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**SECURITIES AND EXCHANGE COMMISSION**

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**Company Information**

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Industry Classification  
Company Type Stock Corporation

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## COVER SHEET

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SEC Registration No.

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(Company's Full Name)

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

<b>Atty. Arsenio A. Alfiler Jr.</b>
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Contact Person

<b>(632) 706-7888</b>
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Contact Telephone No.

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Fiscal Year

1	7	-	A		
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FORM TYPE

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Month      Day

Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

<b>883</b>
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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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<b>Annual Report: FPI</b>
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**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, 2016
2. SEC Identification Number AS 093000120
3. BIR Tax Identification No. 002-155-598-000
4. **FORUM PACIFIC, INC.**  
Exact name of registrant as specified in its charter
5. **Metro Manila, Philippines**  
Province, country or other jurisdiction of incorporation or organization
6. (SEC Use only)  
Industry Classification Code
7. **35/F, One Corporate Center, Doña Julia Vargas Ave., Cor. Meralco Ave. Ortigas Center, Pasig City**  
Address of principal office
8. **Telephone No. 706-7888**  
Registrant's telephone number, including area code
9. **Not applicable**  
**Former name**, former address, and former fiscal year, if changed since last report.

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

<u>Title of Each Class</u>	<u>No. of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
Common Shares – ₱1.00 par value	Issued - ₱1,838,943,246 (Partially paid Subscription – ₱1,171,486,871)

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

Yes [ ☒ ]

No. [ ☐ ]

12. Check whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the

Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

Yes [ ☒ ]      No [ ☐ ]

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

Yes [ ☒ ]      No [ ☐ ]

13. The aggregate market value of the voting stock held by non-affiliates: ₱1,303,929,249

14. Not Applicable

## PART I – BUSINESS AND GENERAL INFORMATION

### Item 1. Business

#### A. DESCRIPTION OF BUSINESS

##### (1) Business Development

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

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

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

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

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

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

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

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

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

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

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

On May 13, 2011, the Company again paid SEC in the amount of ₱760,500 as payment for its outstanding fines and penalties. On May 17, 2011, PSE lifted the Company's revocation of Registration of Securities and Permit to sell.

### Business Plans

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

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

The Company's previous plan of acquiring a mining company with existing Mineral Product Sharing Agreement (MPSA) with the government is temporarily set aside due to the current inactivity of the mining sector.

On the other hand, the Company is considering investing into industry of potential renewable energy sources like solar power, biofuels, hydro, wind and geothermal energy. The management is currently conducting research and feasibility study on this project.

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

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

#### *Plan of Operation*

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

### *Capital Generation and Satisfaction*

- b. The Company will evaluate outstanding receivables and advances to affiliates and design collection program to improve the Company's financial status. The Board will also evaluate calling for the remaining stock subscription as source of fund for the future projects. The Company has net advances to affiliate of ₱277.5M, subscription receivable of ₱600M and unsubscribed stocks of ₱1.6B as of December 31, 2016. The Officers and major stockholders of the Company have committed to provide full financial support to the Company once its projects will materialize and a definite project is in place. The Company estimates that it will satisfy its capital funding within two (2) years from the finalization of business project plan.

### *Project Research and Development*

- c. The Company is affiliated with group of mining companies. Research for areas and land mine with potential mineral deposits is being outsourced from the affiliate's group of researchers composed of geologists and mining engineers. As of this report, the management has yet to identify areas and plan of exploration to be presented to the Board for approval and resolution. With the current situation of the mining sector in the country, whereas Department of Environment and Natural Resources (DENR) is carefully evaluating mining activities, the company will observe due diligence on its planned exploration once the Board approves pursuing investment in mining activities again.

### *Manpower and Capital Expenditures*

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

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

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

## **(2) Business of Forum Pacific, Inc.**

### **(a) Description of Registrant**

#### **(i) Principal products and services**

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

#### **(ii) Export Sales**

Forum Pacific, Inc. is not engaged in export sales.

#### **(iii) Distribution Methods of the Products**

Forum Pacific, Inc. has no distributions of products.

#### **(iv) Publicly-announced new product or service**

Forum Pacific, Inc. has no publicly-announced product or service.

#### **(v) Competition**

Since the Company is still on the exploration period, the company is not engaged in any competitions.

- (vi) **Sources and availability of raw materials and principal supplier**  
None
- (vii) **Dependence on one or few major customers**  
Forum Pacific, Inc. is not dependent on any one industry, company or customers.
- (viii) **Transactions with and/or dependence on related parties**  
Forum Pacific, Inc. has no major transactions on related parties.
- (ix) **Patent, Trademark, Copyright, Franchise, Concession or Royalty Agreement**  
None
- (x) **Government Approval of Principal Products or Services**  
Forum Pacific, Inc. has no major approval from the government.
- (xi) **Effect of Existing or Probable Governmental Regulations on Business**  
None
- (xii) **Estimate of the Amount Spent During Each Year of the Last Three Calendar Years on Research and Development Activities**  
None
- (xiii) **Cost and Effects of Compliance with Environmental Laws**  
Forum Pacific, Inc. has no cost and effects of compliance with environmental laws.
- (xiv) **Total Number of Fulltime Employees (as of December 31, 2016)**  
None
- (xv) **Major Risk**  
None
- (b) **Additional Requirements as to Certain Issues or Issuers**  
Not Applicable

### **Item 3. Legal Proceedings**

- The Company has a legal case involvement in the “Field Investigation Office v. Prospero Pichay, et. Al. For: Malversation.” The case involves a complaint Malversation, violation of R.A. No. 3019, otherwise known as the Anti-Graft and Corrupt Practices Act,” and violation of the Manual of Regulations for Banks in relation to Section 36 and 37 of R.A. No. 7653, otherwise known as the “New Central Bank Act,” wherein the Board of Directors of the Local Water Utilities Administration (LWUA), FPI and The Wellex Group, Inc. (TWGI), among others, are charged with conspiring to (a) effect LWUA’s supposed anomalous purchase in June 2009 from FPI (127,415 shares), TWGI (310,036 shares) and other individual stockholders (78,767 shares) of their total 445,377 shares, representing approximately 60% of the total shares, in Express Savings Bank, Inc. (ESBI) in the total amount of P101,363,302.85; and (b) infuse fresh capital in ESBI amounting to a total of P700,000,000. The Company’s legal counsel filed a “Joint Rejoinder-Affidavit” dated December 1, 2014 on behalf of the Company’s directors. In its Joint Resolution dated March 16, 2015, the Office of the Ombudsman found probable cause against FPI’s directors: Mr. Peter S. Salud, Weslie T. Gatchalian, Lamberto B. Mercado, Jr., Rogelio D. Garcia and Evelyn De la Rosa for the alleged crimes.

On March 25, 2015, the FPI directors filed their “Consolidated Motion for Reconsideration” dated March 23, 2015. On May 7, 2015, the FPI directors filed their “Supplement Consolidated Motion for Reconsideration” dated May 4, 2015.

In its Joint Order dated April 4, 2016, the Office of the Ombudsman denied the “Consolidated Motion for Reconsideration” dated March 23, 2015 and the “Supplement (To



Consolidated Motion for Reconsideration)” dated May 4, 2015 filed by FPI directors namely Peter S. Salud, Weslie T. Gatchalian, Lamberto B. Mercado, Jr., Rogelio D. Garcia and Evelyn Dela Rosa for the alleged crimes. The Ombudsman maintained that there is probable cause to indict the FPI Directors for the alleged crimes.

Thus, On July 13, 2016, 3 criminal informations for Malversation, violation of R.A. No. 3019, as amended, and R.A. No. 7653, were filed with the Sandiganbayan against the FPI Directors. They thereafter file a “Motion for Judicial Determination of Probable Cause” dated July 15, 2016, praying for the dismissal of the criminal charges against them.

In its Resolution dated October 18, 2016, the Sandiganbayan, Fourth Division, partially granted the FPI Directors’ Motion for Judicial Determination of Probable Cause, and dismissed 2 of the 3 criminal charges against them. On November 2, 2016, they filed their “Motion for Partial Reconsideration” dated October 30, 2016, praying for the dismissal of the remaining charge of violation of Section 3(e) of R.A. No. 3019, as amended, against them. To date, said Motion for Reconsideration is still pending resolution before the Sandiganbayan.

The case is still pending resolution of respondent’s motions for reconsideration before the Office of the Ombudsman. The Company considers this as a contingency.

- A case of illegal dismissal and claims for unpaid salaries, back wages, separation pay and damages was filed by an employee (logistic coordinator), on February 1996. The respondents on the said case are James Dale Hood, Air Philippines International (Formerly), Cophil Exploration & Drilling Co., Air Philippines International, Inc. and Forum Exploration, Inc. The management has its lawyer take care of the settlement and will plan to meet with the Sheriff or labor officer in-charge with the case. As of December 31, 2016, the claimant didn’t make any demands or appeared before the Company’s principal office address to enforce the said writ of execution.

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

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

#### **Item 5. Properties**

##### **Description of Properties**

The Company subleases an office space from The Wellex Group, Inc. (TWGI) located at the 35<sup>th</sup> Floor One Corporate Center, Doña Julia Vargas Ave. corner Meralco Ave., Ortigas Center, Pasig City. The lease is for a period of two (2) years starting April 2012 and renewable thereafter upon mutual agreement of both parties. The contract was renewed on May 2014 and on 2016 for another two (2) years. Office space monthly rental including storage room usage and utilities is ₱18,500, exclusive of VAT and withholding tax.

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

#### **(1) Market Information**

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

<u>"CLASS A"</u>			
		High	Low
2016			
	First Quarter	0.240	0.231
	Second Quarter	0.235	0.210
	Third Quarter	0.208	0.202
	Fourth Quarter	0.190	0.180
2015			
	First Quarter	0.325	0.300
	Second Quarter	0.208	0.208
	Third Quarter	0.295	0.250
	Fourth Quarter	0.225	0.225
2014			
	First Quarter	0.180	0.180
	Second Quarter	0.163	0.154
	Third Quarter	0.215	0.189
	Fourth Quarter	0.330	0.315
2013			
	First Quarter	0.235	0.215
	Second Quarter	0.219	0.151
	Third Quarter	0.209	0.165
	Fourth Quarter	0.217	0.214

The high, low and close market prices are ₱0.183, ₱0.180 and ₱0.181 per share as of March 24, 2017 (latest practicable trading date).

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

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

#### **(2) Dividends**

(a) The company's Articles of Incorporation states that dividends may be declared only out of the unrestricted retained earnings. The Company has declared no cash dividends on its common shares for the last 8 calendar years. The Company's financial statements as of December 31, 2016 reflect negative retained earnings. Thus, unless the Company's retained earnings position changes, the directors will not be able to legally declare any dividends on its common shares.

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

### (3) Recent Sales of Unregistered or Exempt Securities

There are no recent sales of unregistered or exempt securities.

### (4) Holders

a) The number of shareholders of record as of December 31, 2016 was 889. Common shares issued and subscribed as of December 31, 2016 were 1,838,943,246.

**Forum Pacific Inc.  
Top 20 Stockholders  
As of December 31, 2016**

	NAME	CLASS A NO. OF SHARES	% to TOTAL
1	International Polymer Corp	496,887,494	26.501
2	PCD Nominee Corp.	414,009,624	22.081
3	The Wellex Group, Inc.	376,950,000	20.104
4	E.F. Durkee & Associates, Inc.	77,838,563	4.151
5	Intra-Invest Sec., Inc.	48,159,000	2.568
6	Metropolitan Management Corporation	30,000,000	1.600
7	Juanito C. Uy	22,625,001	1.207
8	Pacrim Energy N. L.	21,000,000	1.120
9	Sapphire Securities Inc.	19,433,500	1.036
10	PCD Nominee Corp. (Non-Filipino)	19,100,000	1.019
11	Benito Ong and/or Zita Y. Ong	18,000,000	0.960
12	Li Chih-Hui	17,100,000	0.912
13	Nestor S. Mangio	12,500,000	0.667
14	A & A Securities, Inc.	11,911,320	0.635
15	Mark Securities Corporation	10,772,800	0.575
16	Globalinks Sec & Stocks, Inc. A/C#	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	0.374

**Equity Ownership of Foreigners as of December 31, 2016**

Class of Security	Total Outstanding Shares	Shares Allowed to Foreigners	Shares Owned by Foreigners	% Owned by Foreigners	Shares Owned by Filipino	% Owned by Filipino
"A"	1,838,943,246	735,577,298	49,044,892	2.6670	1,789,898,354	97.3330

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

### **1. Management's Discussion and Analysis**

#### **a) Key Performance Indicators**

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

1. Advances to Related Parties – currently, The Wellex Group, Inc. (TWGI), one of the company's major stockholders, is funding all operational expenses of the Company. Total advances made as of December 31, 2016 and 2015 are ₱2,729,063 and ₱2,855,056, respectively. These advances are offset against the outstanding receivable of the company from TWGI.

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

Current Ratio for the Y2016 is 79.63% and 160.79% for Y2015.

A significant decrease in the ratio by 81.16% was mainly due to accruals made in 2016 for the incurred legal expenses in connection with the on-going case against the company's directors (see Item 3 Legal Proceedings).

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

The cash ratio of the company for the Y2016 is 73.90% and 144.44% for Y2015.

Same with the current ratio, decrease in cash ratio was due to increase in accounts payable resulting from accrual of legal expenses in connection with the on-going case against the company's directors.

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 Y2016 is 1.36% and 1.19% for Y2015.

5. Debt-to-equity ratio - The formula is total debt divided by total equity. It indicates what proportion of equity and debt that the company is using to finance its assets. The debt to equity ratio for the Y2016 is 1.38% and 1.20% for Y2015.

## **Financial Highlights**

The following table shows the comparative operating data and financial statements of the Company for the years ending December 31, 2016, 2015 and 2014.

	Years Ended December 31		
	2016	2015	2014
Revenues	₱ –	₱ –	₱ –
Cost and Expenses	2,805,053	2,154,452	2,125,076
Gross Profit (Loss)	(2,805,053)	(2,154,452)	(2,125,076)
Other income (expenses)	( 505,437)	( 438,353)	(17,179,600)
Net income (loss) before tax	(3,310,490)	(2,592,805)	(19,304,676)
Benefit from (provision for) income tax			
- Current	–	–	–
- Deferred	–	–	–
<b>Net income (loss) for the year</b>	<b>(3,310,490)</b>	<b>(2,592,805)</b>	<b>(19,304,676)</b>
Other comprehensive loss:			
Unrealized gain (loss) on AFS financial asset	(250,983)	(5,270,638)	1,254,914
<b>Total comprehensive income (loss) for the year</b>	<b>(₱3,561,473)</b>	<b>(₱7,863,443)</b>	<b>(₱18,049,762)</b>
<b>Earnings (loss) per share</b>	<b>(₱ 0.003)</b>	<b>(₱ 0.002)</b>	<b>(₱ 0.016)</b>

## **CHANGES IN RESULTS OF OPERATION**

### **Revenues and Earnings per share**

- Since the parent company ceased to have control over Express Savings Bank, Inc. and still banking on new petroleum and gas service contracts, the company has no revenues recorded in the year 2014, 2015 and 2016.
- The company incurred losses of ₱3.3M in year 2016, ₱2.6M in year 2015 and ₱19.3M in 2014. Loss per share for 2016, 2015 and 2014 were (₱0.003), (₱0.002) and (₱0.016), respectively. In line with the plan for the next twelve months, the Board will continue to explore business opportunities to aspire for maximized potential earnings.

### **Cost and Expenses**

- Cost and expenses consisted primarily of professional fees, taxes and licenses, PSE annual maintenance fee, management fee and office rental. For the Y2016 and Y2015 amounts recorded were ₱2.8M and ₱2.2M respectively. Increase of ₱0.6M is attributable to the increase in legal expenses in 2016 in connection with the legal case (see *Item 3 Legal Proceedings*). See notes to financial statement for the breakdown of the expenses.

### **Other Income (Expenses)**

- This account is composed of provision for doubtful accounts on advances to related parties and provision for impairment of input tax, net of unrealized foreign exchange gain (loss), interest income and other income.
- For 2016 and 2015, the Company provided an allowance for impairment of input tax amounting to ₱286,409 and ₱227,446, respectively. No additional allowance for doubtful account on its receivable from Forum Exploration, Inc. (FEI) was provided for both years of 2016 and 2015 as management assessed that said receivable are fully recoverable. Unrealized foreign exchange gain (loss) for 2016 and 2015 are (₱219,496) and (₱211,368), respectively. It arises from the fluctuation of Peso to U.S. dollar exchange rates on the

Company's payable to FEI, Ltd. amounting to \$82,229.24 as of December 31, 2016. Interest and other income for 2016, 2015 and 2014 amounted to ₱468, ₱461 and ₱341, respectively.

## **CHANGES IN FINANCIAL CONDITION**

### **ASSETS**

#### **Current Assets**

##### Cash

Cash in bank carries interest at respective bank deposit rate. For the year 2016 and 2015, the total cash and cash equivalents were ₱527,872 and ₱514,110, respectively. On July 19, 2012, the Board of Directors approved the opening of a deposit account with Banco De Oro-Meralco Ave. Branch to facilitate the collection and disbursement processes of the company.

##### Prepayments and other current assets

The account is composed of advances to officers and employees amounting to ₱40,932 and input tax of ₱1,363,459 with provision for valuation allowance of the same amount.

Input tax is stated at face value less provision for impairment, if any. Allowance for unrecoverable input tax, if any, is maintained by the Company at a level considered adequate to provide potential uncollectible portion of the claims. The Company, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses. The account has no outstanding balance for the year ended December 31, 2016 and 2015. The Company has provided full valuation allowance on all its input tax for 2016 and 2015 as it sees no economic use for it in the future.

#### **Noncurrent Assets**

##### Advances to related parties (net)

The Company, in the normal course of business, has transactions with related parties. Such transactions are unsecured, non-interest bearing and with no definite terms or repayments period. The Company did not provide nor received any guarantee on its transaction with related parties. All outstanding balances are to be settled through cash or offsetting arrangement. This account consists of advances to Forum Exploration, Inc. (FEI) and The Wellex Group, Inc. (TWGI). Total amount recorded for the year 2016 and 2015, net of allowance for impairment loss of ₱213M, were ₱278.5M and ₱281.2M, respectively.

##### Advances to TWGI

The account with outstanding balance of ₱319.9M and ₱322.6M as of December 31, 2016 and 2015 respectively, pertains to outstanding receivable from TWGI, a stockholder of the Company. This account pertains to advances obtained by TWGI from the Company to finance its working capital requirements on previous years.

On December 15, 2012, to settle its outstanding obligations to the Company, TWGI issued a promissory note to the Company maturing on December 15, 2015 amounting to ₱327,540,836 without interest. On December 16, 2015, the promissory note was renewed for another three (3) years maturing on December 16, 2018. As of December 31, 2016, outstanding obligations amounted to ₱319,865,484, gross of allowance for doubtful accounts amounting to ₱162,253,710.

In addition, the Company subleases an office space from TWGI starting April 2012. The lease is for a period of two years but renewable thereafter upon mutual agreement of both parties. The contract was renewed on May 2016 for another two (2) years. Total rental and utilities expense charged to operations amounted to ₱222,000 for both years ended December 31,

2016 and 2015, respectively. Payment for rental and utilities are being offset against advances to TWGI outstanding balance.

Also in April 2012, the Company has entered into a consultancy agreement with TWGI, whereby the latter will provide corporate planning and financial services on its various corporate functions and undertakings. Total management fee charged to operations amounted to ₱480,000 for both years ended December 31, 2016 and 2015, respectively. Likewise, payments for management fee are being offset against advances to TWGI outstanding balance.

Total collections of advances to TWGI amounted to ₱2,729,063 and ₱2,855,056 in 2016 and 2015, respectively.

#### Advances to FEI

Advances to FEI pertain to the carrying value of exploration net assets transferred by the Company in 2007. Balance for the years ended December 31, 2016 and 2015 amounted to ₱120,875,454, net of allowance for impairment loss of ₱50,755,622. The Company recognized an impairment loss amounting to ₱16,313,504 for the year 2014 as review on the FEI financial status and operations showed an unlikely possibility of collection considering that FEI own evaluation shows that Service Contract 40 (SC40) resource estimate was downgraded.

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

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

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

#### Available-For-Sale Financial Assets

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

	2016	2015
<b>Unquoted shares</b>		
Cost	₱ 73,211,573	₱ 73,211,573
Impairment loss	( 9,320,935)	( 9,320,935)
	<b>63,890,638</b>	<b>63,890,638</b>
<b>Quoted shares</b>		
Cost	7,529,480	7,529,480
Net unrealized fair value gain	6,525,555	6,776,538
	<b>14,055,035</b>	<b>14,306,018</b>
	<b>₱ 77,945,673</b>	<b>₱ 78,196,656</b>

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

Investment in unquoted shares of stock represents 33.33% ownership or 62,500,000 shares of the Company in Forum Exploration, Inc. (Inc.) as at December 31, 2016. Previously 100% owned, the Company sold its 66.67% ownership, or 125 million shares to Tracer Petroleum Corporation (TCP), now Forum Energy, Inc. in 2003. Subsequent to sale, the Company did not have any material transaction with FEI, which manifests that it has ceased to have significant influence on the financial and operating policy decisions of FEI. Thus, it is now classified as available-for-sale financial assets in compliance with PAS 39. Investment cost and post-

acquisition charges are used to determine the carrying amount of this investment as of reclassification date. The fair value of available-for-sale financial assets approximates its carrying value.

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

#### *Quoted shares - Philippine Estates Corporation (PHES)*

Investment in quoted shares of stock represents investment in Philippine Estates Corporation (PHES), a publicly listed company. The Company owns 50,196,553 common shares and constitutes 3.47% ownership in PHES. The fair value of these shares has been determined directly by reference to published prices in the active market.

## **LIABILITIES**

### *Advances from Affiliate*

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

The Company received cash advances from Forum (FEI) Ltd. to finance its acquisition of 60% stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI; Company's subsidiary which was formally dissolved last July 6, 2012). The Company received USD denominated cash advances from FEI, Ltd. with no definite terms of payment. Outstanding balance of account as of December 31, 2016 and 2015 were ₱4,130,606 and ₱3,911,110 respectively.

### *Accounts Payable and other liabilities*

These accounts consist of Accounts Payable, Withholding tax Payable and Accrued Expense accounts. Total amounted recorded for 2016 and 2015 were to ₱714,353 and ₱355,941 respectively. See notes to the Notes to the Financial Statements.

## **2. PLAN OF OPERATIONS**

### ***Business Plans***

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

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

The Company's previous plan of acquiring a mining company with existing Mineral Product Sharing Agreement (MPSA) with the government is temporarily set aside due to the current inactivity of the mining sector.

On the other hand, the Company is considering investing into industry of potential renewable energy sources like solar power, biofuels, hydro, wind and geothermal energy. The management is currently conducting research and feasibility study on this project.

With the Company's experience in the participation on Department of Energy's (DOE) 4<sup>th</sup> Philippine Energy Contracting Round (PECR 4) last April 2012, evaluation of which focuses on the Company's financial and technical qualifications, the Company will prioritize the improvement of its financial



position and exploring new business opportunities in order to maintain strong and healthy cash flows, and at the same time, aspiring for maximized potential earnings.

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

*Plan of Operation*

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

*Capital Generation and Satisfaction*

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

*Project Research and Development*

- g. The Company is affiliated with group of mining companies. Research for areas and land mine with potential mineral deposits is being outsourced from the affiliate's group of researchers composed of geologists and mining engineers. As of this report, the management has yet to identify areas and plan of exploration to be presented to the Board for approval and resolution. With the current situation of the mining sector in the country, whereas Department of Environment and Natural Resources (DENR) is carefully evaluating mining activities, the company will observe due diligence on its planned exploration once the Board approves pursuing investment in mining activities again.

*Manpower and Capital Expenditures*

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

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

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

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

**Forum Pacific, Incorporated**

The shares of FPI are listed and traded in Philippine Stock Exchange (PSE). The company was registered to engage in investing, purchasing and acquiring assets of any kind and description with the secondary purpose of engaging in the exploration, development and production of

petroleum and related products, as well as other mineral and chemical substances. It is presently a holding company and owning shares of stocks of an exploration company.

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

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

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

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

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

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

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

### ***Writing-Off of Investments***

#### **Express Savings Bank, Inc. (ESBI)**

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

On June 3, 2009, the Company executed a deed of absolute sale for its 127,415 shares in ESBI for P179.63 per share or equivalent to P22,887,556. The carrying amount of 289,806 shares in ESBI as of December 31, 2008 amounted to P1,22,592,758 or P423.02 per share. The difference between selling price and cost per share multiply by the number of ESBI shares as of December 31, 2008 was recognized as impairment loss in 2008.

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

of available-for-sale financial assets and overstatement of impairment loss in 2008 amounting to P29,170,296.

The fair value of ESBI investment as of December 31, 2009 was based on the actual partial sale that occurred on July 13, 2010 in which 46,602 shares were sold for P4,660,200 at P100/share.

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

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

#### Forum Coal Cebu Holdings, Inc. (FCCHI)

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

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

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

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

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

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

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

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

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

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

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

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

December 31, 2016	Total	On demand	Less than three months	3-12 months	1-5 years
Advances from related parties	₱ 4,130,606	₱ –	₱ –	₱ –	₱ 4,130,606
Trade and other payables	714,353	–	–	714,353	–
	₱ 4,844,959	₱ –	₱ –	₱ 714,353	₱ 4,130,606

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

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

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

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

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

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

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

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

**Item 8. Financial Statements**

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

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

### **Information on Independent Accountant and other Related Matters**

#### **(1) External Audit Fees and Services**

- (a) Audit and related fees for Forum Pacific Incorporated are ₱390,000 in 2016 and ₱360,000 in 2015 and 2014 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.

Diaz Murillo Dalupan and Company, CPAs (DMDC), upon recommendation by the Audit Committee of the Board of Directors composed of Rogelio D. Garcia as Chairman and Ms. Elvira A. Ting and Mr. Byoung Hyun Suh as members, was re-appointed by the stockholders as the principal external auditors for the year 2015. The selection of external auditors is made on the basis of credibility, professional reputation, accreditation with the Securities and Exchange Commission and affiliation with a reputable foreign partner. The professional fees of the external auditors are approved by the Company after approval by the stockholders of the engagement and prior to the commencement of each audit season. b. In compliance with SEC Rule 68 paragraph 3(b)(iv) (Rotation of External Auditors), and as adopted by the Company, external auditors or engagement partners are rotated or changed every five years or earlier. Ms. Jocelyn J. Villaflores was the lead engagement partner from 2005 to 2008 and Ms. Rosemary D. De Mesa in 2009 to 2013 and Mr. Jozel Francisco C. Santos in 2014 and 2015. For 2016, Mr. Rosemary D. De Mesa will be the lead engagement partner.

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

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

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

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

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

## PART III – CONTROL AND COMPENSATION INFORMATION

### Item 10. Directors and Executive Officers of the Issuer

#### (1) Directors, including Independent Directors and Executive Officers

- a. There are eleven (11) members of the board, two (2) of whom are independent directors.

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

Name	Age	Citizenship	Position and Office
Rogelio D. Garcia	75	Filipino	Chairman of the Board
Peter S. Salud	62	Filipino	President / Director
Elvira A. Ting	56	Filipino	Director / Vice Chairman
Richard L. Ricardo	53	Filipino	Director
Atty. Lamberto B. Mercado,	52	Filipino	Director
Byoung Hyun Suh	58	Filipino	Independent Director
Omar M. Guinomla	44	Filipino	Director
Kenneth T. Gatchalian	41	Filipino	Director/Treasurer
Atty. Arthur Ponsaran	73	Filipino	Director
Joaquin Obieta	82	Filipino	Director
Sergio R. Ortiz-Luis, Jr.	73	Filipino	Independent Director
Atty. Arsenio A. Alfiler Jr.	70	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 (5) years and other directorships.

Name	Corporation	Position
<b>Rogelio D. Garcia</b> Chairman of the Board Filipino 75 years old Bachelor of Laws (LLB) University of the Philippines 1961	<b>Present:</b> Wellex Industries, Inc. Forum Pacific, Inc.  <b>Previous:</b> ConyBio Philippines, Inc. NIR Placement Center, Inc.	Chairman since 2005 Chairman since Nov. 2014 Director since 2004  CEO 1997-2000 Executive Consultant 1998-2000

Name	Corporation	Position
<b>Peter S. Salud</b> President/ Director Filipino 62 years old	<b>Present:</b> Forum Pacific Inc.  <b>Previous:</b> Air Philippines International Corp. New Philippine China Corp. Metrobank	President/ Director since 1996  President 1995-1996 President 1990-1997 Senior Manager 1978-89

Name	Corporation	Position
<b>Kenneth T. Gatchalian</b> President/Director Filipino 41 years old B.S. in Architecture University of Texas, USA	<b>Present:</b> Wellex Industries, Inc.  The Wellex Group, Inc.  Forum Pacific, Inc.  Waterfront Philippines, Inc. Philippine Estates Corporation	President since Sept. 2012 Director since 2002 Treasurer since 2002-Sept. 2012 Director since 2002 VP for Special Projects 2011 Director since 2002 Treasurer since 2010 Vice Chairman since 2001 President/CEO Oct. 9, 2015, 2010- EVP & COO 2000-2010 Director 2000-2011

Name	Corporation	Position
<b>Elvira A. Ting</b> Vice President/Director Filipino 56 year old BSBA major in Management Phil. School of Business Administration	<b>Present:</b> Wellex Industries, Inc. Philippine Estates Corporation  Waterfront Philippines, Inc. Forum Pacific Inc. Acesite (Hotels) Phils., Inc. Orient Pacific Corporation  Crisanta Realty Development Corp. Recovery Development Corp. The Wellex Group, Inc. Plastic City Industrial Corp. <b>Previous:</b> PCI Bank Express Savings Bank  Air Philippines Corporation	Vice President/Director since 1999 President/CEO 1997-2010 President/CEO Sept. 2011 - present Treasurer/Director since 2001 Director since 1996 Vice Chairman/Director since 2000 Chairman/President/Director since 2010 Chairman/President/Director 2011 Vice President/Director 2011 Treasurer/Director 2011 Director since 1991  Director 1989-1991 Director 1996-2009 Chairman 1999-2009 Treasurer/Director 1997-1999

Name	Corporation	Position
<b>Richard L. Ricardo</b> Treasurer/Director Filipino 53 years old B.S. in Management Economics Ateneo De Manila University	<b>Present:</b> Wellex Industries, Inc.  Waterfront Phils., Inc.  Acesite (Phils.) Hotel Corp. Metro Alliance Holdings & Equities Corp.	Treasurer since Sept. 2012 Director since 2010 Corporate Affairs Officer since 2007 Compliance Officer Vice President for Corporate Affairs VP for External Affairs since Dec. 19, 2014

Name	Corporation	Position
<b>Atty. Lamberto B. Mercado Jr.</b> Director Filipino 52 years old Bachelor of Laws (L.L.B.) Ateneo de Manila University School of Laws Lawyer – 1991	<b>Present:</b> Forum Pacific, Inc. MAHEC and CPDSI AHI, FEZ and ZDI Wellex Industries, Inc. Waterfront Phil., Inc.  <b>Previous:</b> 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
<b>Atty. Arthur Ponsaran</b> Director Filipino 71 years old CPA Lawyer  University of the East Business Administration Major in Accounting University of the Philippines Bachelor of Laws	<b>Present:</b> Forum Pacific, Inc. Wellex Industries, Inc. Philippine Estate Corporation Corporate Counsels, Phil. Law Offices  <b>Previous:</b> Forum Pacific, Inc.	Director since 2000 Corp. Sec. up to 2003 Director Managing Partner  Corporate Secretary

Name	Corporation	Position
<b>Joaquin P. Obieta</b> Director Filipino 82 years old Bachelor of Laws Ateneo de Manila University Chemical Engineering De La Salle University Bachelor of Theology University of Sto. Tomas	<b>Present:</b> Forum Pacific, Inc. Corporate Counsels, Philippines Law Office Ateneo de Manila University	Director since 2001 Managing Partner  Law Professor



Name	Corporation	Position
<b>Omar M. Guinomla</b> Director Filipino 44 years old A.B. Management De La Salle University Masters in Business Administration Ateneo De Manila University	<b>Present:</b> Wellex Industries, Inc. Forum Pacific, Inc. Recovery Real Estates Corp. Pacific Rehouse Corp. Orient Pacific Corp. Recovery Development Corp.	Director since 2010 Director since Nov. 11, 2014 Chairman & President Vice President Assistant Corporate Secretary Assistant Corporate Secretary

Name	Corporation	Position
<b>Atty. Arsenio A. Alfiler, Jr.</b> Corporate Secretary Filipino 71 years old Bachelor of Laws University of the Philippines B.A. in Public Administration University of the Philippines	<b>Present:</b> Forum Pacific, Inc. Acesite (Phils.) Hotel Corporation Waterfront Philippines, Inc. Iloilo City Development Bank	Since 2007 Assistant Corporate Secretary Assistant Corporate Secretary Assistant Corporate Secretary

Name	Corporation	Position
<b>Sergio R. Ortiz-Luis, Jr.</b> Director Filipino 72 years old Bachelor of Science in Business Administration; Masters in Business Administration De La Salle University PhD Humanities hc Central Luzon State University PhD Business Technology hc EARIST	<b>Present:</b> Forum Pacific, Inc. Alliance Global, Inc. Waterfront Philippines, Inc. B.A. Securities Philippine Estates Corporation Philippine Exporters Confederation, Inc.	Independent Director since June 2013 Vice Chairman since 2007 Independent Director since 2005 Independent Director since 2012 Independent Director President

Name	Corporation	Position
<b>Byoung Hyun Suh</b> Independent Director Korean 58 years old B.S. in Business Administration Korea University, Seoul	<b>Present:</b> Forum Pacific, Inc.  Pan Islands, Inc. Three Seven Foods & Products, Golden Jin Shan Farm Overseas Korean Traders  <b>Previous:</b> KIA Inter-trade Asia Regional Office Samsung Corporation Philippines Samsung Corporation Seoul Korea	Independent Director since June 2011 President since 1995 President since 1995 President since 1995 President since 2004   President 1995-1997 Resident Manager 1988-1995 Manager – Chemical Division

## 2) Significant Employees

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

## (3) Family Relationships

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

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

## (4) Involvement in Certain Legal Proceedings

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

Esguerra & Blanco Law Office acted as counsel for officers of Forum Pacific, Inc. As of December 31, 2016, the case was not yet decided neither convicted by final judgment respondents on the case.

## Item 11. Executive Compensation

### (1) Summary of Compensation Table - Annual Compensation

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

<b>Name &amp; Position</b>	<b>Year</b>	<b>Salary (in Php)</b>	<b>Other Variable Pay (in Php)</b>
Peter S. Salud President/CEO/Director	2016	-	100,000.00
	2015	-	100,000.00
	2014	-	100,000.00
Elvira A. Ting Vice Chairman/Director	2016	-	50,000.00
	2015	-	50,000.00
	2014	-	50,000.00
Kenneth T. Gatchalian Treasurer/Director	2016	-	50,000.00
	2015	-	50,000.00
	2014	-	50,000.00
Rogelio D. Garcia Chairman/Director	2016	-	10,000.00
	2015	-	10,000.00
	2014	-	10,000.00
All other directors & officers as a Group (unnamed)	2016	-	40,000.00
	2015	-	40,000.00
	2014	-	40,000.00

**(2) Compensation of Directors**

Except for a nominal amount of per diem amounting to ₱10,000 during attendance in special meetings, there are no standard arrangements with regard to election, any bonus, profit sharing, pension/retirement plan, granting of any option, warrant or right to purchase any securities. There are no other arrangements or consulting contracts or other form of services with directors.

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

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

**(4) Warrants and Options Outstanding: Repricing**

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

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

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

As of December 31, 2016 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:

<b>Title of Class</b>	<b>Name, Address of Record Owner &amp; Relationship with Issuer</b>	<b>Name of Beneficial Owner &amp; Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares</b>	<b>Percentage to Total Outstanding Shares</b>
Common	International Polymer Corp. No. 7 T. Santiago St., Canumay, Valenzuela City Stockholders	William T. Gatchalian Dee Hua T. Gatchalian Elvira A. Ting Sherwin T. Gatchalian Felino Canio (see Note 1)	Filipino	496,887,494	26.501%
Common	PCD Nominee Corp. 37 <sup>th</sup> Flr. Tower 1, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City Stockholder	Owns 16.69% of Westlink Global Equities, Inc. at 6 <sup>th</sup> Flr. PSE Plaza in Makati, the beneficial owner of 6.4277% represented by its President	Filipino	414,009,624	22.081%
Common	The Wellex Group, Inc. 35 <sup>th</sup> Flr. One Corporate Center, Doña Julia Vargas. cor. Meralco Aves., Ortigas Center, Pasig City Stockholder	William T. Gatchalian Dee Hua T. Gatchalian Kenneth T. Gatchalian Richard L. Ricardo Pentagon Devt. Inc. Overjoy Holdings, Inc. Elvira A. Ting (see Note 2)	Filipino	376,950,000	20.104%

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

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

## (2) Security Ownership of Management

As of December 31, 2016 the security ownership of individual directors, executive officers and nominees of Forum Pacific Inc. is as follows:

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
Common - Class A	Rogelio D. Garcia	10	Filipino	0.000%
Common - Class A	Peter S. Salud	29,990	Filipino	0.002%
Common - Class A	Elvira A. Ting	400,001	Filipino	0.021%
Common - Class A	Richard L. Ricardo	100	Filipino	0.000%
Common - Class A	Atty. Lamberto B. Mercado	100	Filipino	0.000%
Common - Class A	Byoung Hyun Suh	1,000	Korean	0.000%
Common - Class A	Omar M. Guinomla	100	Filipino	0.000%
Common - Class A	Kenneth T. Gatchalian	100	Filipino	0.000%
Common - Class A	Atty. Arthur Ponsaran	1	Filipino	0.000%
Common - Class A	Sergio R. Ortiz-Luis, Jr.	100	Filipino	0.000%
Common - Class A	Joaquin P. Obieta	1	Filipino	0.000%
	<b>TOTAL</b>	<b>431,503</b>		<b>0.023%</b>

## (3) Voting Trust Holders of 5% or More

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

## (4) Changes in Control

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

## Item 13. Certain Relationships and Related Transactions

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

The Company's advances to Forum Exploration, Inc. (FEI) pertain to the carrying value of exploration assets transferred by the Company in prior years amounting to ₱171.6 million gross of allowance for impairment loss of ₱50.8 million as of December 31, 2016 and 2015. No transaction in the account balance was recognized for the years ended December 31, 2016 and 2015 (please refer to Notes to the Audited Financial Statements under Note 10).

The Company's advances to The Wellex Group, Inc. (TWGI) consist of advances granted to finance their working capital requirements with outstanding balance of ₱319.9 million and ₱322.6 million as of December 31, 2016 and 2015, respectively. On December 15, 2012, to settle its outstanding obligations to the Company, TWGI issued a one-year promissory note to the Company. In addition, the Company subleases an office space from TWGI starting April 2012. The lease is for a period of two (2) years but renewable thereafter upon mutual agreement of both parties. Also in April 2012, the Company has entered into a consultancy agreement with TWGI, whereby the latter will provide corporate planning and financial services on its various corporate functions and undertakings. Payments for the lease and management fees are being offset against intercompany receivables (please refer to Notes to the Audited Financial Statements under Note 10). Both contracts for rental and consultancy are renewed on May 2016 for another two (2) years.

The Company's advances from Forum Exploration, Inc. Ltd. (FEI-Ltd.) pertains to received cash advances to finance the Company's acquisition of 60% stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI) in prior years amounting to USD82,922. The amount was restated to peso value, the Company's functional currency, as at balance sheet date. Restated balance amounted to ₱4.1 million and ₱3.9 million as of December 31, 2016 and 2016, respectively. The Company recognized a foreign exchange loss of ₱0.2 million in 2016.

## **Part IV – CORPORATE GOVERNANCE**

**Please refer to separate “Annual Corporate Governance Report (ACGR)” to be submitted to Securities and Exchange Commission**

## **Part IV - EXHIBITS AND SCHEDULES**

### **Item 15 Exhibits and Reports on SEC Form 17- C**

#### **(a) Exhibits**

##### **Financial Statements**

- Statement of Management's Responsibility for Financial Statements
- Report of Independent Public Accountants
- Balance Sheets as of December 31, 2016 and 2015
- Statements of Income for each of the three years ended December 31, 2016, 2015, and 2014
- Statements of Changes in Equity for each of the three years ended December 31, 2016, 2015 and 2014
- Statements of Cash Flows for each the three years ended December 31, 2016, 2015 and 2014
- Notes to Financial Statements

##### **Supplementary Schedules**

Report of Independent Public Accountants on Supplementary Schedules:

- Financial Soundness
- Map of Conglomerate or Group of Companies Within Which the Company Belongs (Not Applicable)
- Standards and Interpretations Effective For Annual Periods Beginning January 1, 2016
- Financial Assets
- Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
- Amounts Receivable From Related Parties Which Are Eliminated During the Consolidation of Financial Statements
- Indebtedness of Unconsolidated Subsidiaries and Affiliates
- Intangible Assets - Other Assets
- Long-term Debt
- Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies)
- Guarantees of Securities of Other Issuers
- Capital Stock

#### **(b) Reports on SEC Form 17-C**

##### **Report Date: January 15, 2016**

The Corporation submitted its Foreign Ownership Report and Number of Stockholders as disclosed also in the Philippine Stock Exchange for the period ended December 31, 2016.

##### **Report Date: January 15, 2016**

The Corporation submitted its List of Top 100 Stockholders and Public Ownership Report as disclosed also in the Philippine Stock Exchange for the period ended December 31, 2016.

##### **Report Date: January 29, 2016**

The Corporation submitted an update on its Annual Corporate Governance Report on the attendance of directors on board meetings for 2016.

**Report Date: February 4, 2016**

The Corporation submitted its Foreign Ownership Report and Board Lot as disclosed also in the Philippine Stock Exchange for the month ended January 31, 2016.

**Report Date: March 9, 2016**

The Corporation submitted its Foreign Ownership Report and Board Lot as disclosed also in the Philippine Stock Exchange for the month ended February 28, 2016.

**Report Date: April 14, 2016**

The Corporation submitted its Foreign Ownership Report, Board Lot and List of Top 100 Stockholders for the period ended March 31, 2016 as disclosed also in the Philippine Stock Exchange.

**Report Date: April 14, 2016**

The Corporation submitted the Public Ownership Report for the period ended March 31, 2016 as disclosed also in the Philippine Stock Exchange.

**Report Date: May 6, 2016**

The Corporation submitted its Foreign Ownership Report and Board Lot for the period ended April 30, 2016 as disclosed also in the Philippine Stock Exchange.

**Report Date: June 2, 2016**

The Corporation submitted its Foreign Ownership Report and Board Lot for the period ended May 31, 2016 as disclosed also in the Philippine Stock Exchange.

**Report Date: July 8, 2016**

The Corporation submitted its Foreign Ownership Report and Board Lot for the period ended June 30, 2016 as disclosed also in the Philippine Stock Exchange.

**Report Date: July 15, 2016**

The Corporation submitted its Top 100 Stockholders and Public Ownership Report for the period ended June 30, 2016 as disclosed also in the Philippine Stock Exchange.

**Report Date: August 4, 2016**

The Corporation submitted its Foreign Ownership Report and Board Lot for the period ended July 31, 2016 as disclosed in the Philippine Stock Exchange.

**Report Date: August 18, 2016**

The Corporation reported the resignation of its independent director, Atty. Miguel B. Varela last August 17, 2016 due to health reasons.

**Report Date: September 8, 2016**

The Corporation submitted its Foreign Ownership Report and Board Lot for the period ended August 31, 2016 as disclosed also in the Philippine Stock Exchange.

**Report Date: September 22, 2016**

The Corporation submitted its Notice of Annual Stockholders' Meeting on November 8, 2016 to stockholders of record as of October 12, 2016 as approved by the Board of Directors on its meeting on September 22, 2016 with the following agenda:

1. Call to order
2. Report on Attendance and quorum
3. Approval of minutes of previous annual stockholders' meeting
4. Report to stockholders for the year 2015

5. Ratification of the acts of Board and Management
6. Election of Board of Directors for the Ensuing Term
7. Appointment of External Auditors
8. Appointment of External Counsels
9. Other business as may properly come before the meeting
10. Other matters

**Report Date: October 14, 2016**

The Corporation submitted its Foreign Ownership Report and Board Lot for the period ended September 30, 2016 as disclosed also in the Philippine Stock Exchange.

**Report Date: October 14, 2016**

The Corporation submitted copies of certificates of directors and key officers on the attended Good Corporate Governance Seminar held last October 6, 2016 at Manila Pavillion, Ermita, Manila conducted by SEC accredited training institution, Risk, Opportunities, Assessment and Management (ROAM), Inc.

**Report Date: October 14, 2016**

The Corporation submitted the List of Top 100 Stockholders and Public Ownership Report for the period ended September 30, 2016 as disclosed also in the Philippine Stock Exchange.

**Report Date: October 18, 2016**

The Corporation submitted the List of Stockholders entitled to attend and vote on the Annual Stockholders' Meeting on November 8, 2016.

**Report Date: November 8, 2016**

The Corporation submitted its Foreign Ownership Report and Board Lot for the period ended October 31, 2016 as disclosed also in the Philippine Stock Exchange.

**Report Date: November 8, 2016**

The Corporation submitted the result of the Annual Stockholders' Meeting and the Organizational Meeting of the Board of Directors held last November 8, 2016 at One Café and Events Place, 6<sup>th</sup> Floor One Corporate Centre, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig City.

**Report Date: December 6, 2016**

The Corporation submitted its Foreign Ownership Report and Board Lot for the period ended November 30, 2016 as disclosed also in the Philippine Stock Exchange.

**Report Date: January 16, 2017**

The Corporation submitted the List of Top 100 Stockholders and Public Ownership Report for the period ended December 31, 2016 as disclosed in the Philippine Stock Exchange

**Report Date: January 16, 2016**

The Corporation submitted its Foreign Ownership Report and Board Lot for the period ended November 30, 2016 as disclosed also in the Philippine Stock Exchange.

**Report Date: January 20, 2017**

The Corporation submitted an advised letter on the attendance of Board of Directors on BOD meetings for the year 2016.



SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Pasig City on MAR 24 2017

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

Registrant: **PETER S. SALUD**  
Title: **President**

Signature: 

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

Signature: 

Registrant: **KENNETH T. GATCHALIAN**  
Title: **Treasurer**

Signature: 

Dated MAR 24 2017

QUEZON CITY **SUBSCRIBED AND SWORN** to before me this MAR 24 2017 day of 2017 in  
affiant (s) exhibiting to me his/their Tax Identification No. as follows:


**AFFIANTS**

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

**Tax Identification No.**

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

Doc. No.: 156  
Page No.: 22  
Book No.: 73-A  
Series of: 247

  
**ATTY. BENJAMIN F. ALFONSO**  
**NOTARY PUBLIC**  
UNTIL DECEMBER 31, 2017  
PTR. NO. 3806848 - 7/16/2017 QUEZON CITY  
IBP NO. 1038379 - 7/24/2016 QUEZON CITY  
ROLL NO. 13296  
ADM. MATTER NO. NP-048 (2017-2018)  
ADD.: NO. 34 ASSET'S ST. GSIS VILL., PROJ. 8, Q.C.  
MCLE NO. II-0020276- OCT. 29, 2011



103312017003170

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

**Barcode Page**

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Company Representative

Doc Source

**Company Information**

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

**Document Information**

Document ID 103312017003170  
Document Type FINANCIAL STATEMENT-ANNUAL  
Document Code FS  
Period Covered December 31, 2016  
No. of Days Late 0  
Department CED/CRMD  
Remarks

**COVER SHEET**  
for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

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

[illegible]

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

[illegible]

### Form Type

A	A	F	S
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Department requiring the report

S	E	C	
---	---	---	--

Secondary License Type, If Applicable

N	A		
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## COMPANY INFORMATION

Company's Email Address

forumpacific010393@yahoo.com

Company's Telephone Numbers

706-7888

Mobile Number

NA

No. of Stockholders

883

Annual Meeting  
Month/Day

Third Monday of April

Fiscal Year  
Month/Day

December 31

## CONTACT PERSON INFORMATION

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

Name of Contact Person

Atty. Arsenio A. Alfiler Jr.

Email Address

forumpacific010393@yahoo.com

### Telephone Number/s

706-7888

Mobile Number

NA

Contact Person's Address

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

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





**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The management of **FORUM PACIFIC, INC.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2016 and 2015**, in accordance with the prescribed financial reporting framework indicated therein, 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.


In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

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

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

  
**PETER S. SALUD**  
President

  
**KENNETH T. GATCHALIAN**  
Corporate Treasurer


**QUEZON CITY**

**SUBSCRIBED AND SWORN** to before me in \_\_\_\_\_ City/Province, Philippines on **MAR 24 2017**,  
affiants personally appeared before me and exhibited to me their

Name	Tax Identification Number
1. ROGELIO D. GARCIA	138-688-978
2. PETER S. SALUD	107-777-803
3. KENNETH T. GATCHALIAN	167-406-526

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

DOC NO: 153  
PAGE NO: 11  
BOOK NO: 73-A  
SERIES OF: 2017

**NOTARY PUBLIC FOR**   
Notarial Commission No. **ATTY. BENJAMIN F. ALFONSO**  
Commission expires on December 31, **NOTARY PUBLIC**  
Roll of Attorney Number **UNTIL DECEMBER 31, 2017**  
PTR No. **PTR NO. 3806346 - 1/16/2017 QUEZON CITY**  
IBP No. **IBP NO. 1038379 - 11/24/2016 QUEZON CITY**  
Office Address: **ROLL NO. 13296**  
**ADM. MATTER NO. NP-040 (2017-2018)**  
**ADD.: NO. 34 ASSET'S ST. GISIS VILL., PROJ. 8, Q.C.**  
**MCLE NO. II-0020276- OCT. 29, 2011**

# **Diaz Murillo Dalupan and Company**

Certified Public Accountants

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

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

We have audited the accompanying financial statements of Forum Pacific, Inc. as at and for the year ended December 31, 2016, on which we have rendered the attached report dated March 20, 2017. The supplementary information shown in Appendices A "*Financial Soundness*" and B "*List of Effective Standards and Interpretations*" and Schedules A to I, as additional component required by Rule 68, Part I, Section 4 of the Securities Regulation Code, is presented for purposes of filing with the Securities and Exchange Commission and is not a required part of basic financial statements. Such information is the responsibility of management and has been subjected to auditing procedures applied in the audits of basic financial statements. In our opinion, the information has been prepared in accordance with Rule 68 of the Securities Regulation Code.

### **Diaz Murillo Dalupan And Company**

Tax Identification No. 003-294-822

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

SEC Accreditation No. 0192-FR-2, Group A, effective until May 1, 2019

BIR Accreditation No. 08-001911-000-2016, effective until March 17, 2019

By:

  
Rosemary D. De Mesa

Partner

CPA Certificate No. 29084

SEC Accreditation No. 1089-AR-1, Group A, effective until March 25, 2017

Tax Identification No. 104-576-953

PTR No. 5918240, January 10, 2017, Makati City

BIR Accreditation No. 08-001911-007-2016, effective until March 17, 2019

March 20, 2017

### **Local in Touch, Global in Reach**

Head Office: 7th Floor, Don Jacinto Building, Dela Rosa corner Salcedo Sts., Legaspi Village, Makati City 1200 Philippines  
Telephone: +63(2) 894 5892 - 95 / 894 0273 / 844 9421 - 23 / Fax: +63(2) 818 1872

Cebu Office: Unit 504 Cebu Holdings Building, Cebu Business Park, Mabolo, Cebu City 6000 Phone: +63(32) 415 8108 - 15 / Fax: +63(32) 232 8829

Davao Office: 3rd Floor Building B Plaza De Lusa, Ramon Magsaysay Avenue, Davao City 8000 Phone/Fax: +63(82) 222 6636

Website: [www.dmdcpa.com.ph](http://www.dmdcpa.com.ph)

***Forum Pacific, Inc.***

*Financial Statements*  
*December 31, 2016 and 2015*

*and*

*Independent Auditors' Report*



# **Diaz Murillo Dalupan and Company**

Certified Public Accountants

## **Independent Auditors' Report**

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

## **Report on the Financial Statements**

### *Opinion*

We have audited the financial statements of **Forum Pacific, Inc.** (the 'Company'), which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for each of the three years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are independent of the Company in accordance with Code of Ethics for Professional Accountants in the Philippines (the 'Code of Ethics') together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Material uncertainty related to going concern*

We draw attention to Note 1 in the financial statements, which indicates that the Company has been incurring losses in current and prior years and has accumulated a deficit of about P826 million and P823 million as at the years ended December 31, 2016 and 2015, respectively. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



## **Local in Touch, Global in Reach**

Head Office : 7th Floor, Don Jacinto Building, Dela Rosa corner Salcedo Sts., Legaspi Village, Makati City 1229 Philippines  
Telephone: +63(2) 894 5892 - 95 / 894 0273 / 844 9421 - 23 / Fax: +63(2) 818 1872  
Cebu Office : Unit 504 Cebu Holdings Building, Cebu Business Park, Mabolo, Cebu City 6000 Phone: +63(20) 415 9128 - 10 / Fax: +63(2) 232 8629  
Davao Office : 3rd Floor Building 8 Plaza De Lusa, Ramon Magsaysay Avenue, Davao City 8000 Phone/Fax: +63(82) 222 6636  
Website : [www.dmdcpa.com.ph](http://www.dmdcpa.com.ph)

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

#### *Valuation of Advances to Related Parties*

The advances to related parties represents 78% of the total assets. Portion of the advances to related parties pertains to the value of assets transferred by the Company to a related party for exploration and future development work of its oil properties which remained nonmoving and uncollected since 2010. Thus, the valuation of the receivable was significant to our audit.

#### *Our response*

Our audit procedures to address the risk of material misstatement relating to valuation of receivables, which was considered to be a significant risk, included:

- Obtained confirmation of receivable from related parties.
- Reviewed subsequent collections/ application of payments of related parties.
- Confirmed the necessity and adequacy of impairment provisions by reviewing correspondence and other documentation.
- Inspected related parties' files on overdue debts for evidence of disputes and the profitability of settlement, ensure adequate provision has made.
- Examined financial statements of related parties and assess the collectibility of the receivables.
- Inspected financial statements of related parties if the receivables are reflected.
- Considered the related parties' management/ business plans to continue as a going concern entity.

The Company's disclosures about its advances to related parties are included in Note 10.

#### *Going Concern*

As disclosed in Note 2, the Company's operations requires a significant amount of funds to support exploration programs which are key determinant of the Company's ability to continue as a going concern.

#### *Our response*

Our audit procedures to address going concern issue, which was considered to be a significant risk, included:

- Reviewed business plans and discussed it with the Board of Directors to assess its viability.
- Read minutes of meetings of stockholders, board of directors, and important committees of the board.
- Sought entity's legal counsel confirmation about any litigations, claims and assessments.
- Confirmed with related parties of the details of arrangements to provide or maintain financial support.
- Reviewed any subsequent events relevant to the Company's operations.





### *Other information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to ease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### *Auditors' Responsibilities for the Audits of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

*Report on Supplementary Information required by the Bureau of Internal Revenue*

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

**Diaz Murillo Dalupan And Company**

Tax Identification No. 003-294-822

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

SEC Accreditation No. 0192-FR-2, Group A, effective until May 1, 2019

BIR Accreditation No. 08-001911-000-2016, effective until March 17, 2019

By:

  
Rosemary D. De Mesa  
Partner

CPA Certificate No. 29084

SEC Accreditation No. 1089-AR-1, Group A, effective until March 25, 2017

Tax Identification No. 104-576-953

PTR No. 5918240, January 10, 2017, Makati City

BIR Accreditation No. 08-001911-007-2016, effective until March 17, 2019

March 20, 2017





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

	As at December 31	
	2016	2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash - note 5	P 527,872	P 514,110
Prepayments and other current assets - note 6	40,932	58,213
	<b>568,804</b>	<b>572,323</b>
<b>Noncurrent Assets</b>		
Available-for-sale financial assets (net) - note 7	77,945,673	78,196,656
Advances to related parties (net) - note 10	278,487,228	281,216,291
	<b>356,432,901</b>	<b>359,412,947</b>
<b>TOTAL ASSETS</b>	<b>P 357,001,705</b>	<b>P 359,985,270</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liability</b>		
Accounts payable and other liabilities - note 8	P 714,353	P 355,941
<b>Noncurrent Liability</b>		
Advances from related parties - note 10	4,130,606	3,911,110
	<b>4,844,959</b>	<b>4,267,051</b>
<b>Equity</b>		
Capital stock - note 9	1,207,543,621	1,207,543,621
Unrealized fair value gain on AFS financial assets - note 7	6,525,555	6,776,538
Deficit - note 2	( 825,855,680)	( 822,545,190)
	<b>388,213,496</b>	<b>391,774,969</b>
Treasury shares - note 9	( 36,056,750)	( 36,056,750)
	<b>352,156,746</b>	<b>355,718,219</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P 357,001,705</b>	<b>P 359,985,270</b>

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



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

	For the Years Ended December 31		
	2016	2015	2014
<b>COSTS AND EXPENSES</b> - note 11	(P 2,805,053)	(P 2,154,452)	(P 2,125,076)
<b>OTHER EXPENSES</b> - net - note 12	( 505,437)	( 438,353)	( 17,179,600)
<b>LOSS BEFORE INCOME TAX</b>	( 3,310,490)	( 2,592,805)	( 19,304,676)
<b>BENEFIT FROM INCOME TAX</b> - note 13			
Current	-	-	-
Deferred	-	-	-
	-	-	-
<b>NET LOSS FOR THE YEAR</b>	( 3,310,490)	( 2,592,805)	( 19,304,676)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Subject to reclassification to profit or loss:			
Unrealized fair value gain (loss) on AFS financial assets - note 7	( 250,983)	( 5,270,638)	1,254,914
<b>TOTAL COMPREHENSIVE LOSS</b>	(P 3,561,473)	(P 7,863,443)	(P 18,049,762)
<b>LOSS PER SHARE</b> - note 14	(P 0.003)	(P 0.002)	(P 0.016)

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



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

	Capital Stock (Note 9)	Treasury Shares (Note 9)	Deficit (Note 2)	Assets (Note 7)	Unrealized Fair Value Gain (Loss) on AFS Financial	Total
<b>Balance as at January 1, 2014</b>	<b>P 1,207,543,621</b>	<b>(P 36,056,750)</b>	<b>(P 800,647,709)</b>	<b>P 10,792,262</b>		<b>P 381,631,424</b>
<b>Comprehensive income</b>						
Net loss for the year	-	-	( 19,304,676)	-	( 19,304,676)	
Other comprehensive income	-	-	-	1,254,914	1,254,914	
<b>Total comprehensive loss for the year</b>			<b>( 19,304,676)</b>	<b>1,254,914</b>	<b>( 18,049,762)</b>	
<b>Balance as at December 31, 2014</b>	<b>1,207,543,621</b>	<b>( 36,056,750)</b>	<b>( 819,952,385)</b>	<b>12,047,176</b>		<b>363,581,662</b>
<b>Comprehensive income</b>						
Net loss for the year	-	-	( 2,592,805)	-	( 2,592,805)	
Other comprehensive loss	-	-	-	( 5,270,638)	( 5,270,638)	
<b>Total comprehensive loss for the year</b>			<b>( 2,592,805)</b>	<b>( 5,270,638)</b>	<b>( 7,863,443)</b>	
<b>Balance as at December 31, 2015</b>	<b>1,207,543,621</b>	<b>( 36,056,750)</b>	<b>( 822,545,190)</b>	<b>6,776,538</b>		<b>355,718,219</b>
<b>Comprehensive income</b>						
Net loss for the year	-	-	( 3,310,490)	-	( 3,310,490)	
Other comprehensive loss	-	-	-	( 250,983)	( 250,983)	
<b>Total comprehensive loss for the year</b>			<b>( 3,310,490)</b>	<b>( 250,983)</b>	<b>( 3,561,473)</b>	
<b>Balance as at December 31, 2016</b>	<b>P 1,207,543,621</b>	<b>(P 36,056,750)</b>	<b>(P 825,855,680)</b>	<b>P 6,525,555</b>		<b>P 352,156,746</b>

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

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

	For the Years Ended December 31		
	2016	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax	(P 3,310,490)	(P 2,592,805)	(P 19,304,676)
Adjustments for income tax:			
Provision for impairment of input tax - note 12	286,409	227,446	849,604
Unrealized foreign exchange loss - note 10	219,496	211,368	16,833
Write-off of other asset - note 11	-	-	33,444
Provision for doubtful accounts on advances to related parties - note 10	-	-	16,313,504
Operating loss before working capital changes	( 2,804,585)	( 2,153,991)	( 2,091,291)
Increase in prepayments and other current assets	( 269,128)	( 247,429)	( 138,752)
Increase (decrease) in accounts payable and other liabilities	358,412	( 70,712)	155,525
Net cash used in operations	( 2,715,301)	( 2,472,132)	( 2,074,518)
Income tax paid	-	-	-
Net cash used in operating activities	( 2,715,301)	( 2,472,132)	( 2,074,518)
<b>CASH FLOW FROM INVESTING ACTIVITY</b>			
Collection of advances to related parties - note 10	2,729,063	2,855,056	2,091,233
<b>NET INCREASE IN CASH</b>	13,762	382,924	16,715
<b>CASH</b>			
At beginning of year	514,110	131,186	114,471
At end of year	P 527,872	P 514,110	P 131,186

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



## **FORUM PACIFIC, INC.**

### **Notes to Company Financial Statements**

As at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016

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

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

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

The accompanying financial statements of the Company as at and for the year ended December 31, 2016 including its comparatives for 2015 and 2014 were approved and authorized for issue by its Board of Directors (BOD) on March 20, 2017.

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

##### *Management's Assessment of the Going Concern Assumption*

The nature of the Company's operations requires it to spend significant amount of funds to support exploration programs and operating expenses for it to operate profitably in the future. The Company incurred losses amounting to ₱3,310,490, ₱2,592,805, and ₱19,304,676 in 2016, 2015, and 2014, respectively. The Company had accumulated a deficit of ₱825,855,680 and ₱822,545,190 as at December 31, 2016 and 2015 respectively. To continue as going concern, the officers and major stockholders of the Company has committed to provide full financial support to the Company to sustain its operations, meet the working capital requirements and settle obligations as they fall due.

##### *Business Plans*

With the volatile situation of metal and oil prices in the global market, the management's previous plan on banking on new petroleum and gas and other mining contracts is temporarily reserved. For 2017 the Company plans to undertake the following:

- Outline business target projects, welcome other business opportunities from different industries apart from oil and gas and mineral exploration.
- Continue research for areas and land mine with potential mineral deposits using affiliated Group's geologists and engineers.
- Evaluate acquisition of equipment should the mine sites proved to be favorable.
- Evaluate potential buyers to buy out investment with Forum Exploration, Inc. (FEI). The Company owns 33.33% of FEI's outstanding shares with a carrying amount of ₱63,890,638 (see Note 7).

- Evaluate advances to affiliates and design collection program to improve the Company's financial status. As at December 31, 2016 and 2015, the Company has existing into contracts with TWGI to collect outstanding advances (see Note 10).
- Evaluate calling for the remaining stock subscription as source of fund for future projects. The Company has outstanding ₱667,456,375 subscription receivable (see Note 9).

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

### 3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **Statement of Compliance**

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

#### **Basis of Preparation**

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

#### **Functional and Presentation Currency**

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

#### **Changes in Accounting Policies and Disclosures**

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

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

The annual improvements addressed the following issues:

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



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

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

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

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

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

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

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

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

The amendments are not applicable to the financial statements as the Company has no property, plant and equipment.



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

The amendments are not applicable to the financial statements as the Company has no intangible assets.

*PAS 16, Property, Plant and Equipment, and PAS 41, Agriculture - Bearer Plants (Amendments).* The amendments clarify that bearer plants are within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with PAS 16. The amendments also introduce the definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Moreover, it also clarifies that produce growing on bearer plants remains within the scope of PAS 41. The amendments are effective for annual periods beginning on or after January 1, 2016.

The amendments are not applicable to the financial statements as the Company has no bearer plants.

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

The amendments are not applicable to the Company's financial statements.

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

The amendments are not applicable to the financial statements as the Company is not an investment entity and does not have any holding company, subsidiary or joint venture that qualifies as an investment entity.



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

The amendment is not applicable to the financial statements as the Company does not have interests in joint operations.

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

The standard is not applicable to the financial statements since the Company is not subject to rate regulations.

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

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

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

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

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

The amendments will not have a material impact on the disclosures and amounts recognized on the Company's financial statements.

*Annual Improvements to PFRS 2014-2016 Cycle*

The annual improvements addressed the following issues:

*PFRS 1 (Amendments), First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-term Exemptions for First-time Adopters.* The amendments deleted some short-term exemptions for first-time adopters and the related effective date paragraphs as the reliefs provided were no longer applicable and had been available to entities only for reporting periods that had passed. The amendments are effective for annual periods beginning on or after January 1, 2018.

*PFRS 12 (Amendments), Disclosure of Interests in Other Entities – Clarification of the Scope of the Standard.* The amendments clarify the scope of PFRS 12 by specifying that its disclosure requirements, except for those in paragraphs B10–B16, apply to an entity's interests that are classified (or included in a disposal group that is classified) as held for sale or discontinued operations in accordance with PFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The amendments are effective for annual periods beginning on or after January 1, 2017 and shall be applied retrospectively.

*PAS 28 (Amendments), Investments in Associates and Joint Ventures – Measuring an Associate or Joint Venture at Fair Value.* The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The amendments are effective for annual periods beginning on or after January 1, 2018 and shall be applied retrospectively. However, early application of these amendments is permitted.

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



*PAS 40 (Amendments), Investment Property – Transfers of Investment Property.* The amendments clarify that to transfer to, or from, investment properties there must be a change in use. A change in use would involve (a) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (b) supporting evidence that a change in use has occurred. The application of the amendments provides two options for transition: (a) An entity shall apply those amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments; or (b) retrospective application if, and only if, that is possible without the use of hindsight. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

The amendments will not have a material impact on the disclosures and amounts recognized on the Company's financial statements.

*PFRS 2 (Amendments), Share-based Payment - Classification and Measurement of Share-based Payment Transactions.* The amendments address the: (a) accounting for modifications to the terms and conditions of share-based payments that change the classification of the transaction from cash-settled to equity-settled; (b) accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; and (c) the classification of share-based payment transactions with a net settlement feature for withholding tax obligations. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

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

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

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



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

The management does not anticipate that the application of PFRS 9 will have a significant impact on the financial statements as the Company's AFS financial assets will continue to be measured at fair value with fair value recognize in the other comprehensive income, and financial liabilities pertains only to debt securities that will continue to be measured at amortized cost.

*PFRS 15, Revenue from Contracts with Customers.* This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in that framework is that an entity should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps: (a) identify the contracts with customers; (b) identify the performance obligations in the contract; (c) determine the transaction price; (d) allocate the transaction price to the performance obligations in the contract; and (e) recognize revenue when the entity satisfies a performance obligation. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

The new standard will not have an impact on the disclosures and amounts recognized on the Company's financial statements.

*PFRS 15 (Amendments), Revenue from Contracts with Customers – Clarifications to PFRS 15 Revenue from Contracts with Customers.* This addresses clarifying amendments to PFRS 15 and introduced a transitional relief for entities applying the standard for the first time. The focus of these amendments is on clarifying the application of PFRS 15 when (a) identifying performance obligations by clarifying how to apply the concept of 'distinct', (b) determining whether an entity is acting as principal or an agent in a transaction by clarifying how to apply the control principle, and (c) assessing whether a license transfers to a customer over time or at a point in time by clarifying when a company's activities significantly affect the intellectual property to which the customer has rights. The amendments also add two practical expedients to the transition requirements of PFRS 15 for completed contracts under the full retrospective transition approach and contract modifications at transition. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

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



*Philippine Interpretation IFRIC-22, Foreign Currency Transactions and Advance Consideration.* This Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

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

The interpretation will have no significant impact on the Company's financial statements.

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

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

### **Financial Instruments**

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

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

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

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

Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As at December 31, 2016 and 2015, the Company did not hold any financial assets at FVPL and HTM investment, and financial liabilities at FVPL.

#### **Determination of Fair Value and Fair Value Hierarchy**

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

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

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

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

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

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

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

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

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

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



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

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

#### **"Day 1" Difference**

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

#### **Amortized Cost of Financial Instruments**

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

#### **Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognized in the comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

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

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

#### **Cash**

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

### **AFS Financial Assets**

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

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

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

The Company's AFS financial assets include equity securities as at December 31, 2016 and 2015 (see Note 7).

### **Other Financial Liabilities**

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

As at December 31, 2016 and 2015, included in other financial liabilities are the Company's accounts payable and other liabilities (excluding government liabilities), and advances from related parties (see Notes 8 and 10).

### **Offsetting of Financial Instruments**

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



### **Derecognition of Financial Assets and Financial Liabilities**

#### *(a) Financial assets*

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

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

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

#### *(b) Financial liabilities*

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

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

### **Impairment of Financial Assets**

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

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

*(a) Financial assets carried at cost*

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

*(b) Loans and receivables*

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

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

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



*(c) AFS financial assets*

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

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

**Input Tax**

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

**Impairment of Non-financial Assets**

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

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

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

**Retirement Benefits**

The Company does not provide any retirement benefits because it does not have any employee as at December 31, 2016 and 2015. The Company's administrative functions are performed by its related party, The Wellex Group, Inc. (TWGI).

### **Current and Deferred Income Tax**

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

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

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

### **Leases**

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



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

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

### **Equity**

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

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

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

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

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

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

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

### **Revenue Recognition**

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

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

### **Cost and Expense Recognition**

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

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

### **Foreign Currency-denominated Transactions and Translations**

#### *(a) Functional and Presentation Currency*

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

#### *(b) Transactions and Balances*

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

### **Related Party Relationships and Transactions**

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



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

#### **Basic Earnings (Loss) Per Share**

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

#### **Provisions and Contingencies**

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

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

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

#### **Events After the Reporting Date**

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

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

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

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

#### *Impairment of available-for-sale financial assets*

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

#### *Impairment of input tax*

Management believes that the recoverability of input tax is doubtful since the Company is not expecting income subject to output tax in the near future. Consequently, the Company has provided full valuation allowance of its input tax in 2016.

#### *Operating lease commitments*

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

#### *Provisions and contingencies*

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

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

As at December 31, 2016, the Company has no outstanding liabilities in relation to the above-mentioned case.



### **Significant Accounting Estimates and Assumptions**

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

#### *Deferred tax assets*

The Company reviews the carrying amounts at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Due to non-operation of the Company, management expects that the Company will continue to incur losses and the related deferred tax assets will not be utilized in the near future. The Company's deferred tax assets with full valuation allowance are fully disclosed in Note 13.

#### *Allowance for impairment of advances to related parties*

Allowance for impairment of advances to related parties is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on the status of the advances to related parties, past collection experience and other factors that may affect collectibility. Allowance for impairment loss on advances to related parties amounted to ₱213,009,332 as of December 31, 2016, and 2015 (see Note 10).

#### *Allowance for impairment on AFS carried at cost*

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

## **5. CASH**

Cash represents cash in bank with outstanding balance of ₱527,872 and ₱514,110 as at December 31, 2016 and 2015, respectively. Interest income earned from bank deposits were ₱468, ₱461 and ₱341 for the years ended December 31, 2016, 2015 and 2014, respectively (see Note 12).

There is no restriction on the Company's cash as at December 31, 2016 and 2015.

6. **PREPAYMENTS AND OTHER CURRENT ASSETS**

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

	2016	2015
Input tax	<b>P 1,363,458</b>	<b>P 1,077,050</b>
Other current assets	<b>40,932</b>	<b>58,213</b>
	<b>1,404,390</b>	<b>1,135,263</b>
Less: Valuation allowance on input tax – note 12	<b>(1,363,458)</b>	<b>(1,077,050)</b>
	<b>P 40,932</b>	<b>P 58,213</b>

Movements in the allowance on input tax are as follows:

	2016	2015
Balance at beginning of year	<b>P 1,077,050</b>	<b>P 849,604</b>
Provision during the year – note 12	<b>286,408</b>	<b>227,446</b>
Balance at end of year	<b>P 1,363,458</b>	<b>P 1,077,050</b>

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

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

	2016	2015
<b>Unquoted shares</b>		
Cost	<b>P 73,211,573</b>	<b>P 73,211,573</b>
Impairment loss	<b>( 9,320,935)</b>	<b>( 9,320,935)</b>
	<b>63,890,638</b>	<b>63,890,638</b>
<b>Quoted shares</b>		
Cost	<b>7,529,480</b>	<b>7,529,480</b>
Net unrealized fair value gain	<b>6,525,555</b>	<b>6,776,538</b>
	<b>14,055,035</b>	<b>14,306,018</b>
	<b>P 77,945,673</b>	<b>P 78,196,656</b>

Investment in unquoted shares of stock represents 33.33% ownership of the Company in Forum Exploration, Inc. (FEI) in 2016 and 2015. This investment is classified as AFS financial assets as the Company does not participate in the financial and operating policy of the investee which manifests control or significant influence. These investments are stated at cost less impairment loss since there is no quoted price in an active market (see Note 10).

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

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

	2016	2015	2014
At beginning of year	<b>P 6,776,538</b>	<b>P12,047,176</b>	<b>P 10,792,262</b>
Fair value changes during the year	<b>( 250,983)</b>	<b>( 5,270,638)</b>	<b>1,254,914</b>
At end of year	<b>P 6,525,555</b>	<b>P 6,776,538</b>	<b>P 12,047,176</b>

The Company's AFS financial assets as at December 31, 2016 and 2015 are not held as collateral for its financial liabilities.

## 8. ACCOUNTS PAYABLE AND OTHER LIABILITIES

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

	2016	2015
Accrued expenses	<b>P 691,728</b>	<b>P 335,316</b>
Accounts payable	<b>15,000</b>	<b>15,000</b>
Withholding tax payable	<b>7,625</b>	<b>5,625</b>
	<b>P 714,353</b>	<b>P 355,941</b>

Accrued expenses consist mainly of accrued professional fees.

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

## 9. CAPITAL STOCK

Details of the Company's capital stock as at December 31, 2016 and 2015 are as follows:

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

The Company has one class of common shares which carry no right to fixed income. No movement in the capital stock of the Company in 2016 and 2015 reporting periods. There were no shares of the Company reserved for issue under options and contracts for the sale of shares as at December 31, 2016 and 2015.



*Track record of registration of securities*

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

On September 2, 1996, the Board of Directors and stockholders approved a resolution to amend the Company's Article of Incorporation by changing the par value per share of P0.01 to P1.00, removing the pre-emptive rights of shareholders and increasing authorized capital stock from P500 million divided by 50 billion shares to P2 billion divided into 2 billion shares. On September 27, 1996, SEC approved the amendment on the Company's capital structure.

On August 22, 1997, the Board of Directors and the stockholders approved a further increase in the Company's authorized capital stock from P2 billion to P3.5 billion divided into 3.5 billion shares with a par value of P1 per share. On March 11, 1998, SEC approved the Company's increased in authorized capital stock.

The Company has 1.5 billion shares listed and traded in the PSE as at December 31, 2016 and 2015.

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

<b>December 31, 2016</b>	<b>P 0.190</b>
December 31, 2015	0.210
December 31, 2014	0.315

**10. RELATED PARTY TRANSACTIONS**

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

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

Related parties and relationships	Nature of transactions	Amount of transactions		Outstanding receivable		Terms / Conditions
		2016	2015	2016	2015	
With common key management						
The Wellex Group, Inc.(TWGI)	Cash advance	P2,027,063	P2,153,056	P319,865,484	P322,594,547	(a)
	Consultancy agreement	480,000	480,000	—	—	(a)
	Rental of office space	222,000	222,000	—	—	(a)
Forum Exploration, Inc. (FEI)	Transfer of assets	—	—	171,631,076	171,631,076	(b)
		2,729,063	2,855,056	491,496,560	494,225,623	
Impairment loss:						
TWGI		—	—	( 162,253,710)	( 162,253,710)	
FEI		—	—	( 50,755,622)	( 50,755,622)	
		—	—	( 213,009,332)	( 213,009,332)	
		P2,729,063	P2,855,056	P278,487,228	P281,216,291	

Related parties and relationships	Nature of transactions	Amount of transactions		Outstanding payable		Terms/ Conditions
		2016	2015	2016	2015	
With common key management						
Forum Exploration, Ltd.(FEL)	Cash advance for working capital	P -	P -	P 4,130,606	P 3,911,110	(c)

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

On December 15, 2012, TWGI issued a promissory note to the Company maturing on December 15, 2015 amounting to P330,495,385 without interest. On December 16, 2015, the promissory note was renewed for another three (3) years maturing on December 16, 2018. To settle the outstanding advances, the Company entered into the following contracts with TWGI, which in return, amounts incurred will be applied to the outstanding advances:

- The Company subleases an office space from TWGI on May 2014. The lease is for a period of two (2) years but renewable thereafter upon mutual agreement of both parties. The contract was renewed on May 2016 for another two (2) years.

Total rental and utilities expense charged to operations for the years ended December 31, 2016 and 2015 as follows (see Note 11):

	2016	2015	2014
Rent	<b>P 150,000</b>	<b>P 150,000</b>	<b>P 150,000</b>
Utilities	<b>72,000</b>	<b>72,000</b>	<b>72,000</b>
	<b>P 222,000</b>	<b>P 222,000</b>	<b>P 222,000</b>

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

	2016	2015
Not later than one year	<b>P 150,000</b>	<b>P 50,000</b>
Later than one year but not later than five years	<b>50,000</b>	<b>-</b>
	<b>P 200,000</b>	<b>P 50,000</b>

- On April 2012, the Company has entered into a consultancy agreement with TWGI, whereby the latter will provide corporate planning and financial services on its various corporate functions and undertakings. Total management fee charged to operations amounted to P480,000 for the years ended December 31, 2016, 2015 and 2014 (see Note 11).

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

	2016	2015
Advances	<b>P319,865,484</b>	<b>P 322,594,547</b>
Allowance for impairment loss	<b>(162,253,710)</b>	<b>(162,253,710)</b>
Net carrying amount	<b>P157,611,774</b>	<b>P 160,340,837</b>



The Company originally provides allowance for impairment amounting to P162,253,710 as at December 31, 2016 and 2015 on advances to TWGI prior to agreements entered to settle the outstanding advances. Allowance for impairment will be reversed once the unimpaired portion of advances is substantially collected and upon assessment by the management on the continuity of the existing agreements.

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

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

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

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

	2016	2015
Advances	<b>P 171,631,076</b>	P 171,631,076
Allowance for impairment loss	<b>(50,755,622)</b>	(50,755,622)
Net carrying amount	<b>P 120,875,454</b>	P 120,875,454

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

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

The Company received USD denominated cash advances from FEI, Ltd. amounted to \$82,922 with no definite terms of payment.

	2016	2015
At beginning of year	<b>P 3,911,110</b>	P 3,699,742
Unrealized foreign exchange loss – note 12	<b>219,496</b>	211,368
At end of year	<b>P 4,130,606</b>	P 3,911,110

*(d) Remuneration to key management personnel*

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

*(e) Others*

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



# 11. **COSTS AND EXPENSES**

Cost and expenses for the years ended December consists of:

	2016	2015	2014
Professional fees	<b>₱1,565,622</b>	<b>₱ 915,822</b>	<b>₱ 832,733</b>
Management fees – note 10	<b>480,000</b>	480,000	480,000
Membership fees and dues	<b>264,049</b>	264,049	269,049
Rent and utilities – note 10	<b>222,000</b>	222,000	222,000
Office supplies	<b>77,658</b>	86,674	69,611
Travel and transportation	<b>52,728</b>	37,563	84,406
Communication	<b>39,687</b>	26,282	29,382
Taxes and licenses	<b>17,480</b>	17,485	22,325
Representation	–	–	30,625
Miscellaneous	<b>85,829</b>	104,577	84,945
	<b>₱2,805,053</b>	<b>₱ 2,154,452</b>	<b>₱ 2,125,076</b>

Membership fees and dues include annual PSE listing and registration.

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

# 12. **OTHER EXPENSES** - net

Other expenses for the years ended December 31 consists of:

	2016	2015	2014
Provision for impairment on:			
Input tax – note 6	<b>(₱ 286,409)</b>	<b>(₱ 227,446)</b>	<b>(₱ 849,604)</b>
Advances to related parties – note 10	–	–	( 16,313,504)
Unrealized foreign exchange loss – note 10	<b>( 219,496)</b>	<b>( 211,368)</b>	<b>( 16,833)</b>
Interest income – note 5	<b>468</b>	461	341
	<b>(₱ 505,437)</b>	<b>(₱ 438,353)</b>	<b>(₱17,179,600)</b>

### 13. INCOME TAXES

#### *Reconciliation of tax expense*

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

	2016	2015	2014
Loss before income tax	(P 3,310,490)	(P 2,592,805)	(P 19,304,676)
Income tax benefit at statutory rate :	(P 993,147)	(P 777,842)	(P 5,791,403)
Income tax effect on:			
Nontaxable income	( 140)	( 138)	( 103)
Provision for doubtful accounts	—	—	4,894,052
Expired NOLCO	799,162	442,105	295,864
Expired MCIT	—	61,353	—
Change in valuation allowance	194,125	274,522	601,590
	<b>P —</b>	<b>P —</b>	<b>P —</b>

The composition of deferred tax assets is as follows:

	2016	2015
NOLCO	<b>P 2,125,374</b>	<b>P 2,083,020</b>
Impairment loss on AFS Securities	<b>2,796,280</b>	<b>2,796,280</b>
Unrealized foreign exchange loss	<b>579,702</b>	<b>513,854</b>
Provision for input tax	<b>409,038</b>	<b>323,115</b>
MCIT	—	—
	<b>5,910,394</b>	<b>5,716,269</b>
Valuation allowance	<b>( 5,910,394)</b>	<b>( 5,716,269)</b>
	<b>P —</b>	<b>P —</b>

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

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

As at December 31, 2016, the Company has NOLCO and MCIT that can be claimed as deduction from future income tax payable and taxable income, respectively, as follows:

Year Incurred	Expiration Date	Beginning balance	Additions	Expired	Claimed	Ending balance
<b>NOLCO</b>						
2016	2019	<b>P —</b>	<b>P 2,805,053</b>	<b>P —</b>	<b>P —</b>	<b>P 2,805,053</b>
2015	2018	2,154,452	—	—	—	2,154,452
2014	2017	2,125,076	—	—	—	2,125,076
2013	2016	2,663,872	—	( 2,663,872)	—	—
		<b>P 6,943,400</b>	<b>P 2,805,053</b>	<b>( P 2,663,872)</b>	<b>P —</b>	<b>P 7,084,581</b>

**14. LOSS PER SHARE**

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

	2016	2015	2014
Net loss for the year	(P 3,310,490)	(P 2,592,805)	(P 19,304,676)
Weighted average number of common shares outstanding during the year	1,171,486,871	1,171,486,871	1,171,486,871
	(P 0.003)	(P 0.002)	(P 0.016)

**15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

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

***Credit risk***

Credit risk arises from cash and advances to related parties.

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

	2016	2015
Cash in bank	P 527,872	P 514,110
Advances to related parties, net of allowance	278,487,228	281,216,291
	P279,015,100	P 281,730,401

The credit quality of financial assets is discussed below:

***Cash in bank***

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



### Advances to related parties

As at December 31, 2016 and 2015, the Company classifies the credit quality of advances to related parties based on the following:

	2016	2015
Group 1	<b>P278,487,168</b>	P281,216,291
Group 2	<b>213,009,332</b>	213,009,332
Group 3	—	—
	<b>P491,496,560</b>	P494,225,623

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

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

The details of the Company's aging analysis of financial assets as at December 31, 2016 and 2015 are as follows:

December 31, 2016		Neither past due nor impaired	Past due but not impaired					Impaired
	Total		< 30 days	31-90 days	91-180 days	181-360 days	1-3 years	
Cash in bank	P 527,872	P 527,872	P —	P —	P —	P —	P —	P —
Advances to related parties	491,496,560	—	—	—	—	—	278,487,228	213,009,332
	<b>P492,024,432</b>	<b>P 527,872</b>	<b>P —</b>	<b>P —</b>	<b>P —</b>	<b>P —</b>	<b>P278,487,228</b>	<b>P213,009,332</b>

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

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

As at December 31, 2016 and 2015, the Company has entered into an agreement with its related party to settle the advances (see Note 10).

### Liquidity risk

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

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



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

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

December 31, 2016	Total	On demand	Less than three months	3 to 12 months	1 to 5 years
Account payable and other liabilities	P 714,353	P -	P -	P 714,353	P -
Advances from related parties	4,130,606	-	-	-	4,130,606
	<b>P 4,844,959</b>	<b>P -</b>	<b>P -</b>	<b>P 714,353</b>	<b>P 4,130,606</b>

December 31, 2015	Total	On demand	Less than three months	3 to 12 months	1 to 5 years
Account payable and other liabilities	P 355,941	P -	P -	P 355,941	P -
Advances from related parties	3,911,110	-	-	-	3,911,110
	<b>P 4,267,051</b>	<b>P -</b>	<b>P -</b>	<b>P 355,941</b>	<b>P 3,911,110</b>

The Company's current ratio for year ended December 31, 2016 and 2015 is 0.8 to 1 and 1.61 to 1, respectively.

#### **Price risk**

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

If the price of the available-for-sale financial assets had been 10% higher/lower the net income before tax for the year ended December 31, 2016 and 2015 would decrease/increase by P7,794,567 and P7,819,666 respectively.

#### **Foreign currency risk**

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

The Company is mainly exposed to foreign currency risk through its advances from a related party (\$82,922) which amounted to P4,130,606 and P3,911,110 as at December 31, 2016 and 2015, respectively.

The sensitivity rate used on reporting foreign currency risk internally to key management personnel is 10% and it represents management's assessment of reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary assets and liabilities and adjusts their translation at the period end for a 10% in foreign exchange rates. A positive number indicates an increase in net income when the Philippine Peso strengthens at 10% against the relevant currency. For 10% weakening of the Philippine Peso against the relevant currency, there would be an equal and opposite impact on the net income. If foreign exchange rates had been 10% higher/lower, the net loss before tax would decrease /increase by P413,061 and P391,111 in 2016 and 2015, respectively.

#### ***Capital Risk Objective and Management***

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

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

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

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

The gearing ratios as at December 31, 2016 and 2015 were as follows:

	2016	2015
Debt	<b>P 4,844,959</b>	<b>P 4,267,051</b>
Cash	<b>527,872</b>	<b>514,110</b>
Net debt	<b>4,317,087</b>	<b>3,752,941</b>
Equity	<b>352,156,746</b>	<b>355,718,219</b>
Gearing ratio	<b>1.23%</b>	<b>1.06%</b>

## 16. FAIR VALUE INFORMATION

### *Assets measured at fair value*

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

	Fair value as at December 31		Fair value hierarchy	Valuation techniques	Significant unobservable input	Relationship of unobservable inputs to fair value
	2016	2015				
<b>AFS financial assets</b>	<b>P 14,055,035</b>	<b>P 14,306,018</b>	Level I	Quoted bid prices in an active market	Not applicable	Not applicable

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

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

	2016		2015		Valuation techniques
	Carrying Value	Fair Value	Carrying Value	Fair Value	
<b>Financial Asset</b>					
Advances to related parties – noncurrent	P 278,487,228	P 239,139,194	P 281,216,291	P 232,003,440	Discounted value of future cash flows
<b>Financial Liabilities</b>					
Advances from related parties	P 4,130,606	P 3,546,984	P 3,911,110	P 3,226,666	Discounted value of future cash flows

For the long-term financial assets, the fair value of the non-interest bearing noncurrent assets is determined by based on the discounted value of future cash flows using the prevailing credit adjusted PDEx rates that are specific to the tenor of the instruments' cash flow as at reporting date. Discount rates used is 3.88% in 2016 and 3.93% in 2015.

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



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

*Supplementary information required by Revenue Regulations 15-2010*

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

*a) Output value-added tax*

The Company has no output VAT since it does not have any income subject to VAT for the years ended December 31, 2016 and 2015.

*b) Input value-added tax*

	2016	2015
At beginning of year	<b>P1,077,050</b>	<b>P 849,604</b>
Current purchases and payments for:		
Goods other than for resale or manufacture		1,080
Domestic purchases of services	<b>286,408</b>	226,366
	<b>P 1,363,458</b>	<b>P1,077,050</b>

*c) Taxes on importation*

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

*d) Excise Tax*

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

*e) Documentary stamp tax*

Documentary stamp tax paid by the Company amounted to nil in 2016 and 2015, respectively.

*f) Taxes and licenses*

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

	2016	2015
Business permits	<b>P16,195</b>	<b>P 16,325</b>
Corporate Community tax	660	660
BIR Annual registration	625	500
	<b>P17,480</b>	<b>P 17,485</b>



*g) Withholding taxes*

The details of total withholding taxes for the years ended December 31, 2016 and 2015, are shown below:

	2016	2015
Withholding tax on compensation	P -	P -
Expanded withholding tax	94,418	70,590
Final withholding tax	-	-
	<b>P 94,418</b>	<b>P 70,590</b>

*h) Deficiency tax assessment and tax cases*

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

\* \* \*

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

FORM 17-A, ITEM 7

**Financial Statements**

Statement of Management's Responsibility for Financial Statements

Report of Independent Public Accountants

Statements of Financial Position as at December 31, 2016 and 2015

Statements of Comprehensive Income for each of the three years ended December 31, 2016, 2015 and 2014

Statements of Changes in Equity for each of the three years ended December 31, 2016, 2015 and 2014

Statements of Cash Flows for each of the three years ended December 31, 2016, 2015 and 2014

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# APPENDIX A

## FORUM PACIFIC, INC. SCHEDULE SHOWING FINANCIAL SOUNDNESS PURSUANT TO SRC RULE 68, AS AMENDED DECEMBER 31, 2016

Ratio	2016	2015
<b>Profitability ratios:</b>		
Return on assets	N/A	N/A
Return on equity	N/A	N/A
Net profit margin	N/A	N/A
<b>Solvency and liquidity ratios:</b>		
Current ratio	0.80:1	1.61:1
Debt to equity ratio	0.01:1	0.01:1
Quick ratio	0.74:1	1.44:1
Cash-flow liquidity ratio	N/A	N/A
<b>Financial leverage ratio:</b>		
Asset to equity ratio	1.01:1	1.01:1
Debt to asset ratio	0.01:1	0.01:1
Interest rate coverage ratio	N/A	N/A

## APPENDIX B

### Schedule of Philippine Financial Reporting Standards effective as at December 31, 2016

FORUM PACIFIC, INC.

DECEMBER 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>				✓
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
<b>PFRS 3 (Revised)</b>	Business Combinations			✓
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		



## APPENDIX B

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
<b>PFRS 8</b>	Operating Segments			✓
<b>PFRS 9 (2014)</b>	Financial Instruments			✓
<b>PFRS 10</b>	Consolidated Financial Statements			✓
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
<b>PFRS 11</b>	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
<b>PFRS 12</b>	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
<b>PFRS 13</b>	Fair Value Measurement	✓		
<b>PFRS 14</b>	Regulatory Deferral Accounts			✓
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓

## APPENDIX B

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits			✓
	Amendments to PAS 19 - Defined Benefit Plans: Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓

## APPENDIX B

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓



## APPENDIX B

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
<b>Philippine Interpretations</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓



## APPENDIX B

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
SIC-15	Operating Leases – Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements; Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

**FORUM PACIFIC, INC.**  
**Schedule A. Financial Assets**  
**December 31, 2016**

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
Philippine Estates Corporation	50,196,553	P 14,055,035	P 14,055,035	P —
Forum Exploration, Inc.	62,500,000	63,890,638	—	—
Total	112,696,553	P 77,945,673	P 14,055,035	P —

**FORUM PACIFIC, INC.****Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates).****December 31, 2016**

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
The Wellex Group, Inc.	P322,594,547	P —	P2,729,063	P —	P —	P319,865,484	P319,865,484
Forum Exploration, Inc.	171,631,076	—	—	—	—	171,631,076	171,631,076
Total	P494,225,623	P —	P2,729,063	P —	P —	P491,496,560	P491,496,560

**FORUM PACIFIC, INC.**

**Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation  
of Financial Statement  
December 31, 2016**

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

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**FORUM PACIFIC, INC.**  
**Schedule D. Intangible Assets - Other Assets**  
**December 31, 2016**

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

**FORUM PACIFIC, INC.**  
**Schedule E. Long Term Debt**  
**December 31, 2016**

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
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None

**FORUM PACIFIC, INC.**  
**Schedule F. Indebtedness to Affiliates and Related Parties (Long-Term Loans**  
**from Related Companies)**  
**December 31, 2016**

Name of Affiliates	Balance at beginning of period	Balance at end of period
<i>a. Other affiliates</i>		
Forum Exploration, Ltd.	<b>P</b> 3,911,110	<b>P</b> 4,130,606

**FORUM PACIFIC, INC.**  
**Schedule G. Guarantees of Securities of Other Issuers**  
**December 31, 2016**

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

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**FORUM PACIFIC, INC.**  
**Schedule H. Capital Stock**  
**December 31, 2016**

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

# FORUM PACIFIC, INC.

## Schedule I. List of Top 20 Stockholders of Record December 31, 2016

Name of Stockholders	Citizenship	Tax Identification No.	Amount Subscribed	Percentage to total Outstanding
International Polymer Corporation	Filipino	210-000-232-426	P 496,887,494	26.501
PCD Nominee Corporation	Filipino	004-774-849-000	415,369,624	22.150
The Wellex Group, Inc.	Filipino	004-740-001-000	376,950,000	20.104
E.F. Durkee & Associates, Inc.	Filipino	321-002-155-628	77,838,563	4.151
Intra-Invest Sec., Inc.	Filipino	000-162-545-000	48,159,000	2.568
Metropolitan Management Corporation	Filipino	470-002-151-280	30,000,000	1.600
Juanito C. Uy	Filipino	127-179-750-000	22,625,001	1.207
Pacrim Energy N.L.	Others	324-668-750-000	21,000,000	1.120
Sapphire Securities, Inc.	Filipino	000-511-869-000	19,433,500	1.036
Benito Ong and/or Zita Y. Ong	Filipino	268-192-032-000	18,000,000	0.960
PCD Nominee Corp. (Non-Filipino)	Others	004-774-849-000	17,610,000	0.940
Li Chih-Hui	Filipino	004-454-732-000	17,100,000	0.910
Nestor S. Mangio	Filipino	003-754-123-000	12,500,000	0.667
A & A Securities, Inc.	Filipino	000-103-110-000	11,911,320	0.635
Mark Securities Corporation	Filipino	000-544-789-000	10,772,800	0.575
Globalinks Sec. & Stocks, Inc.	Filipino	000-849-752-000	9,400,000	0.501
Belson Securities, Inc.	Filipino	000-154-219-000	9,200,000	0.491
Wealth Securities, Inc.	Filipino	000-330-678-000	8,240,000	0.439
Ruben M. Gan	Filipino	174-154-039-000	7,610,000	0.406
David Go Securities Corporation	Filipino	000-320-855-000	6,880,000	0.367
			<u>P 1,637,487,302</u>	