caption</u>	Number of shares reserved for options, warrants, conversion and other rights	Number shares held by all	Directors, of officers and employees	Others
Common Stock	3,500,000,000	1,172,012,364	-	200,000	2,940,503	1,168,871,861

FORUM PACIFIC, INC. AND SUBSIDIARIES

**Schedule J. List of Top 20 Stockholders of Record
December 31, 2010**

Name of Stockholders	Citizenship	Amount Subscribed	Percentage to Total Outstanding
International Polymer Corporation	Filipino	P 496,887,494	26.501
PCD Nominee Corporation	Filipino	396,027,824	21.121
The Wellex Group, Inc.	Filipino	376,950,000	20.104
E.F. Durkee and Associates, Inc.	Filipino	77,838,563	4.15 1
Intra – Invest Sec., Inc.	Filipino	48,159,000	2.568
Forum Pacific, Inc.	Filipino	36,056,750	1.923
Metropolitan Management Corporation	Filipino	30,000,000	1.600
Juanito C. Uy	Filipino	22,625,001	1.207
Pacrim Energy N. L.	Others	21,000,000	1.120
Sapphire Securities Inc.	Filipino	19,433,500	1.036
Benito Ong and/or Zenita Y. Ong	Filipino	18,000,000	0.960
Renato Chua	Filipino	16,740,000	0.893
Nestor S. Mangio	Filipino	12,500,000	0.667
A&A Securities , Inc	Filipino	11,911,320	0.635
Mark Securities Corporation	Filipino	10,772,800	0.575
Globalinks Sec & Stocks, Inc.	Filipino	9,400,000	0.501
Belson Securities, Inc.	Filipino	9,200,000	0.491
Wealth Securities, Inc.	Filipino	8,240,000	0.439
Ruben M. Gan	Filipino	7,610,000	0.406
David Go Securities Corporation	Filipino	6,880,000	0.367
		<u>P1,636,232,252</u>	