



111042015000219



## SECURITIES AND EXCHANGE COMMISSION

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Company Information

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

### Document Information

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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.

1	2
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Fiscal Year

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FORM TYPE

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Month      Day

Annual Meeting

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Dept. Requiring this Doc.

Secondary License Type, If Applicable

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Amended Articles Number/Section

<b>890</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>3rd Quarter Report: FPI</b>
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**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q**

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

1. For the Quarter Period ended September 30, 2015
  
2. SEC Identification Number AS 093000120
  
3. BIR Tax Identification No. 312-002-155-598
  
4. **FORUM PACIFIC, INC.**  
Exact name of registrant as specified in its charter
  
5. **Metro Manila, Philippines**  
(Province, country or other jurisdiction of incorporation or organization)
  
6. (SEC Use only)  
Industry Classification Code
  
7. **35/F One Corporate Center, Doña Julia Vargas Ave., Cor. Meralco Ave., Ortigas Center Pasig City**  
Address of principal office
  
8. **Telephone No. 706-7888**  
Registrant's telephone number, including area code
  
9. **NOT APPLICABLE**  
**Former name**, former address, and former fiscal year, if changed since last report.
  
10. Securities registered pursuant to Sections 4 and 8 of the RSA :  

<u>Title of Each Class</u>	<u>No. of Shares of Common Stock Outstanding: and Amount of Debt Outstanding</u>
Common Shares – P1.00 par value	Issued - P 1,838,943,250 (Partially paid Subscription – P 1,171,486,871)
  
11. Are any or all of these securities listed on the Philippine Stock Exchange?  
Yes [ x ]      No. [   ]

12. Check whether the registrant:

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

Yes [ x ]      No [ ]

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

Yes [ x ]      No [ ]

13. The aggregate market value of the voting stock held by non-affiliates: P193,021,150.36

14. Not Applicable

## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

See Annex A.1 to A.5 and the accompanying notes to financial statements.

### Item 2. Managements Discussion and Analysis of Financial Condition and Results of Operations

□ Unaudited Income Statements

	July – Sept 2015	July – Sept 2014	Jan – Sept 2015	Jan – Sept 2014
Revenues	₱ –	₱ –	₱ –	₱ –
Less: Cost and Expenses	562,201	254,207	1,543,728	1,097,759
Loss from Operation	(562,201)	(254,207)	(1,543,728)	(1,097,759)
Add: Other Income	–	–	185	–
Loss before Income Tax	(562,201)	(254,207)	(1,543,543)	(1,097,759)
Income Tax Expense	–	–	–	–
Net Income(Loss)	(562,201)	(254,207)	(1,543,543)	(1,097,759)
Earnings (Loss) Per Share	(₱ 0.0005)	(₱ 0.0002)	(₱ 0.0013)	(₱ 0.0009)

□ Unaudited Balance Sheet

	As of September 30, 2015	As of September 30, 2014
Current Assets	₱ 379,421	₱ 1,014,759
Advances to related parties	281,983,311	300,976,616
Available-for-sale financial assets - net	83,467,295	82,212,380
Other noncurrent assets	–	33,444
<b>Total Assets</b>	<b>365,830,027</b>	<b>384,237,199</b>
Current liabilities	92,166	20,625
Noncurrent liabilities	3,699,742	3,682,909
Total Liabilities	3,791,908	3,703,534
Stockholders' Equity	362,038,119	380,533,665
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>₱ 365,830,027</b>	<b>₱ 384,237,199</b>

### Interim quarter ended September 30, 2015 compared with quarter ended September 30, 2014

#### RESULTS OF OPERATION

##### *Revenue and Earnings per share*

- Since the company is still banking on new petroleum and gas service contracts, no revenues were recorded for the third quarter of 2015 and 2014.
- The company incurred losses of ₱0.56 million and ₱0.25 million for the quarters ended September 30, 2015 and 2014, respectively. Earnings (loss) per share for the quarters ended September 30, 2015 and 2014 were (₱0.0005) and (₱0.0002), respectively. In line with the plan for the next twelve months, the Board will continue to explore business opportunities to aspire for maximized potential earnings.

## Cost and Expenses

- Cost and expenses consisted primarily of professional fees, taxes and licenses, PSE annual maintenance fee, management fee and office rental. Cost and expenses recorded for the 3rd quarter of 2015 and 2014 were ₱562,201 and ₱254,207 respectively. Increase of ₱307,994 or 121% pertains to net effect of (a) provision for impairment of input tax (₱50,103) for the current quarter; (b) increase in professional fees (₱197,600) due to legal fees paid for the pending case of the company; (c) increase in office supplies and printing & development (₱46,728) due to expenses for the preparation for annual stockholders' meeting; and (d) training and development and other expenses (₱8,357).

## FINANCIAL CONDITION

### Current Assets

- Current assets consist of Cash in Bank and Input Tax. Cash in Bank carries interest at respective bank deposit rate. On July 19, 2012, the Board of Directors approved the opening of a deposit account with Banco De Oro to facilitate the collection and disbursement processes of the company. Input tax is stated at face value less provision for impairment, if any. Allowance for unrecoverable input tax, if any, is maintained by the Company at a level considered adequate to provide potential uncollectible portion of the claims. The Company, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses. Balance of cash in bank as of September 30, 2015 and 2014 were ₱323,063 and ₱153,480, respectively. The Company provided full valuation on its Input tax as of September 30, 2015 amounting to ₱178,202.

### Available-For-Sale Financial Assets

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

	2015	2014
<b>Unquoted shares</b>		
Cost	₱ 73,211,573	₱ 73,211,573
Impairment loss	(9,320,935)	(9,320,935)
	<b>63,890,638</b>	63,890,638
<b>Quoted shares</b>		
Cost	7,529,480	7,529,480
Net unrealized fair value gain	12,047,176	10,792,262
	<b>19,576,656</b>	18,321,742
	<b>₱ 83,467,294</b>	₱ 82,212,380

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

Investment in unquoted shares of stock represents 33.33% ownership of the Company in Forum Exploration, Inc. (FEI) as at September 30, 2015 and 2014. This investment is classified as AFS financial assets as the Company does not participate in the financial and operating policy of the investee which manifests control or significant influence. These investments are stated at cost less impairment loss since there is no quoted price in an active market.

#### *Philippine Estates Corporation (PHES)*

Investment in quoted shares of stock represents investment in Philippines Estates Corporation (PHES), a publicly listed Company. The Company owns 50,196,553 common shares and constitutes 3% ownership in PHES.

The fair value of these shares as of September 30, 2015 and 2014 has been determined directly by reference to published prices in the active market.

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

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

The Company's AFS financial assets as at September 30, 2015 and 2014 are not held as collateral for its financial liabilities.

### ***Investments in Subsidiary***

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

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

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

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

### ***Related Party Transaction Account***

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

#### Relationships, Transactions and Account Balances

Related Parties	Relationship	Outstanding Balance	
		September 30, 2015	September 30, 2014
The Wellex Group, Inc.	Common key management	₱ 161,107,857	₱ 163,787,659
Forum Exploration, Inc.	Common key management	120,875,454	137,188,958
Forum Exploration, Ltd.	Common key management	(3,699,742)	( 3,682,908)

#### Advances to TWGI

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

On December 15, 2012, to settle its outstanding obligations to the Company, TWGI issued a three-year promissory note to the Company amounting to ₱330,495,385 without interest. In addition, the Company subleases an office space from TWGI starting April 2012. The lease is for a period of two (2) years but renewable thereafter upon mutual agreement of both parties. The contract was renewed on May 2014 for another two (2) years. Total rental and utilities expense charged to operations amounted to ₱55,500 for both periods ended September 30, 2015 and 2014.

Also in April 2012, the Company has entered into a consultancy agreement with TWGI, whereby the latter will provide corporate planning and financial services on its various corporate functions and undertakings. Total management fee charged to operations amounted to ₱120,000 for both periods ended September 30, 2015 and 2014.

Total collections of advances from TWGI amounted to ₱2,088,036 and ₱1,499,468 as of the 3rd quarter of 2015 and 2014, respectively.

#### Advances to FEI

Advances to FEI pertain to the carrying value of exploration net assets transferred by the Company. No transaction in the account balance was recognized for the quarter ended September 30, 2015 and 2014.

#### Advances from Forum (FEI), Ltd.

The Company received cash advances from Forum (FEI), Ltd. to finance its acquisition of 60% stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI). The advances have no definite terms of payment. Outstanding balance as at September 30, 2015 and 2014 amounted to ₱3,699,742 and ₱3,682,909 respectively.

#### Remuneration to key management personnel

The Company did not provide remuneration to key management personnel for the period ended September 30, 2015 and 2014. The administrative function of the Company is performed by its related party, TWGI, under the consultancy agreement entered by both parties as mentioned above.

#### **Current liabilities**

- This is primarily consists of Trade and Other Payable. Outstanding balance as at September 30, 2015 and 2014 amounted to ₱92,166 and ₱20,625, respectively. This includes payable for legal fees, retainer fee of stock transfer agent and withholding taxes payable.

#### **The Top five (5) Key Performance Indicators are:**

1. Advances to Related Parties – currently, TWGI is funding all operational expenses of the Company.
2. Current Ratios – Current Assets against the Current Liabilities of the Company. It measures the company's ability to pay short-term obligations. Current Ratio for the 3rd Quarter of 2015 and 2014 are 412% and 4920%, respectively.
3. Cash Ratio – the most conservative liquidity ratio. It excludes all current assets except the most liquid: cash and cash equivalents. It measures the amount of cash and cash equivalents there are in the current assets to cover current liabilities. The cash ratio of the company for the 3rd Quarter of 2015 and 2014 are 351% and 759%, respectively.
4. Debt ratio - It is one of the financial leverage ratios which measure the extent to which the firm is using long term debt. Formula is total debt divided by total assets. Debt ratio for the 3rd Quarter of 2015 and 2014 are 1.04% and 0.96%, respectively.



5. Debt-to-equity ratio - The formula is total debt divided by total equity. It indicates what proportion of equity and debt that the company is using to finance its assets. The debt to equity ratio for the 3rd Quarter of 2015 and 2014 are 1.05% and 0.97%, respectively.

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

**Forum Pacific, Incorporated**

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

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

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

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

In 2009, the Company again received an order of revocation of the registration and 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.

**Business Plans**

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

With the Company's experience in the participation on the Department of Energy's (DOE) 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 has been prioritizing on the improvement of its financial position and exploring new business opportunities in order to maintain strong and healthy cash flows, and at the same time, aspiring for maximized potential earnings.

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

*Plan of Operation*

- a. The Company will outline business target projects, including of which, is possible investment in or acquiring a mining industry apart from banking on new petroleum and gas service contracts. The Board is currently in the evaluation of their short listed mining companies with existing Mineral Product Sharing Agreement (MPSA) with the government. Negotiations with potential business partners will be in place in the next twelve months.

*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 ₱279M, subscription receivable of ₱600M and unsubscribed stocks of ₱1.6B as of June 30, 2015. The Officers and major stockholders of the Company have committed to provide full financial support to the Company once its projects will materialize. The Company estimates that it will satisfy its capital funding within two (2) years from the finalization of business project plan.

*Project Research and Development*

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

*Manpower and Capital Expenditures*

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

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

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

***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. In 2011, the management, upon recommendation of the Audit Committee, has written off its remaining investment in ESBI. The Company reclassified the corresponding unrealized fair value loss amounting to P3,710,917 from unrealized fair value loss on available-for-sale financial assets in equity to the statement of comprehensive income.

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

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

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

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

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

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

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

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

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

**(iii) Commitment For Capital Expenditures**

The material commitments for capital expenditures of the company are primarily includes; salaries and wages, taxes, depreciation and utilities and other related overheads. Since the parent company, still focus on looking for a strategic partner, there are no major expenses of the business for the year.

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

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

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

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

September 30, 2015		Total	On demand	Less than three months	3-12 months	1-5 years		
Advances from related parties	P	3,699,742	P	-	P	-	P	3,699,742
Trade and other payables		92,166		-		92,166		-
	P	3,791,908	P	-	P	92,166	P	3,699,742

  

September 30, 2014		Total	On demand	Less than three months	3-12 months	1-5 years		
Advances from related parties	P	3,682,908	P	-	P	-	P	3,682,908
Trade and other payables		20,625		-		20,625		-
	P	3,703,534	P	-	P	20,625	P	3,682,908

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

*PFRS 9 Financial instruments, effective January 1, 2015*, addresses the classification, measurement and recognition of financial assets and financial liabilities. PFRS 9 was issued in November 2009 and October 2010. It replaces the parts of PAS 39 that relate to the classification and measurement of financial instruments. PFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the PAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit or loss, unless this creates an accounting mismatch.

The adoption of PFRS 9 is expected to have no significant impact on the Company's financial statements as most of the Company's financial instruments are not complex. The Company will also consider the impact of the remaining phases of PFRS 9 when completed by the IASB and adopted by the FRSC.

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

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

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

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

## **PART II - OTHER INFORMATION**

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

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

		<b><u>“ CLASS A ”</u></b>	
		<u>High</u>	<u>Low</u>
2015	First Quarter	0.325	0.300
	Second Quarter	0.208	0.208
	Third Quarter	0.295	0.250
2014	First Quarter	0.180	0.180
	Second Quarter	0.163	0.154
	Third Quarter	0.215	0.189
2013	First Quarter	0.235	0.215
	Second Quarter	0.219	0.151
	Third Quarter	0.209	0.165
	Fourth Quarter	0.217	0.214

The high, low and close market price is ₱0.255, ₱0.255, and ₱255 per share as of November 2, 2015, respectively (the latest practicable trading date). There were no stock price quotations for the 1<sup>st</sup> quarter of 2011 due to trading suspension imposed by PSE for non-compliance with various reports. On May 17, 2011, trading suspension has been lifted after the Company complied thereof. The Corporation has only one class of registered security, “Class A – Common Shares”.

b) The number of shareholders of record as of September 30, 2015 was 890. Common shares issued and subscribed as of September 30, 2015 were 1,838,943,246.

**Forum Pacific Inc.**  
**List of Top 20 Stockholders**  
**As of September 30, 2015**

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

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 NOV 04 2015

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

Registrant: PETER S. SALUD  
Title: President  
Signature: [Handwritten Signature]

Registrant: ATTY. ARSENIO A. ALFILER, JR.  
Title: Corporate Secretary  
Signature: [Handwritten Signature]

Registrant: KENNETH T. GATCHALIAN  
Title: Treasurer  
Signature: [Handwritten Signature]

Dated NOV 04 2015

SUBSCRIBED AND SWORN to before me this NOV 04 2015 day of NOV 04 2015, 2015 in QUEZON CITY affiant (s) exhibiting to me his/their Tax Identification No. as follows:

AFFIANTS	Tax Identification No.
1. Peter S. Salud	107-777-803-000
2. Atty. Arsenio A. Alfiler, Jr.	108-760-143-000
3. Kenneth T. Gatchalian	167-406-526-000

Doc. No.: 771  
Page No.: 1  
Book No.: 2A  
Series of: 2015

[Handwritten Signature]  
ATTY. BENJAMIN E. ALFONSO  
NOTARY PUBLIC  
UNTIL December 31, 2016  
PTR NO. 0682987-C-1 20-15 - QUEZON CITY  
JRP NO. 975600 12-11-2014 - QUEZON CITY  
ROLL NO 13296  
ADM. MATTER NO. NP-144 (2015 - 2016)  
TIN NO. 177967619  
MULTI EXEMPTED

FORUM PACIFIC, INC.  
 STATEMENT OF FINANCIAL POSITION  
 AS OF SEPTEMBER 30, 2015 (in Php)

Annex A.1

ACCOUNT TITLES	Note	Unaudited September 30, 2015	Unaudited September 30, 2014	Audited Dec. 31, 2014
<b>Current Assets</b>				
Cash	2	323,063	153,480	131,186
Prepayments and other current assets	3	56,359	861,279	38,230
		<b>379,422</b>	<b>1,014,759</b>	<b>169,416</b>
<b>Non-current Assets</b>				
Advances to related parties	8	281,983,311	300,976,616	284,071,346
Available-for-sale financial assets –net	4	83,467,295	82,212,380	83,467,295
Other non-current assets		–	33,444	–
		<b>365,450,606</b>	<b>383,222,440</b>	<b>367,538,641</b>
<b>TOTAL ASSETS</b>		<b>365,830,028</b>	<b>384,237,199</b>	<b>367,708,057</b>
<b>Current liabilities</b>				
Accounts payable and other current liabilities	6	92,166	20,625	426,653
<b>Non-current Liabilities</b>				
Advances from related parties	8	3,699,742	3,682,908	3,699,742
<b>TOTAL LIABILITIES</b>		<b>3,791,908</b>	<b>3,703,534</b>	<b>4,126,395</b>
<b>EQUITY</b>				
Capital Stock	7			
Common stock, P1 par value Authorized 3,500,000,000 shares				
Issued - 819,355,920 shares		819,355,920	819,355,920	819,355,920
Subscribed - 1,055,644,080 shares ( on which subscription receivables amounts to P667,456,379)		388,187,701	388,187,701	388,187,701
Total Equity		1,207,543,621	1,207,543,621	1,207,543,621
Treasury Shares, 36,056,750 shares, at cost		(36,056,750)	(36,056,750)	(36,056,750)
Unrealized fair value loss on Available for sale financial assets		12,047,176	10,792,262	12,047,176
Deficits		(821,495,927)	(801,745,468)	(819,952,384)
<b>TOTAL EQUITY</b>		<b>362,038,120</b>	<b>380,533,665</b>	<b>363,581,662</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>365,830,028</b>	<b>384,237,199</b>	<b>367,708,057</b>

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



## STATEMENTS OF COMPREHENSIVE INCOME

FOR THE QUARTER ENDED SEPTEMBER 30, 2015 AND 2014

	<b>Jul – Sept 2015</b>	<b>Jul – Sept 2014</b>	<b>Jan – Sept 2015</b>	<b>Jan – Sept 2014</b>
<b>Revenue</b>	₱ –	₱ –	₱ –	₱ –
<b>Cost and Expenses</b> (Note 9)	(562,201)	(254,207)	(1,543,728)	(1,097,915)
<b>Gross Profit (Loss)</b>	(562,201)	(254,207)	(1,543,728)	(1,097,915)
<b>Other Income (Charges)</b>	–	–	185	156
<b>Net Income (Loss) Before Tax</b>	(562,201)	(254,207)	(1,543,543)	(1,097,759)
<b>Income Tax Expense</b>	–	–	–	–
<b>Net Income (Loss) For the Period</b>	<b>(₱ 562,201)</b>	<b>(₱ 254,207)</b>	<b>(₱ 1,543,543)</b>	<b>(₱ 1,097,759)</b>
<b>Loss Per Share</b> (Note 14)	<b>(₱ 0.0005)</b>	<b>(₱ 0.0002)</b>	<b>(₱ 0.0013)</b>	<b>(₱ 0.0009)</b>

**FORUM PACIFIC, INC. AND SUBSIDIARY**  
**STATEMENTS OF CASH FLOW**  
For the quarter ended September 30, 2015

**Annex A.3**

	Unaudited 3rd Qtr. Jan – Sept 2015	Unaudited 3rd Qtr. Jan – Sept 2014	Audited Dec. 31, 2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax	(P1,543,543)	(P1,097,759)	(P 19,304,676)
Adjustments for:			
Write-off of other asset	–	–	38,444
Provision for doubtful accounts on advances to related parties	–	–	16,313,504
Provision for impairment of input tax	178,202	–	849,604
Interest income	(185)	–	–
Unrealized foreign exchange loss (gain)	–	–	16,834
Operating income (loss) before working capital changes	( 1,365,526)	( 1,097,759)	( 2,091,291)
Decrease (Increase) in prepayments and other current assets	( 196,330)	( 112,197)	138,752
Increase (decrease) in accounts payable and other liabilities	( 334,487)	( 250,503)	155,525
Net cash used in operating activities	( 1,896,343)	( 1,460,459)	( 2,074,518)
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>			
Collections from (payments of):			
Advances to related parties	2,088,035	1,499,468	2,091,233
Interest received	185	–	–
Net cash provided by investing activity	2,088,220	1,499,468	18,404,738
<b>CASH FLOW FROM FINANCING ACTIVITY</b>			
Collections from (payments of):			
Advances from related parties	–	–	–
Net cash used in financing activity	–	–	–
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>191,877</b>	<b>39,009</b>	<b>16,715</b>
<b>CASH</b>			
At beginning of year	131,186	114,471	114,471
At end of year	P 323,063	P 153,480	P 131,186

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

**FORUM PACIFIC, INC. AND SUBSIDIARY**  
**Statements of Changes in Equity**  
**For The Quarter Ended September 30, 2015 and 2014**

**Annex A.4**

	<b>2nd Qtr. Jan – Sept 2015</b>	<b>2nd Qtr. Jan – Sept 2014</b>	<b>Audited Dec. 31, 2014</b>
Capital Stock	<b>₱1,207,543,621</b>	₱1,207,543,621	₱1,207,543,621
Treasury Shares	<b>(36,056,750)</b>	(36,056,750)	(36,056,750)
Unrealized Fair Value Gain (Loss) on Available-For-Sale Financial Assets	<b>12,047,176</b>	10,792,262	12,047,176
Deficit - Beginning	<b>(819,952,384)</b>	(800,647,709)	(800,647,709)
Net Loss for the period	<b>( 1,543,543)</b>	( 1,097,759)	(19,304,676)
Deficit - Ending	<b>(821,495,927)</b>	(801,745,468)	(819,952,384)
<b>TOTAL STOCKHOLDER'S EQUITY</b>	<b>₱362,038,119</b>	₱380,533,665	₱ 363,581,663

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

**NOTES TO INTERIM FINANCIAL STATEMENTS**  
September 30, 2015

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**Note 1 – Organizational Information**

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

On September 2, 1996, the Company changed its name from Cophil Exploration, Inc. to Forum Pacific, Inc. and again on September 8, 1997, the Company changed its name from Forum Pacific, Inc. to Air Philippines International Corporation (APIC). In 2000, the Company changes back its name to Forum Pacific, Inc.

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

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

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

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

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**Note 2 – Management Assessment of the Going Concern Assumption and Business Plans**

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*Management’s Assessment of the Going Concern Assumption*

Management believes that the going concern assumption is appropriate despite the existence of material uncertainty caused by recurring substantial losses of the Company. The Company incurred losses amounting to ₱1,543,543 and ₱1,097,759 in September 30, 2015 and 2014, respectively. The Company had accumulated deficit of ₱821,495,927 and ₱801,745,468 as at September 30, 2015 and 2014 respectively.

*Business Plans*

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

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 has been prioritizing on the improvement of its financial position and exploring new business opportunities in order to maintain strong and healthy cash flows, and at the same time, aspiring for maximized potential earnings.

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

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

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

#### **BASIS OF PREPARATION OF INTERIM FINANCIAL STATEMENT**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investments, in accordance with applicable Philippine Accounting Standards and in accordance with reporting practices applicable to the subsidiary bank.

The financial statements are presented in Philippine pesos, which is the Company's functional currency.

The financial statements have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS), which are accounting principles generally accepted in the Philippines. These are the Company's first PFRS financial statements where PFRS 1, "First Time Adoption of the Philippine Financial Reporting Standards", has been applied.

The preparation of the financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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#### **Note 3 – Summary of Significant Accounting Policies**

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

##### **Statement of Compliance**

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

## **Basis of Preparation**

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

## **Functional and Presentation Currency**

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

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

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

*PFRS 10 Consolidated Financial Statements, PFRS 12 Disclosure of Interest in Other Entities and PAS 27 Separate Financial Statements – Investment Entities (Amendments)*. The amendments to PFRS 10 define an investment entity and sets out an exception for a parent company that is an investment entity to consolidate its subsidiaries. Instead, the standard requires to measure the investment in its subsidiaries at fair value through profit or loss in accordance with PFRS 9, Financial Instruments in its consolidated and separate financial statements (PAS 27). The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities. These amendments also introduce new disclosure requirements for investment entities in PFRS 12 and PAS 27. These amendments are effective for annual periods beginning on or after January 1, 2014. The amendments have no impact on the Company's financial statements since the Company is not an investment entity.

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

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

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

*IFRIC Interpretation 21, Levies*. This interpretation addresses the accounting for a liability to pay a levy that is accounted for in accordance with PAS 37 Provisions, Contingent Liabilities and Contingent Assets and those whose timing and amount is certain. This interpretation clarifies that the

obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. The liability to pay a levy is recognized progressively when the obligating event occurs over a period of time. If the levy is subject to a minimum threshold, recognition of a levy liability occurs only at the point the minimum threshold is reached.

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

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

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

##### *Annual Improvements to PFRS 2010 – 2012 Cycle*

The annual improvements address the following issues:

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

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

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

The amendment is not applicable to the Company.

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

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

##### *PFRS 13 (Amendment), Fair Value Measurement – Short-term receivables and payables*

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

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

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

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

The amendment is not applicable to the Company.

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

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

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

The amendment is not applicable to the Company.

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

#### *Annual Improvements to PFRSs 2011 – 2013 Cycle*

The annual improvements address the following issues:

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

The amendment is not applicable to the Company.

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

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

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

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

*PAS 40 (Amendment), Investment Property*. This amendment clarifies the interrelationship between PAS 40 and PFRS 3 Business Combinations. The amendment states that judgment is needed in determining whether the acquisition of investment property is the acquisition of an asset or a group of



assets or a business combination within the scope of PFRS 3. Determining whether a specific transaction meets the definition of a business combination and includes an investment property requires the separate application of both PFRS 3 and PAS 40.

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

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

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

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

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

The amendment is not applicable to the Company.

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

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

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

future economic benefits. The amendments are effective for annual periods beginning on or after January 1, 2016.

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

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

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

## **Financial Instruments**

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

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

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

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

As at June 30, 2015 and 2014, the Company did not hold any financial assets at FVPL and HTM, and financial liabilities at FVPL.

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

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

measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

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

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

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

### **“Day 1” Difference**

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

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

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

### **Loans and Receivables**

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

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

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

### **Cash**

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

### **AFS Financial Assets**

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

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

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

The Company's AFS financial assets include equity securities as at June 30, 2015 and 2014 (see Note 7).

### **Other Financial Liabilities**

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

As at September 30, 2015 and 2014, included in other financial liabilities are the Company's accounts payable and other liabilities (excluding government liabilities), and advances from related parties (see Notes 8 and 10).

### **Offsetting of Financial Instruments**

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

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

#### *(a) Financial assets*

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

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

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

#### *(b) Financial liabilities*

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

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

### **Impairment of Financial Assets**

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

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

(a) *Financial assets carried at cost*

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

(b) *Loans and receivables*

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

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

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

(c) *AFS financial assets*

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

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

### **Input Tax**

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

## **Impairment of Non-financial Assets**

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

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

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

## **Retirement Benefits**

The Company does not provide any retirement benefits because it does not have any employee as at September 30, 2015 and 2014. The Company's administrative functions are performed by its related party, The Wellex Group, Inc. (TWGI).

## **Current and Deferred Income Tax**

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

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

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

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

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

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

### **Leases**

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

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

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

### **Equity**

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

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

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

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

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

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

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

### **Revenue Recognition**

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

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



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

### **Cost and Expense Recognition**

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

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

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

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

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

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

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

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

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

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

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

### **Provisions and Contingencies**

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

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

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

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

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

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## **Note 4 – Significant Accounting Judgments, and Estimates and Assumptions**

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

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

a) *Functional currency*

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

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

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

c) *Operating lease commitments*

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

d) *Impairment of input tax*

Management believes that the recoverability of input tax is doubtful since the Company is not expecting income subject to output tax in the near future. Consequently, the Company has provided full valuation allowance of its input tax as of September 30, 2015.

e) *Provisions and contingencies*

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

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

As at September 30, 2015, the Company has no outstanding liabilities in relation to the above mentioned case.

**Significant Accounting Estimates and Assumptions**

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

a) *Deferred tax assets*

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

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

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

Allowance for impairment of advances to related parties is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on the status of the advances to related parties, past collection experience and other factors that may affect collectibility. Allowance for impairment loss on advances to related parties amounted to ₱213,009,332 and ₱196,695,828 in the third quarter of 2015 and 2014, respectively (see Note 10).

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

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

**5. CASH**

Cash represents cash in bank with outstanding balance of ₱323,063 and ₱153,480 as at September 30, 2015 and 2014, respectively. Interest income earned from bank deposits were ₱185 and nil for the quarter ended September 30, 2015 and 2014.

## 6. **PREPAYMENTS AND OTHER CURRENT ASSETS**

Prepayments and other current assets as at **September 30** consist of:

	2015	2014
Input tax	₱ —	₱ 803,948
Other current assets	56,358	57,331
	₱ 56,358	₱ 861,279

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

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

	2015	2014
<b>Unquoted shares</b>		
Cost	₱ 73,211,573	₱ 73,211,573
Impairment loss	( 9,320,935)	( 9,320,935)
	63,890,638	63,890,638
<b>Quoted shares</b>		
Cost	7,529,480	7,529,480
Net unrealized fair value gain	12,047,176	10,792,262
	19,576,656	18,321,742
	₱ 83,467,294	₱ 82,212,380

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

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

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

Management believes that the foregoing carrying amount of the Company's FEI and PHES investments approximate their fair value.

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

	September 30, 2015	September 30, 2014
At beginning of year	₱ 12,047,176	₱ 25,098,279
Fair value changes during the quarter	—	( 14,306,017)
Reclassification adjustment due to impairment	—	—
	₱ 12,047,176	₱ 10,792,262

## 8. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities as at **September 30** consist of:

	2015	2014
Accounts payable	₱ 86,312	₱ 15,000
Taxes payable	5,854	5,625
	₱ 92,166	₱ 20,625

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 September 30, 2015 and 2014 are as follows:

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

### *Track record of registration of securities*

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

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

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

The Company's capital stock fair values as at September 30, 2015 and 2014 amounted to ₱0.280 and ₱0.162 per share, respectively.

## 10. RELATED PARTY TRANSACTIONS

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

## **Relationship, Transactions and Account Balances**

Category	Relationship	Amount/volume of transactions		Outstanding receivable (payable)		
		Sept 30 2015	Sept 30 2014	Sept 30 2015	Sept 30 2014	
The Wellex Group, Inc.(TWGI)	Common key management			<b>₱ 323,361,567</b>	₱ 326,041,369	(b)
Management fee		<b>₱ 367,200</b>	₱ 367,200			
Rent expense		<b>174,375</b>	174,375			
Cash advance		<b>1,546,461</b>	957,893			
Forum Exploration, Inc. (FEI)	Common key management	-	-	<b>171,631,076</b>	171,631,076	(a)
		(2,088,036)	(1,499,468)	<b>494,992,643</b>	497,672,445	
Allowance for impairment loss		-	-	<b>(213,009,332)</b>	(196,695,828)	
		<b>(2,088,036)</b>	(1,499,468)	<b>281,983,311</b>	300,976,617	
Forum Exploration, Ltd.(FEL)	Common key management	-	-	<b>(3,699,742)</b>	( 3,682,909)	(c)

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

Advances to FEI pertain to the carrying value of exploration assets transferred by the Company. No transaction in the account balance was recognized for the quarters ended September 30, 2015 and 2014.

	Sept 30, 2015	Sept 30, 2014
Advances	<b>₱ 171,631,076</b>	₱ 171,631,076
Allowance for impairment loss	<b>( 50,755,622 )</b>	( 34,442,118)
Net carrying amount	<b>₱ 120,875,454</b>	₱ 137,188,958

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

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

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

In addition, the Company subleases an office space from TWGI starting April 2012. The lease is for a period of two (2) years but renewable thereafter upon mutual agreement of both parties. Lease contract was renewed on May 1, 2014 for another two years. Total rental and utilities expense charged to operations amounted to ₱55,500 for both quarters ended September 30, 2015 and 2014, respectively (see Note 12).

As at **September 30**, the Company has outstanding lease commitment for future minimum lease payments as follows:

	2015	2014
Not later than one year	<b>₱180,000</b>	₱ 180,000
Later than one year but not later than five years	<b>80,000</b>	60,000
	<b>₱260,000</b>	₱ 240,000

Also in April 2012, the Company has entered into a consultancy agreement with TWGI, whereby the latter will provide corporate planning and financial services on its various corporate functions and undertakings. Consultancy agreement was renewed on May 2014 for another two years. Total management fee charged to operations amounted to ₱120,000 for both quarters ended September 30, 2015 and 2014, respectively (see Note 12).

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

	Sept 30, 2015	Sept 30, 2014
Advances	<b>₱323,361,567</b>	₱ 326,041,369
Allowance for impairment loss	<b>( 162,253,710)</b>	( 162,253,710)
Net carrying amount	<b>₱161,078,857</b>	₱ 163,787,659

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

The Company received cash advances from FEI, Ltd. to finance its acquisition of 60% stockholdings of Forum Coal Cebu Holdings, Inc. (FCCHI). The advances have no definite terms of payment.

	<b>Sept 30, 2015</b>	Sept 30, 2014
At beginning of year	<b>₱ 3,699,742</b>	₱ 3,682,909
Unrealized foreign exchange loss (gain) – note 13	–	–
At end of year	<b>₱ 3,699,742</b>	₱ 3,682,909

(d) *Remuneration to key management personnel*

The Company did not provide remuneration to key management personnel for the quarter ended September 30, 2015 and 2014. The administrative function of the Company is performed by its related party, TWGI.

**11. COSTS AND EXPENSES**

Cost and expenses consists of:

	<b>Sept 30 2015</b>	Sept 30 2014	Dec 31 2013
Professional fees	<b>₱ 818,600</b>	₱ 619,000	₱ 661,784
Membership fees and dues	<b>264,049</b>	269,049	250,000
Rent and utilities – note 11	<b>166,500</b>	166,500	166,500
Printing and reproduction	<b>52,888</b>	9,207	228,870
Communication, courier and postage	–	–	42,715
Representation	<b>236</b>	1,394	22,354
Taxes and licenses	<b>22,535</b>	17,275	21,548
Miscellaneous	<b>218,920</b>	15,490	65,344
	<b>₱ 1,543,728</b>	₱ 1,097,915	₱ 1,459,115

**12. OTHER INCOME (EXPENSES) - net**

Other income (expenses) for the quarters ended **September 30** consists of:

	<b>2015</b>	2014	2013
Unrealized foreign exchange gain (loss)	<b>₱ –</b>	₱ –	₱ –
Impairment loss:			
Advances from a related party	–	–	–
AFS financial assets	–	–	–
Investments in a subsidiary – note 8	–	–	–
Others	–	–	–
Interest income from bank deposits	185	–	–
	<b>₱ 185</b>	₱ –	₱ –

### 13. INCOME TAXES

#### ***Current and deferred tax***

On May 24, 2005, Republic Act (RA) No. 9337 changed the normal corporate income tax rate from 32% to 35% effective November 1, 2005 and from 35% to 30% effective January 1, 2009.

On December 20, 2008, Revenue Regulations No.16-2008 on the Optional Standard Deduction (OSD) was published. The regulation prescribed the rules for the OSD application by corporations in the computation of their final taxable income. For corporations, OSD shall be 40% based on gross income; "cost of goods sold" will be allowed to be deducted from gross sales.

For taxable period 2008, maximum 40% deduction shall only cover the period beginning July 6, 2008. However, July 1, 2008 shall be considered as the start of the period when the 40% OSD may be allowed.

On February 26, 2010, RR 2-2010 on the amendment of Section 6 and 7 of RR 16-2008 was published. The regulation amended the other implications of the OSD particularly on the election to claim either the OSD or the itemized deduction which must be signified in the first quarter and must be consistently applied for all the succeeding quarterly returns and in the final income tax return for the taxable year.

The Company did not avail of the OSD for purpose of income tax calculation in 2015 and 2014.

The composition of deferred tax assets is as follows:

	<b>September 30 2015</b>	September 30 2014
NOLCO	₱ 1,878,789	₱ 1,537,019
Impairment loss on AFS Securities	2,796,281	2,796,281
Unrealized foreign exchange loss	450,443	445,393
MCIT	61,353	61,353
	<b>5,441,747</b>	4,840,046
Valuation allowance	<b>( 5,441,747)</b>	( 4,840,046)
	<b>₱ -</b>	<b>₱ -</b>

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

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

As at September 30, 2015 and 2014, the composition of deferred tax liability on the unrealized foreign exchange gain on advances from related parties amounted to nil.

As at September 30, 2015, the Company has NOLCO and MCIT that can be claimed as deduction from future income tax payable and taxable income, respectively, as follows:

Year Incurred	Expiration Date	Beginning balance	Additions	Expired	Claimed	Ending balance
<b>NOLCO</b>						
2014	2017	₱ -	₱ 2,125,076	₱ -	₱ -	₱ 2,125,076
2013	2016	₱ 2,663,503	-	₱ -	₱ -	₱ 2,663,503
2012	2015	1,473,683	-	-	-	1,473,683
		<b>₱ 4,137,186</b>	<b>₱ 2,125,076</b>	<b>-</b>	<b>₱ -</b>	<b>₱ 6,262,262</b>



Year Incurred	Expiration Date	Beginning balance	Additions	Expired	Claimed	Ending balance
<b>MCIT</b>						
2012	2015	₱ 61,353	₱ -	₱ -	₱ -	₱ 61,353
		<b>₱ 61,353</b>	<b>₱ -</b>	<b>₱ -</b>	<b>₱ -</b>	<b>₱ 61,353</b>

### **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 as of **September 30** is as follows:

	2015	2014	2013
Loss before income tax	(₱ 664,195)	(₱ 541,620)	(₱ 552,426)
Income tax benefit at statutory rate :	(₱ 162,486)	(₱ 162,486)	(₱ 165,728)
Income tax effect on:			
Non taxable income	-	-	-
Nondeductible expenses	-	-	-
Expired NOLCO	162,486	162,486	165,728
Expired MCIT	-	-	-
Change in valuation allowance	-	-	-
	<b>₱ -</b>	<b>₱ -</b>	<b>₱ -</b>

#### **14. LOSS PER SHARE**

The following table presents information necessary to calculate the loss per share as of **September 30**:

	2015	2014	2013
Net loss for the year	(₱1,543,543)	(₱ 1,097,759)	(₱ 1,184,062)
Weighted average number of common shares outstanding during the quarter	1,171,486,871	1,171,486,871	1,171,486,871
	<b>(₱0.0013)</b>	<b>(₱ 0.0009)</b>	<b>(₱ 0.0010)</b>

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

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

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

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

##### **Credit risk**

Credit risk arises from cash and advances to related parties.

The maximum credit risk exposure of the financial assets is the carrying amount of the

financial assets shown on the face of statement of financial position, as summarized below:

	<b>September 30, 2015</b>	September 30, 2014
Cash in bank	₱ <b>323,063</b>	₱ 153,480
Advances to related parties, gross of allowance	<b>494,992,643</b>	497,672,445
	<b>₱ 495,315,706</b>	₱ 497,825,925

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 September 30, 2015 and 2014, the Company classifies the credit quality of advances to related parties based on the following:

	<b>2015</b>	2014
Group 1	<b>₱161,107,857</b>	₱ 163,787,659
Group 2	<b>120,875,454</b>	137,188,957
Group 3	-	-
	<b>₱281,983,311</b>	₱ 303,582,357

- 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 September 30, 2015 and 2014 are as follows:

September 30, 2015	Total	Neither past due nor impaired	Past due but not impaired					Impaired	
			< 30 days	31-90 days	91-180 days	181-360 days	1-3 years		
Cash in bank	₱323,063	₱323,063	₱-	₱-	₱-	₱-	₱-	-	₱-
Advances to related parties - note 11	<b>494,992,643</b>	-	-	-	-	-	<b>323,361,567</b>	<b>171,631,075</b>	-
	<b>₱495,315,706</b>	<b>₱323,063</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱323,361,567</b>	<b>₱171,631,075</b>	-
September 30, 2014									
Cash in bank	₱ 153,480	₱153,480	₱-	₱-	₱-	₱-	₱-	-	₱-
Advances to related parties - note 11	497,672,445	-	-	-	-	-	326,041,369	171,631,075	-
	<b>₱497,825,925</b>	<b>₱153,480</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱326,041,369</b>	<b>₱171,631,075</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 September 30, 2015 and 2014, the Company has entered into an agreement with its related party to settle the advances (See Note 11).

### **Liquidity risk**

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

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

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

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

<b>September 30, 2015</b>	<b>Total</b>	<b>On demand</b>	<b>Less than three months</b>	<b>3-12 months</b>	<b>1-5 years</b>
<b>Account payable and other liabilities</b>	<b>₱ 92,166</b>	<b>₱ –</b>	<b>₱ –</b>	<b>₱ 92,166</b>	<b>₱ –</b>
<b>Advances from related parties</b>	<b>3,699,742</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
	<b>₱ 3,791,908</b>	<b>₱ –</b>	<b>₱ –</b>	<b>₱ 92,166</b>	<b>₱ –</b>

<b>September 30, 2014</b>	<b>Total</b>	<b>On demand</b>	<b>Less than three months</b>	<b>3-12 months</b>	<b>1-5 years</b>
<b>Accounts payable and other liabilities</b>	<b>₱ 20,625</b>	<b>₱ –</b>	<b>₱ –</b>	<b>₱ 20,625</b>	<b>₱ –</b>
<b>Advances from related parties</b>	<b>3,682,908</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,682,908</b>
	<b>₱3,703,533</b>	<b>₱ –</b>	<b>₱ –</b>	<b>₱ 20,625</b>	<b>₱3,682,908</b>

### **Foreign currency risk**

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

The Company is mainly exposed to credit risk through its advances from a related party.

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

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

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

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

The Company monitors capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity. Debt-to-equity ratios as of June 30, 2015 and 2014 are 1.03% and 0.97%, respectively. Total debt is equivalent to debt shown in the Company statements of financial position. Total equity comprises all components of equity as shown in the Company statements of financial position. Total equity amounts to ₱362,600,240 and ₱380,787,872, as at June 30, 2015 and 2014, respectively.

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

During 2015, the Company's strategy, which was unchanged from 2014, was to keep the gearing ratio below 50% as proportion to net debt to capital. The gearing ratios as at September 30, 2015 and 2014 were as follows:

	Sept 30, 2015	Sept 30, 2014
Accounts payable and other liabilities	₱ 92,166	₱ 20,625
Advances from related parties	3,699,742	3,682,908
Less: Cash	( 323,063)	( 153,480)
Net debt	3,468,845	3,550,054
Total equity	362,038,119	380,533,665
<b>Total capital</b>	<b>₱365,506,964</b>	<b>₱ 384,083,719</b>
	<b>0.95%</b>	<b>0.92%</b>

### ***Comparison of Carrying Amounts and Fair Values***

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

	September 30, 2015		September 30, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Cash	₱ 323,063	₱ 323,063	₱ 153,480	₱ 153,480
Advances to related parties – net	281,983,311	281,983,311	300,976,616	300,976,616
AFS financial assets	83,467,295	83,467,295	82,212,380	82,212,380
	<b>₱365,773,669</b>	<b>₱365,773,669</b>	<b>₱383,342,476</b>	<b>₱383,342,476</b>
<b>Financial liabilities</b>				
Accounts payable and other liabilities	₱ 92,166	₱ 92,166	₱ 20,625	₱ 20,625
Advances from related parties	3,699,742	3,699,742	3,682,908	3,682,908
	<b>₱ 3,791,908</b>	<b>₱ 3,791,908</b>	<b>₱ 3,703,533</b>	<b>₱ 3,703,533</b>

### **Fair value estimation**

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

### *Financial assets*

Cash - The carrying amounts of cash approximate fair values due to relatively short-term maturities.

Advances to affiliates - The fair value of advances to affiliates is not reasonably determined due to the unpredictable timing of future cash flows.

The carrying value of AFS financial assets approximates their fair value as they are valued at market to market based on published quoted price.

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

### *Financial liabilities*

Accounts payable and other liabilities - The carrying amounts of accounts payable and other liabilities approximate fair values due to relatively short-term maturities.

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

### **Fair value hierarchy**

The Company analyses financial assets carried at fair value, by valuation method.

The fair values of financial assets based on fair value hierarchy are as follows:

<b>September 30, 2015</b>				
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
AFS financial assets	<b>₱ 83,467,295</b>	<b>₱ 19,576,656</b>	<b>₱ -</b>	<b>₱ -</b>

  

September 30, 2014				
	Total	Level 1	Level 2	Level 3
AFS financial assets	₱ 82,212,380	₱ 18,321,742	₱ -	₱ -

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

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

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

#### ***a) Output value-added tax***

The Company has no output VAT since it does not have any income subject to VAT for the quarter ended September 30, 2015 and 2014.

b) *Input value-added tax*

	Sept 30, 2015	Sept 30, 2014
At beginning of year	₱ –	₱ 666,907
Current purchases and payments for:		
Goods for resale/ manufacture	–	–
Goods other than for resale or manufacture	–	–
Capital goods subject to amortization	–	–
Capital goods not subject to amortization	–	–
Services lodged under cost of goods sold	–	–
Services lodged under other accounts	178,202	137,042
Allowance for Input VAT	(178,202)	–
	₱ –	₱ 803,948

c) *Taxes on importation*

The Company has no import transactions for the quarters ended September 30, 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*

There are no documentary stamp tax paid by the Company for the quarter ended September 30, 2015 and 2014.

f) *Taxes and licenses*

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

	2015	2014
Business permits	₱ 16,405	₱ 16,195
Corporate Community tax	580	580
BIR Annual registration	500	500
	₱ 17,485	₱ 17,275

g) *Withholding taxes*

The details of total withholding taxes for the quarter ended **September 30** are shown below:

	2015	2014
Withholding tax on compensation	₱ –	₱ –
Expanded withholding tax	5,854	5,625
Final withholding tax	–	–
	₱ 5,854	₱ 5,625

h) *Deficiency tax assessment and tax cases*

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

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

RR No. 19-2011 prescribes the new BIR forms that should be used for income tax filing covering and starting with the calendar year 2011 and modifies Revenue Memorandum Circular No. 57-2011. In the Guidelines and Instructions Section of the new BIR Form 1702 (version November 2011), a required attachment to the income tax returns is an Account

Information Form and/or Financial Statements that include in the Notes to Financial Statements schedules of sales/receipts/fees, cost of sales/services, non-operating and taxable other income, itemized deductions (if the taxpayer did not avail of the Optional Standard Deduction or OSD), taxes and licenses and other information prescribed to be disclosed in the Notes to the Financial statements.

The schedule and information of taxable income and deductions taken for the quarter ended September 30, 2015 and 2014 are as follows:

a) *Sales/Taxable Income*

	September 30, 2015		September 30, 2014	
	Special rate	Regular rate	Special rate	Regular rate
Sale of goods	₱ –	₱ –	₱ –	₱ –
Sale of services	–	–	–	–
Sale of properties	–	–	–	–
	₱ –	₱ –	₱ –	₱ –

b) *Itemized deductions*

	September 30, 2015		September 30, 2014	
	Special rate	Regular rate	Special rate	Regular rate
Professional fees	₱ –	₱ 392,600	₱ –	₱ 195,000
Rent and utilities	–	55,500	–	55,500
Office supplies	–	11,451	–	–
Dues and subscription	–	–	–	–
Representation	–	–	–	–
Taxes and licenses	–	5,050	–	–
Training and development	–	5,357	–	–
Travel and transportation	–	–	–	250
Printing and reproduction	–	38,890	–	3,613
Miscellaneous	–	53,353	–	–
<b>Sub-total</b>	–	<b>562,201</b>	–	<b>254,363</b>
<b>Allowance of NOLCO</b>	–	–	–	–
<b>Total expenses</b>	<b>₱ –</b>	<b>₱ 562,201</b>	<b>₱ –</b>	<b>₱ 254,363</b>

d) *Taxes and licenses*

The details of the Company's taxes and licenses for the quarter ended **September 30** are presented below:

	2015	2014
Business permits	₱ 16,165	₱ 16,195
Corporate Community tax	620	580
BIR Annual registration	500	500
	<b>₱ 17,275</b>	<b>₱ 17,275</b>

e) *Other information*

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

\* \* \* \*

**FORUM PACIFIC, INC. AND SUBSIDIARY**  
**APPENDIX A – FINANCIAL SOUNDNESS**  
 SEPTEMBER 30, 2015

	<b>September 30 2015</b>	September 30 2014	December 31 2014
<b>Profitability ratios:</b>			
Return on assets	<b>Nil</b>	Nil	Nil
Return on equity	<b>Nil</b>	Nil	Nil
Net profit margin	<b>Nil</b>	Nil	Nil
<b>Solvency and liquidity ratios:</b>			
Current ratio	<b>4.12:1</b>	49.20:1	0.40:1
Debt to equity ratio	<b>0.01:1</b>	0.01:1	0.01:1
Quick ratio	<b>3.51:1</b>	7.59:1	0.31:1
Cash-flow liquidity ratio	<b>N/A</b>	N/A	N/A
<b>Financial leverage ratio:</b>			
Asset to equity ratio	<b>1.01:1</b>	1.01:1	1.01:1
Debt to asset ratio	<b>0.01:1</b>	0.01:1	0.01:1
Interest rate coverage ratio	<b>Nil</b>	Nil	Nil