

# **Annex A**

# COVER SHEET

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P A C I F I C A , I N C .

(Company's Full Name)

c / o M A N I L A H A R B O R C E N T R E ,  
R - 1 0 , V I T A S , T O N D O ,  
M A N I L A 1 0 1 3 , M E T R O M A N I L A  
P H I L I P P I N E S

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

**CRISTINA S. PALMA-GIL FERNANDEZ**

Contact Person

**8880999**

Company Telephone Number

Month

Day

Fiscal Year

**SEC FORM 17-A**

FORM TYPE

Month

Day

Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SEC NUMBER 013039  
FILE NUMBER \_\_\_\_\_  
PSE CODE \_\_\_\_\_

**PACIFICA, INC.**  
Company's Full Name

**c/o Manila Harbour Centre**  
**R-10, Vitas, Tondo, Manila**  
Company's Address

**(632) 637 8851**  
Telephone Number

**December 31**  
Calendar Year Ended

**SEC Form 17-A**  
Form Type

\_\_\_\_\_  
Amendment Designation (If Applicable)

**December 31, 2018**  
Period Ended Date

\_\_\_\_\_  
Secondary License Type and File Number

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SECTION 141 OF THE CORPORATION  
CODE OF THE PHILIPPINES



1. For the fiscal year ended: 31 December 2018
2. SEC Identification Number: 013039
3. BIR Tax ID No.: 000-484-693V
4. Exact Name of Issuer as specified in its charter: PACIFICA, INC.
5. PHILIPPINES  
Province, country or other jurisdiction of incorporation or organization
6. (SEC Use only)  
Industry Classification Code:
7. c/o Manila Harbour Centre, R-10, Vitas, Tondo, Manila  
Address of principal office
8. (632) 637 8851  
Issuer'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 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA
- | Title of Each Class  | Number of Shares of Common Stock Outstanding |
|----------------------|--|
| <u>Common Shares</u> | <u>40,000,000,000 as of 31 December 2018</u> |
11. Are any or all of these securities listed on the Philippine Stock Exchange?  
Yes [] No []
12. Check whether the Issuer:
- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports):  
Yes [] No []
- (b) has been subject to such filing requirements for the past ninety (90) days:  
Yes [] No []
13. Aggregate market value of voting stock held by non-affiliates:  
Php573,240,000 as of 25 April 2019.

## PART I – BUSINESS AND GENERAL INFORMATION

### Item 1. Business

#### *Business Development.*

Pacifica, Inc. ("PA" or the "Company") was incorporated on 2 September 1957 to engage in the exploration, drilling, and exploitation of oil, gas, and other volatile substances. Its conversion into a holding company on 6 October 2000 did not result in any commercial operation due to timing and funding constraints.

In 2007, the Company redirected its business focus to exploration, operation, management, and marketing of mining claims. Pursuant thereto, the Securities and Exchange Commission ("SEC") on approved its Amended Articles of Incorporation on 31 August 2007, reverting its primary purpose to mineral exploration, extending the corporate life for another fifty (50) years, and changing the par value from Php1.00 to Php0.005.

The foregoing events are vital to allow the Company to engage in mineral exploration and development and other business opportunities within its purposes, as may be identified by the Company.

#### *Business of Issuer.*

After the Company renewed its corporate life in 2007 with its primary purpose as a mining company, the management started looking for mining opportunities. During the stockholders' meeting on 14 August 2009, it was approved that the Company enter into an Operating Agreement with Zam-Iron Mining Corporation ("Zam-Iron"), granting the Company the exclusive right to explore, utilize, and develop the Kabasalan Mining Rights for the purpose of extracting mining products. In consideration for the rights granted by Zam-Iron, the Company would pay Zam-Iron royalties at a stipulated price. The loan of Php50 million extended by the Company to Zam-Iron on 2 January 2008 was applied as advanced royalty payments. Moreover, Management is continuously looking for mining opportunities and negotiating for possible investors and technical partners.

The Company lost its bid for Ilijan and Malaya power plants to its opponents while in the others, the bidding process was indefinitely deferred. Despite the downturns, the Company has not closed its doors to business opportunities in power-related activities.

On 15 November 2013, Zam-Iron informed the Company that it received a letter from the Mines and Geosciences Bureau IX stating that its office has issued an Order of Denial for mining exploration with finality. Zam-Iron's next recourse was to file an appeal to the Mines and Geosciences Bureau central office in Manila. To date, no update was given by Zam-Iron to the Company regarding the status of its application and operations.

On 22 November 2013, the Company informed Zam-Iron that insofar as it was concerned, Zam-Iron failed to fulfill its obligations under the Memorandum of Agreement ("MOA") signed on 2 January 2008 and the Operating Agreement signed in December 2009 and was thus deemed in default. The Company demanded for the full refund of Php50 million prepaid royalties with interest and waived its right in the event of default to take over the operation and production of the mining operation since Zam-Iron failed to secure the necessary exploration permit.

On 28 August 2015, given that the recovery of the Company's receivables within the next twelve (12) months was deemed remote, the Board of Directors of the Company unanimously approved the impairment and write-off of the following items from its books of accounts: (i) accounts receivable from 9th Kingdom Investments, Inc., (ii) advances to Mikro-Tech Capital, Inc., (iii) prepaid royalties in favor of Zam-Iron Mining Corporation, (iv) accounts receivables from LRSI and Stradec, and (v) retained deficit. This was ratified by the stockholders during the Company's annual stockholders' meeting held on 16 October 2015.

The Company is still open to acquiring mining claims, rights, and power-related businesses. An increase in authorized capitalization and the invitation of strategic partners to invest in the Company will likewise be considered as necessary initiatives to source funds. Therefore, the Company is optimistic that it shall obtain sufficient funds to support its anticipated fund requirements for the next twelve (12) months.

*Production.*

The Company has not commenced commercial operations to date as a mining company. But it remains optimistic and steadfast in all its endeavors.

*Products/Sales/Competition.*

The Company has not engaged in the production or sale of mineral products for the past years nor has it competed with other entities.

*Sources and Availability of Raw Materials and Supplies.*

The Company has not yet determined its sources of mineral products pending results of any future mineral exploration activities.

*Transactions with and/or Dependence on Related Parties.*

The information required is disclosed in Note 13 of the Company's 2018 Audited Financial Statements ("AFS").

*Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions, and Royalty Agreements.*

The Company does not possess any patents, trademarks, copyrights, franchises, concessions, and royalty agreements.

*Government Regulations and Approvals.*

The Company will comply with governmental regulations and seek approval from government agencies regulating mining companies in its operations. At present, the Company has no mining operation yet. Effects of existing government regulations are mainly corresponding costs of compliance to the Company, which can be taken up as expense or capital asset under generally accepted accounting principles. The effect on the Company of any probable government regulation could not be determined until specific provisions are known.

*Research and Development.*

Exploration, drilling, and development for a mining company are the equivalent of research and development. The Company is also looking for possible sources of alternative energy generation.

*Costs and Effects of Compliance with Environmental Laws.*

The Company will be committed to protecting and, whenever possible, enhancing the environment. There is presently no clear basis for the estimate of costs and effects of compliance with environmental laws. These matters will be properly addressed once the Company commences mining operations.

*Employees.*

The Company currently has one (1) employee and might hire additional employees in the next twelve (12) months as the need arises. There is no existing Collective Bargaining Agreement. There have been no strikes in the past three (3) years, nor is there any threat of strike. No additional supplemental benefits or incentive arrangements exist with the Company's employees, nor are there any benefits or incentive arrangements contemplated for the next twelve (12) months.

### *Major Risks.*

While the Company is still in the process of evaluating viable mining opportunities, the management has started to scan the events and trends in the mining industry in order to identify and assess risks that may affect the Company in the future. It also tries to assess possible internal risks and weaknesses in its future operations and develops the necessary management strategies to combat these risks or minimize their possible effect to the Company. The major risks the Company anticipates are as follows:

- (i) *Economic and Political Considerations.* The Company will be influenced by the general political and economic situation of the Philippines. Any political and/or economic instability in the future may have a negative effect on the mining industry.
- (ii) *Changes in the Market Price of Mineral Products.* The market price of mineral products like gold, silver, copper, iron ore, and other metals can fluctuate widely. Fluctuations in market price may be caused by numerous factors beyond the Company's control such as speculative positions taken by investors, changes in the demand of mineral products for industrial uses, changes in the supply of mineral products from production, disinvestment, scrap and hedging, financial market expectations, the strength of the US dollar, changes in interest rates, and global or regional political or economic events.
- (iii) *Development Risk.* Future mining operations shall be based on the results of a pre-feasibility study to be conducted by the Company. The study shall use estimates of expected or anticipated project economic returns based on assumptions such as future gold and silver prices, anticipated tonnage, grades of ore to be mined and processed, anticipated recovery rates of gold, and anticipated capital expenditure and cash operating costs. Actual cash operating costs, production, and economic returns may differ significantly from the Company's projections due to numerous uncertainties inherent in any development and construction of mining projects. To address this particular risk, the Company will hire consultants in the mining industry to do a due diligence and feasibility study.
- (iv) *Liquidity and Capital Resource Requirements.* Any mining project shall entail capital expenditures and funding requirement shall be sourced prior to exploration. The Company shall undertake measures to raise funds through internally generated funds and/or from private placements.

### **Item 2. Properties**

The Company does not have real property. No conceived plan for the purchase of plant and significant equipment is expected in the next twelve (12) months unless the need arises.

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

There has not been any bankruptcy, receivership, or similar proceeding instituted by or against the Company nor has there been any material reclassification, merger, consolidation, or purchase or sale of significant amounts of assets not in the ordinary course of business. The case of *Oliverio G. Laperal, Sr. v. Pacifica, Inc., Victorina L. Laperal, Rosamaria L. Laperal, Regina L. Concepcion, Alexandra L. Laperal and Securities Transfer Services, Inc.*, denominated as Civil Case No. 09-122278 filed in Branch 24 of the Regional Trial Court of Manila, where the Company was impleaded solely to hold in abeyance any issuance of stock certificates in favor of any of the parties to the case pending litigation is pending amicable settlement between the real parties in interest of the case.

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

Except for the matters taken during the annual stockholders' meeting on 26 October 2017, no other matter was submitted to a vote of security holders during the period covered by this report.

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

#### *Market Information.*

The Company's shares are actively traded in the Philippine Stock Exchange. The following are the quarterly high and low prices, as well as the closing price of the Company's shares traded at the Philippine Stock Exchange, Inc. for the last three (3) years:

Quarter	2018		2017		2016	
	Common Shares		Common Shares		Common Shares	
	High	Low	High	Low	High	Low
1 <sup>st</sup>	0.048	0.038	0.068	0.037	0.037	0.026
2 <sup>nd</sup>	0.046	0.036	0.065	0.053	0.039	0.032
3 <sup>rd</sup>	0.042	0.037	0.056	0.043	0.040	0.032
4 <sup>th</sup>	0.038	0.033	0.056	0.044	0.042	0.036

As of 28 December 2017, the closing price of the Company's common shares was at Php0.037 and the public float was at 35.83%.

#### *Holder's.*

The Company's capital stock consists of unclassified common shares. As of 31 December 2018, 99.69% are Filipino-owned while 0.31% are foreign-owned.

There are 2,356 stockholders as of 31 December 2018 and the common shares issued and outstanding are 40,000,000,000.

Below is a list of the top twenty (20) stockholders as of 31 December 2018:

	Stockholders' Name	Nationality	Number of Shares	Ownership Percentage
1	PCD Nominee Corporation	Filipino	18,438,426,975	46.10%
2	Unido Capital Holdings, Inc.	Filipino	14,609,684,000	36.53%
3	Alexandra L. Laperal	Filipino	766,500,000	1.92%
4	Rosamaria Laperal	Filipino	639,800,000	1.60%
5	Oliverio L. Laperal, Jr.	Filipino	614,480,000	1.54%
6	Victorina Heras	Filipino	605,860,500	1.51%
7	Regina L. Concepcion	Filipino	600,000,000	1.50%
8	Desiderio L. Laperal	Filipino	554,500,000	1.39%
9	LMI Holdings Corporation	Filipino	452,000,000	1.13%
10	PCD Nominee Corporation (Foreign)	Foreign	125,245,249	0.31%
11	Chiong & Company, Inc.	Filipino	95,530,000	0.24%
12	Oliverio G. Laperal	Filipino	95,238,442	0.24%
13	Ansaldó, Godinez & Co., Inc.	Filipino	76,010,000	0.19%
14	Benjamin Co Ca & Co., Inc.	Filipino	74,384,499	0.19%
15	Vicente Goquiolay & Co., Inc.	Filipino	69,630,000	0.17%
16	Industrial Horizons, Inc.	Filipino	53,200,000	0.13%
17	Nieves Sanchez, Inc.	Filipino	52,620,000	0.13%
18	Tiong Securities, Inc.	Filipino	51,810,000	0.13%



19	Manotoc, Rosenberg & Co., Inc.	Filipino	43,110,000	0.11%
20	Emma Laperal	Filipino	40,000,000	0.10%

*Dividends.*

The Company has not declared any cash or stock dividend during the past three (3) years.

*Recent Sale of Unregistered Securities.*

To date, there were no new securities issued.

**Item 6. Management's Discussion and Analysis and Plan of Operation**

*Plan of Operation.*

The Company has not commenced commercial operations to date. However, on 16 July 2007, the Company redirected the focus of its business to exploration, operation, management, and marketing of mining claims after the SEC approved its Amended Articles of Incorporation reflecting changes dealing with the reversion of its primary purpose to mineral exploration, extending the corporate life for another fifty (50) years, and changing the par value from Php1.00 to Php0.005.

In preparation for its mining activities, additional amendments to the Articles of Incorporation have been approved by the stockholders' on 23 November 2007 which include an increase in the Company's authorized capital stock to 500 million and the declassification of "Class B" shares. The declassification of "Class B" was approved by the SEC on 10 December 2008.

Having redirected its purpose to mining, the Company began looking for mining-related business opportunities. During the stockholders' meeting on 14 August 2009, the stockholders approved the execution of an Operating Agreement between the Company and Zam-Iron Mining Corporation (Zam-Iron), which Operating Agreement was signed on 8 December 2009. Under the Operating Agreement, the Company was granted an exclusive right to explore, develop, and extract mining products from Kabalasan Mining Rights, which covers potential gold, silver, and iron deposits in Kabalasan and Siay, Zamboanga, Sibugay Province, containing 136.5 meridional blocks or 11,056.60 hectares. Further, the consideration for the rights granted will be in the form of royalties which shall be paid by the Company to Zam-Iron. It was approved then that the loan of Php50 million extended by the Company to Zam-Iron on 2 January 2008 would be treated as advanced royalties.

On 15 November 2013, Zam-Iron informed the Company that it received a letter from the Mines and Geosciences Bureau IX stating that its office had issued an Order of Denial for mining exploration with finality. Zam-Iron's next recourse was to file an appeal to the Mines and Geosciences Bureau central office in Manila. To date, no update was given by Zam-Iron to the Company regarding the status of their application and operations.

On 22 November 2013, the Company informed Zam-Iron that insofar as it was concerned, Zam-Iron failed to fulfill its obligations under the Memorandum of Agreement signed on 2 January 2008 and Operating Agreement signed in December 2009 and was thus deemed in default. The Company demanded for the full refund of Php50 million prepaid royalties with interest and waived its right in the event of default to take over the operation and production of the mining operation since Zam-Iron failed to secure the necessary exploration permit.

Consequently, the Company determined that its prepaid royalties to Zam-Iron may no longer be realized since the Mines and Geosciences Bureau Region IX had issued in 2013 an order of denial to Zam-Iron

for the latter's application for mining exploration with finality. Accordingly, the Company provided full allowance for probable losses for the prepaid royalties in 2013. The carrying value of prepaid royalties amounted to nil as of 31 December 2014 and 2013 and was included in the impairment and write-off on 28 August 2015.

Moreover, the Company also started to get involved in power-related business activities as another business option. Power plant operation is one of its secondary purposes. In 2009 and 2010, it participated in various biddings of the Power Sector Assets and Liabilities Management Corporation (PSALM) for projects like appointment as IPP Administrator for the contracted capacities of the San Roque Multi-Purpose Hydroelectric Power Plant in San Manuel, Pangasinan; Bakun Hydroelectric Power Plant in Alilem, Ilocos Sur; Benguet Mini-Hydro in Benguet, Cordillera Administrative Region; Ilijan Combined Cycle Power Plant in Batangas City; Malaya Thermal Power Plant in Pililia, Rizal; Unified Leyte Geothermal Power Plants in Leyte and the Naga Power Plant Complex in Naga, Cebu. Unfortunately, the Company lost the biddings to its opponents.

For the years ending 31 December 2018 and fiscal year ending 31 December 2017, the Company experienced net losses amounting to Php1.6M and Php2.2M, respectively. In 2016, the Company's net loss amounted to Php2.5M. The gap primarily attributable to the impairment and write-off of various assets.

Given that the recovery of the Company's receivables was deemed remote, the Board of Directors of the Company unanimously approved on 28 August 2015 the impairment and write-off of the following items from its books of accounts: (i) accounts receivable from 9th Kingdom Investments, Inc.; (ii) advances to Mikro-Tech Capital, Inc.; (iii) prepaid royalties in favor of Zam-Iron Mining Corporation, (iv) accounts receivables from LRSI and Stradec; and (v) retained deficit. This was ratified by the stockholders during the Company's annual stockholders' meeting on 16 October 2015.

Fund requirements for the current and preceding years have been sourced internally. Management also initiated to source funds to satisfy the cash requirements for the acquisition or purchase of mining claims, rights, and power-related business as may be cautiously identified by the Company. On 21 June 2011, the Company conducted a delinquency sale on its unpaid subscriptions. On 4 December 2015, the Company applied for the relisting of these delisted delinquent shares. As of 31 December 2015, the application is pending before the PSE.

As additional steps to source funds, the Company is looking at an increase in authorized capitalization and the invitation of strategic partners to invest in the Company. In fact, during the annual stockholders' meeting on 26 October 2017, the stockholders approved to increase the Corporation's authorized capital stock from Php200 million up to an amount to be determined by the Board not exceeding Php5 billion.

In relation to the said increase in authorized capital stock of the Company, common shares shall be issued by the Company in order to comply with the requirements under the Corporation Code of the Philippines and relevant regulations of the Securities and Exchange Commission that at least twenty-five percent (25%) of the increase in capital has been subscribed and that one hundred percent (100%) of the amount subscribed has been paid either in actual cash to the Company or such other consideration allowed under the law, the valuation of which is equal to one hundred percent (100%) of the subscription.

In view thereof, the Board of Directors, in its meeting held on 18 September 2018, resolved to approve the implementation the first tranche of the increase in the authorized capital stock of the Company from Php200 million divided in to 40 billion common shares with par value of Php0.005 per share to up to Php700 million divided into 140 billion shares with par value of Php0.005 per share. The Company is optimistic that it will obtain sufficient funds to support its anticipated fund requirements for the next twelve (12) months.

*Analysis of Financial Condition and Results of Operations.*

Since the Company has no commercial operation to date and has not generated revenues for the fiscal years ending 31 December 2018, 2017, and 2016, it posted losses. Losses are generally attributed to administrative expenses incurred plus the occasional impairment and write-off of uncollectible assets. The following table shows the consolidated financial highlights of the Company for the current fiscal year ended 31 December 2018 with comparative figures of the previous years and as of 31 December 2017 and 2016.

	31 December 2018	31 December 2017	31 December 2016
<b>Income Statement Data</b>			
Total Revenues	5,564	4,267	5,307
Net Loss	1,616,106	2,218,785	2,498,452
<b>Balance Sheet Data</b>			
Total Current Assets	591,540	1,745,458	248,025
Furniture, Fixtures & Equipment	0	0	0
Other Non-Current Assets	0	0	0
Total Assets	591,540	1,745,458	248,025
Total Liabilities	7,487,080	7,024,893	3,308,675
Stockholders' Equity	(6,895,540)	(5,279,435)	(3,060,650)
Total Liabilities & Stockholders' Equity	591,540	1,745,458	248,025
Current Ratio	0.079	0.248	0.075
Solvency Ratio	0.079	0.248	0.075
Debt-to-Equity Ratio	(1.0858)	(1.33061)	(1.08104)

*Full Fiscal Years.*

Based on the above table, the following are key performance indicators of the Company for 2018, 2017, and 2016:

- (i) Current net loss of Php1.6 million, and net loss of Php2.2 million in 2018 and 2017 are mainly due to administrative expenses. It is the same scenario with 2016 loss of Php2.5 million
- (ii) Stringent controls are utilized on incurring expenses. Management maintains a generally cautious stance in identifying mining opportunities in order to maximize the Company's gross margin. Consequently, Management has taken a conservative stand in approving any potential mining or power-related activity and will keep the same stance in the next twelve (12) months.
- (iii) Working Capital Ratio or Current Ratio – This will measure how liquid the Company is and its ability to meet its current obligations. It is computed by dividing total current assets with the total current liabilities.

This liquidity of the Company for fiscal year 2018 decreased to 0.079 from 0.248 in 2017. The current ratio of the Company in 2016 was 0.075 wherein the Company recognized expenses of administrative nature.

- (iv) Debt Management Ratio or Solvency Ratio – This is computed by dividing the total liabilities by the total assets.

For 2018, the solvency ratio declined to 0.079 due primarily to the decrease in the current assets in the form of cash in banks.

- (v) Debt-to-Equity Ratio – This will explain the relationship between how the assets were financed by the Company's creditors and its stockholders. This is computed by dividing the total liabilities over the stockholders' equity.

For 2018, the debt-to-equity ratio decreased to (1.0858) due to the additional deficit created as a result of the increase in total liabilities in the form of deposits for future stock subscription.

By comparing accounts in the Balance Sheets and Statements of Operations for the period ending 31 December 2018, 2017, and 2016, the following are the material changes and their causes:

*Changes In Financial Condition.*

2018 vs. 2017

(i) Current Assets

Current assets decreased from Php1,745,458 in 2017 to Php 591,540 in 2018 . This was due to decrease in cash in bank.

(ii) Input Taxes

In 2018 and 2017, input tax resulted to nil due to impairment loss provided.

(iii) Property and Equipment

There was no acquisition of property and equipment for 2018 and 2017. The current period balance of property and equipment resulted to nil after it was determined in 2015 to be impaired and its corresponding accumulated depreciation was closed to Retained Earnings.

(iv) Current Liabilities

The current liabilities increased from Php7.02 million in 2017 to Php7.49 in 2018 million due to advances from a related party obtained for working capital requirements and deposits for future stock subscription.

(v) Deficit

Comprehensive losses for the fiscal years ended 31 December 2018 and 2017 represent impairment and write-off of various accounts and administrative expenses. The losses on these periods caused the continued increase in Deficit. The impaired and write-off of the various accounts was approved by the Board on 12 December 2018 and ratified by the stockholders on 12 December 2018.

2017 vs. 2016

(i) Current Assets

Current assets increased from Php248,025 in 2016 to Php1,645,458. This was due to increase in cash in bank.

(ii) Input Taxes

In 2017 and 2016, input tax resulted to nil due to impairment loss provided.

(iii) Property and Equipment

There was no acquisition of property and equipment for 2017 and 2016. The current period balance of property and equipment resulted to nil after it was determined in 2015 to be impaired and its corresponding accumulated depreciation was closed to Retained Earnings.

(iv) Current Liabilities

The current liabilities increased from Php3.3 million in 2016 to Php7.02 million due to loans obtained for working capital requirements and deposits for future stock subscription.

(v) Deficit

Comprehensive losses for the fiscal years ended 31 December 2017 and 2016 represent impairment and write-off of various accounts and administrative expenses. The losses on these periods caused the continued increase in Deficit. The impaired and write-off of the various accounts was approved by the Board on 28 August 2015 and ratified by the stockholders on 16 October 2015.

2016 vs. 2015

(i) Current Assets

Current assets increased slightly from Php234,529 in 2015 to Php248,025 in 2016. This was due to minimal expenses incurred during the year.

(ii) Input Taxes

In 2016 and 2015, input tax resulted to nil due to impairment loss provided.

(iii) Property and Equipment

There was no acquisition of property and equipment for 2016 and 2015. The current period balance of property and equipment resulted to nil after it was determined in 2015 to be impaired and its corresponding accumulated depreciation was closed to Retained Earnings.

(iv) Current Liabilities

The current liabilities increased from Php796,200 in 2015 to Php3.3 million in 2016 due to loans obtained for working capital requirements.

(v) Deficit

Comprehensive losses for the fiscal years ended 31 December 2016 and 2015 represent impairment and write-off of various accounts and bidding-related and administrative expenses, respectively. The losses on these periods caused the continued increase in Deficit. The impaired and write-off of the various accounts was approved by the Board on 28 August 2015 and ratified by the stockholders on 16 October 2015.

*Changes in Operating Results.*

2018 vs 2017 vs 2016

The Company has not yet commenced commercial operations. There were no mining activities or exploration as of 31 December 2018. The exploration works for Zam-Iron were not commenced. On 15 November 2013, Zam-Iron received a letter from the Mines and Geosciences Bureau IX stating that their office had issued an Order of Denial for mining exploration with finality. Zam-Iron's next recourse was to file an appeal to the Mines and Geosciences Bureau central office in Manila. The Company had already determined that its prepaid royalties to Zam-Iron may no longer be realized. Accordingly,

the Company provided full allowance for probable losses for the prepaid royalties in 2013. The carrying value of prepaid royalties amounted to nil as of 31 December 2014 and 2013. The Company thereafter deemed that the recovery of the Company's receivables was remote. The Board of Directors on 28 August 2015 unanimously approved the impairment and write-off of the following items from its books of account: (i) accounts receivable from 9<sup>th</sup> Kingdom Investment, Inc., (ii) advances to Mikro-Tech Capital, Inc., (iii) prepaid royalties in favor of Zam-Irom Mining Corporation, (iv) accounts receivable from LRSI and Stradec, and (v) retained deficit. This was ratified by the stockholders during the annual stockholders' meeting on 16 October 2015.

In 2018, the Comprehensive Loss decreased from Php2.2 million in 2017 to Php1.6 million due to decrease in administrative expenses. The decrease in the Comprehensive Losses to Php2.5 million in 2016 from Php25.56 million in 2015 is due to the impairment and write-off of various accounts above-mentioned. The Company did not participate in bidding activities in 2017 and 2018.

#### *Material Events and Uncertainties.*

For 2018 and 2017, the Company has nothing to report on the following other than the disclosures mentioned in the Notes to financial statements and discussed above:

- (i) Any known trends, demands, commitments, events, or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way.
- (ii) Events that will trigger direct or contingent financial obligation that are material to the Company, including any default or acceleration of obligation. The Company is not in default or in breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to make payments. The Company has no trade payables and there is no significant amount in its other payables that has not been paid within the stated terms.
- (iii) Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
- (iv) Any material commitment for capital expenditures.
- (v) Any known trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues, income from continuing operations.
- (vi) Any significant elements of income or loss that did not arise from the issuer's continuing operations.
- (vii) Any seasonal aspects that had a material effect on the financial condition or results of operations.

#### **Item 7. Financial Statements**

The 2018 Audited Financial Statements of the Company are incorporated herein by reference.

#### **Item 8. Information on Independent Accountant and Other Related Matters**

##### *Information on Independent Accountant.*

During their annual meeting held on 12 December 2018, the stockholders approved the appointment of the auditing firm of Punongbayan & Araullo ("P&A") as the Company's external auditor for 2018. P&A's office address is at 6760 Ayala Avenue, 1226 Makati City, Metro Manila, Philippines.

In line with the Company's commitment to good corporate governance and in compliance with SEC Memorandum Circular No. 8, series of 2003, the signing partners of the external auditor shall be rotated every five (5) years or earlier.

*External Audit Fees and Services.*

The audit fees of P&A for 2018 and 2017 are as follows:

Year	Audit & Audit-Related Fees	Tax Fees	Other Fees
2018	350,000	0	52,500
2017	280,000	0	42,000

There are no other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of registrant's financial statements.

*Changes in and Disagreements with Accountant on Accounting and Financial Disclosures.*

There was no event during the two (2) most recent fiscal years where P&A had any disagreement with the Company with regard to any matter relating to accounting principles or practices, financial statements disclosure, or auditing scope or procedure.

### PART III – CONTROL AND COMPENSATION INFORMATION

#### Item 9. Directors and Executive Officers of the Issuer

##### *Directors and Executive Officers.*

The names of the incumbent directors and officers of the Company and their respective ages, nationalities, positions held, and periods of service are as follows:

Name	Age	Nationality	Position	Period Served
Lowell L. Yu	41	Filipino	Chairman of the Board	28 August 2015 to present
Winglip K. Chang	67	Filipino	President and Chief Executive Officer	16 October 2015 to present
Alexander S. Roleda	63	Filipino	Director	16 October 2015 to present
Luis Michael R. Yu III	30	Filipino	Director	5 May 2017 to present
Ian Norman E. Dato	40	Filipino	Director	5 May 2017 to present
Richard N. Rocha	35	Filipino	Director	26 October 2017 to present
Christian Francis C. Reyes	37	Filipino	Director	26 October 2017 to present
Mark Werner J. Rosal	44	Filipino	Independent Director	28 August 2015 to present
Vittorio P. Lim	34	Filipino	Independent Director	28 August 2015 to present
Cristina S. Palma Gil-Fernandez	50	Filipino	Corporate Secretary	1 October 2016 to present
Rose Ann Joy V. Gonzales	27	Filipino	Assistant Corporate Secretary	5 December 2018 to present
Maria Elena E. Pocong	40	Filipino	Treasurer	16 October 2015 to present

The Directors of the Company are regularly elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until each respective successors have been elected and qualified. The term of office of the directors is one (1) year.

Officers are appointed or elected annually by the Board of Directors during its organizational meeting following the annual meeting of stockholders, each to hold office until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been elected, appointed, or qualified.

The business experiences for the last five (5) years and other directorships in other reporting companies of the above-named directors and officers are as follows:

**Lowell L. Yu.** Atty. Yu is currently the Chairman of Unido Capital Holdings, Inc., KuyaJ Group Holdings, Inc., Southeastasia Retail, Inc., Ikitchen, Inc., PLK Philippines, Inc., Grand Majestic Convention City, Inc., 101 Restaurant City, Inc., Manila Comisario Central, Inc., iCuisine Inc., Curepro Plus, Inc., 100Holdings, Inc., One Vela Holdings, Inc. (also as President), 77 Living Spaces, Inc. (also as President), and Aldeaprime, Inc. (also as President). He is the President of iHoldings, Inc., Joune Capital Holdings Corporation, and 8990 Leisure and Resorts Corporation. He is a member of the Board of Directors of 8990 Holdings, Inc.



**Winglip K. Chang**

*President and Chief Executive Officer*

Mr. Chang is the President of Ikitchen, Inc., Grand Majestic Convention City, Inc., and 101 Restaurant City, Inc. He earned his Bachelor's Degree in Electrical Engineering from the Silliman University in Dumaguete City.

**Alexander S. Roleda**

*Director*

Mr. Roleda is engaged in the provincial distribution business connected with companies Meritus Prime Co. and Montosco Co. He has been the Proprietor-Manager of Crown Agrivet since 1989. From 1983 to 1988, he was a Pharmacy Manager of Crown Pharmacy. He earned his degree in Business Administration, Major in Management in 1977.

**Luis Michael R. Yu III**

*Director*

Mr. Yu is currently a director of Unido Capital Holdings, Inc., iHoldings, Inc., KuyaJ Group Holdings, Inc., Southeastasia Retail, Inc., Ikitchen, Inc., PLK Philippines, Inc., Grand Majestic Convention City, Inc., Manila Comisario Central, Inc., Iculsine, Inc., 100Holdings Ventures, Inc., One Vela Holdings, Inc. and 101Restaurant City, Inc., among other companies.

**Ian Norman E. Dato**

*Director*

Atty. Dato is the Managing Partner of Dato Inciong & Associates. He is the Chairman and President of Myimport, Inc. and Newmanholdings, Inc. He is also an incumbent director of 8990 Holdings, Inc., IKitchen, Inc., MyMarket, Inc., and Unido Capital Holdings, Inc., among other companies.

**Richard N. Rocha**

*Director*

Mr. Rocha is currently the Executive Vice President of Camarines Sur Chamber of Commerce and Industry. He also currently serves as the Vice President for Operations of Naga Queenstown Realty & Development, Inc. and of Lyrr Realty Development Corporation. Mr. Rocha is also a director of Bicol-Habitat for Humanity, Inc. He was the Assistant Governor of Rotary International District 3820-Area 4 Group 2 from 2014 to 2015 and was the Club President of Rotary Club of Naga-Camarines Sur from 2011 to 2012. He served as a Director of Camarines Sur Chamber of Commerce and Industry from 2012 to 2013. Mr. Rocha earned his Bachelor's Degree in Business Administration, major in Computer Applications from De La Salle-College of Saint Benilde and studied International Housing Finance (Executive Education) at Wharton School of Business in Pennsylvania. He also passed the examination for real estate broker in 2011.

**Christian Francis C. Reyes**

*Director*

Mr. Reyes is currently the Chief Finance Officer of iHoldings, Inc. He was the Vice President and Head of the Trade Division of Metropolitan Bank and Trust Company from 2014 to 2017. He also served as the Vice President of Citibank, N.A. from 2008 to 2014 and held various positions within the organization. From 2008 to 2009, Mr. Reyes was the Product Manager-Citi Transactions Service (Philippines) and Business Development-New Initiatives Lead (Philippines). He was a Regional Sales Associate-Citi Transaction Services (Hongkong) from 2012 to 2013, and was the Regional Supply Chain Product Manager-Citi Transaction Services (Hong Kong) from 2013 to 2014. He holds Bachelor's

Degree in Computer Science Major in Information Technology from De La Salle University, and Master in Business Administration from Asian Institute of Management.

**Mark Werner J. Rosal**

*Independent Director*

Atty. Rosal is the Managing Partner of Rosal Diaz Bacalla and Fortuna Law Offices, a Cebu based law firm. He is a practicing lawyer specializing in Mergers and Acquisitions, Corporation Law, Labor Law, and Estate Planning. Atty. Rosal obtained his LLB from the University of San Carlos, Cebu City, in 2002 and was admitted to the Philippine Bar in 2003. He spent his early years in the practice of law at Balgos and Perez Law Offices and Angara Cruz Concepcion Regala and Abello (ACCRALAW).

He has been an Independent Director of Pacifica, Inc. since August 28, 2015. He has been a Director of LBC Express Holdings, Inc. since April 28, 2015. As part of his law practice, he serves as Independent Director of Rural Bank of Talisay (Cebu) Inc., Director of Wide Gain Property Holdings, Inc., and Sem-Ros Food Corp. (non-operational). He served as a Director of Federal Resources Investment Group, Inc. since April 28, 2015. He has a Bachelor's Degree in Physical Therapy from Cebu Velez College and passed the Physical Therapy Board exams on 1997.

**Vittorio P. Lim**

*Independent Director*

Mr. Lim has been President and Executive Director at Apollo Global Capital, Inc. since December 11, 2015. Mr. Lim has been Independent Director of Pacifica, Inc. since August 28, 2015. Mr. Lim is a Certified Securities Representative of Wealth Securities Inc. He served as Director at Asiabest Group International Inc. since October 7, 2011. He was also a Certified Securities Representative of Tower Securities, Inc. from 2011 to 2014; GS & PDS Broker.

**Cristina S. Palma Gil-Fernandez.**

Atty. Palma Gil-Fernandez assumed the position of Corporate Secretary of the Company in October 2016. Atty. Palma Gil-Fernandez graduated with a Bachelor of Arts degree, Major in History (Honors) from the University of San Francisco in 1989, and with a *Juris Doctor* degree, second honors, from the Ateneo de Manila University in 1995. She is currently a Partner at Picazo Buyco Tan Fider & Santos Law Offices and has more than 20 years of experience in corporate and commercial law, with emphasis on the practice areas of banking, securities and capital markets (equity and debt), corporate reorganizations and restructurings and real estate.

**Rose Ann Joy V. Gonzales**

Atty. Gonzales graduated with a Bachelor of Science degree, major in Business Economics, from the University of the Philippines in 2012 and with a Juris Doctor degree from the University of the Philippines College of Law in 2016. She is currently an associate at Picazo Buyco Tan Fider & Santos Law Offices.

**María Elena E. Pocong.**

Ms. Pocong is a certified public accountant with more than 15 years of experience in audit and accounting, having extensively practiced accounting for construction, mining, restaurant, retail, and real estate development. She is currently the Finance and Accounting Head of iHoldings, Inc. and its subsidiaries, prior to which, she was an external auditor at SGV & Co. Ms. Pocong landed as Top 19 examinee during the 2000 CPA Board Exam.

*Significant Employees.*

The Company is not dependent on the services of any particular employee. It does not have any special arrangements to ensure that any employee will remain with the Company and will not compete upon termination.

*Family Relationships.*

Mr. Lowell L. Yu, the Chairman of the Board, and Mr. Luis Michael R. Yu III, Director, are brothers.

Mr. Alexander S. Roleda, Director, is the father-in-law of Mr. Lowell L. Yu, the Chairman of the Board.

Mr. Lowell L. Yu, the Chairman of the Board, and Mr. Luis Michael R. Yu III, Director, are cousins of Mr. Richard N. Rocha, who is also a Director.

Other than the ones disclosed, none of the Directors or Executive Officers or persons nominated or chosen by the Company to become Directors or Executive Officers is related to the others by consanguinity or affinity within the fourth civil degree.

*Involvement of Directors and Officers in Certain Legal Proceedings.*

To the best knowledge and information of the Company, none of its incumbent directors and officers has been involved during the past five (5) years in any legal proceedings which are material to the evaluation of the ability or integrity of any director or executive officer of the Company. They are not directly or indirectly involved in such legal proceedings, to wit:

- (i) There is no bankruptcy petition filed by or against any business which any of the incumbent directors/officers was a general partner or executive officer at any time within five (5) years or more;
- (ii) The incumbent directors/officers had no conviction by final judgment for any offense, in criminal proceedings, domestic or foreign, nor is the Company aware of any fact to the effect that any of them is the subject of a pending criminal proceeding, not even for a minor offense;
- (iii) None of the incumbent directors/officers has been the subject of any order, judgment, or decree, not subsequently reversed suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting his/her involvement in any type of business, securities, commodities, or banking activities;
- (iv) The incumbent directors are not found by a domestic or foreign court of competent jurisdiction, the SEC or comparable foreign body, or a domestic or foreign Exchange or other organized trading market of self-regulatory organization, to have violated a securities or commodities law or regulation and said judgment has not been reversed, suspended or vacated.

**Item 10. Executive Compensation**

The aggregate compensation paid or incurred during the last three (3) fiscal years and estimated to be paid in the ensuing fiscal year to the Chief Executive Officer and senior executive officers of the Company are as follows:

Name	Position	2018	2017	2016
Lowell L. Yu	Chairman	-	-	-
Winglip K. Chang	President/CEO	-	-	-
Cristina S. Palma Gil-Fernandez	Corporate Secretary	-	-	-
María Elena E. Pocong	Treasurer	-	-	-
Bonus and other compensation		-	-	-
Directors		-	-	-
All officers and directors as a group		-	-	-

The Chairman, President and CEO, Corporate Secretary, and Treasurer are not receiving direct or indirect compensation from the Company for services rendered. A *per diem* is given to the directors and officers present during the meeting of the Board of Directors of the Corporation. In 2018, the directors and officers waived their *per diems*.

Other than the standard arrangements pursuant to which the directors and officers of the Company are compensated or are to be compensated, there are no other arrangements or consulting contracts, directly or indirectly during the Company's last completed fiscal year and the ensuing year, for any service provided as director or officer. Other than the *per diem* paid, there are no other arrangements, bonuses, profit sharing, or other similar plans.

Approval by the Board of any pension or retirement plan for the Company is pending until the Company becomes commercially operational.

None of the officers and directors is a recipient of any warrant or stock options.

#### Item 11. Security Ownership of Certain Beneficial Owners and Management

##### *Security Ownership of Certain Record and Beneficial Owners.*

As of 31 December 2018, the persons known to the Company to be directly or indirectly the record or beneficial owner of more than 5% of the registrant's voting securities are as follows:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name, Address of Beneficial Owner and Relationship with Issuer	Citizenship	No. of Shares Held	Percentage
Common shares	Unido Capital Holdings, Inc.1  Unit 1503, 15/F China Bank Corporate Center, Lot 2, Samar Loop cor. Road 5, Cebu Business Park, Cebu City  (Stockholder)	Record owner is beneficial owner	Filipino	14,609,684,000	36.52%
Common shares	PCD Nominee Corporation2  37/F Tower 1, The Enterprise Center, Makati City (Stockholder)	The participants of PCD are the beneficial owners of such shares. Among said beneficial owner is iHoldings, Inc. which owns equivalent to 27.65% of the voting securities of the	Filipino	18,450,491,974	46.13%

<sup>1</sup> Unido Capital Holdings, Inc. is a holding company with investments in real and/or personal properties. Mr. Lowell L. Yu is expected to be named, constituted, and appointed as the authorized representative to vote all shares owned by the said corporation.

<sup>2</sup> PCD Nominee Corporation ("PCNC") is a wholly owned subsidiary of Philippine Central Depository, Inc. ("PCD") and is registered owner of the shares in the books of the Company's transfer agent. PCD participants deposit eligible securities in PCD through a process of lodgment, where legal title to the securities is transferred and held in trust by PCNC. The participants of PCD and/or their clients are the beneficial owners of such shares.

		Company. Atty. Lowell L. Yu is the President and authorized representative of iHoldings, Inc.			
<b>TOTAL</b>			<b>33,060,175,974</b>	<b>82.65%</b>	

*Security Ownership of Management.*

The following are the number of shares comprising the Company's capital stock (all of which are voting shares) owned of record by the directors, Chief Executive Officer, and key officers of the Company as of 31 December 2018:

(1) Title of Class	(2) Name of Beneficial Owner	(3b) Amount and Nature of Beneficial Ownership at Php0.005 Par Value per Share	(4) Citizenship	(5) Percent of Class
Common Shares	Lowell L. Yu	100,000 (Direct)	Filipino	0.00025%
Common Shares	Winglip K. Chang	200,000 (Direct)	Filipino	0.00050%
Common Shares	Alexander S. Roleda	100,000 (Direct)	Filipino	0.00025%
Common Shares	Luis Michael R. Yu III	100,000 (Direct)	Filipino	0.00025%
Common Shares	Ian Norman E. Dato	100,000 (Direct)	Filipino	0.00025%
Common Shares	Richard N. Rocha	100,000 (Indirect)	Filipino	0.00025%
Common Shares	Christian Francis C. Reyes	100,000 (Indirect)	Filipino	0.00025%
Common Shares	Mark Werner J. Rosal	100,000 (Direct)	Filipino	0.00025%
Common Shares	Vittorio P. Lim	100,000 (Indirect)	Filipino	0.00025%
Directors and executive officers as a group – Common Shares		1,000,000 (Direct/Indirect)	Filipino	0.0018%

*Voting Trust Holders of 5% or More.*

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

*Changes in Control.*

Ownership by Strategic Alliance Development Corporation (STRADEC) of 66.94% of the total outstanding shares was reduced to 33.33% after it sold its 33.11% class "A" shares to Mikro-Tech Capital, Inc. (MTCI) on 16 July 2007. Consequently, STRADEC's 13,332,000,000 partially paid shares were bought by 9th Kingdom Investments Corp. during the delinquency sale. Thus, STRADEC is no longer a related party to the Corporation. On 19 August 2015, Mikro-Tech Capital, Inc. divested its 12,056,316,000 common shares in favor of iHoldings, Inc. through the PSE. Thereafter, Mikro-Tech ceased to be a principal owner. As of 31 December 2016, iHoldings, Inc. owns 11,058,316,000 common shares or equivalent of 27.65% of the Company. On the other hand, 9<sup>th</sup> Kingdom Investments Corp. acquired an additional 92,270,000 common shares through the execution of a Deed of Assignment in its favor on 24 November 2015. On 7 February 2017, Deeds of Absolute Sale were executed (i) by and between 9th Kingdom Investments Corp. and Unido Capital Holdings, Inc. for 13,424,270,000 shares; and (ii) by and between Mikro-Tech Capital, Inc. and Unido Capital Holdings, Inc. for 1,185,414,000 shares.

**Item 12. Certain Relationships and Related Transactions**

See Note 13 (Related Party Transactions) of the Notes to the Financial Statements.

There were no transactions with directors, officers, or any principal stockholders (owning at least 10% of the total outstanding shares of the Corporation) not in the ordinary course of business.

*Parent of the Company.*

No person or entity holds more than 50% of the Company's voting securities. Consequently, the Company has no parent company.

*Transaction with Promoters.*

There have been no transactions with promoters in the past five (5) years.

## **PART IV – CORPORATE GOVERNANCE**

### **Item 13. Corporate Governance**

Pursuant to SEC Memorandum Circular No. 15, series of 2017 mandating all publicly-listed companies to submit an Integrated Annual Corporate Governance Report (I-ACGR), the Company will file its I-ACGR for the on or before 30 May 2019.

## PART V – EXHIBITS AND SCHEDULES

### Item 14. Exhibits and Reports on SEC Form 17-C

The reports on SEC Form 17-C, as amended, which were filed during the last twelve (12)-month period covered by this report, pertain to the following:

- (i) SEC Form 17-C dated 17 September 2018 reported the Board's approval of the setting of the (a) Annual Stockholders' Meeting on 6 November 2018 and (b) record date of said meeting on 2 October 2018, as well as (c) the implementation of the first tranche of the increase in the authorized capital stock which shall be implemented together with the following amendments which were also approved on October 26, 2017 by the Board of Directors and at least two-thirds of stockholders of the Corporation:
  - Amendment of the Title and First Article to change the name of the Corporation from Pacifica, Inc. to Pacifica Holdings, Inc.;
  - Amendment of the Second Article to: (a) change the primary purpose of the Corporation to reflect that of a holding company, (b) to include the power to guarantee as among the Corporation's secondary purposes, and (c) to align such secondary purposes to the business of the Corporation as a holding company; and
  - Amendment of the Third Article to change the principal address of the Corporation from Manila to China Bank Corporate Center, Lot 2, Samar Loop corner Road 5, Cebu Business Park, Brgy. Mabolo, Cebu City.
- (ii) SEC Form 17-C dated 19 October 2018 reported the Board's approval of the amendment of the date of the Annual Meeting of Stockholders from 6 November 2018 to 5 December 2018.
- (iii) SEC Form 17-C dated 5 December 2018 reported the Board's approval of the implementation of the first tranche of the increase in the authorized capital stock which shall be implemented together with the change in the par value, and the following amendments which were also approved on October 26, 2017 by the Board of Directors and at least two-thirds of stockholders of the Corporation:
  - Amendment of the Title and First Article to change the name of the Corporation from Pacifica, Inc. to Pacifica Holdings, Inc.;
  - Amendment of the Second Article to: (a) change the primary purpose of the Corporation to reflect that of a holding company, (b) to include the power to guarantee as among the Corporation's secondary purposes, and (c) to align such secondary purposes to the business of the Corporation as a holding company; and
  - Amendment of the Third Article to change the principal address of the Corporation from Manila to China Bank Corporate Center, Lot 2, Samar Loop corner Road 5, Cebu Business Park, Brgy. Mabolo, Cebu City.
- (iv) SEC Form 17-C dated 5 December 2018 reported on the results of the Annual Stockholders' Meeting.



**SIGNATURES**

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 MAKATI CITY on APR 30 2019.

**PACIFICA, INC.**

By:

**WINGLIP K. CHANG**

*President and Chief Executive Officer*

SUBSCRIBED AND SWORN to before me this APR 30 2019 day of APR 30 2019 2019, affiant exhibiting to me the following:

Name	Competent ID	Date and Place of Issue
WINGLIP K. CHANG	Passport ID No. EC3110078	06 January 2015 / DFA Cebu

Doc. No. 83  
Book No. 118  
Page No. 18  
Series of 2019

**JAMIE KATRINA F. CHAN**  
Appointment No. M-223  
Notary Public for Makati City  
Until December 31, 2019  
Liberty Center-Picazo Law  
104 H.V. Dela Costa Street, Makati City  
Roll No. 70089  
PTR No. 7339297/Makati City/01-06-2019  
IBP No. 060469/PPLM/01-03-2019

**SIGNATURES**

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 MAKATI CITY on APR 30 2019

**PACIFICA, INC.**

By:

  
**MARIA ELENA E. POCONG**  
*Treasurer*

SUBSCRIBED AND SWORN to before me this APR 30 2019 day of 2019, affiant exhibiting to me the following:

Name	Competent ID	Date and Place of Issue
MARIA ELENA E. POCONG	Passport ID No. EC2547400	27 October 2014 / DFA Cebu

Doc. No. 84  
Book No. VIII  
Page No. 18  
Series of 2019

  
**JAMIE KATRINA F. CHAN**  
Appointment No. M-223  
Notary Public for Makati City  
Until December 31, 2019  
Liberty Center-Picazo Law  
104 H.V. Dela Costa Street, Makati City  
Roll No. 70089  
PTR No. 7339297/Makati City/01-06-2019  
IBP No. 060469/PPLM/01-03-2019

**SIGNATURES**

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 MAKATI CITY on APR 30 2019.

**PACIFICA, INC.**

By:



**ROSE ANN JOY V. GONZALES**  
*Assistant Corporate Secretary*

SUBSCRIBED AND SWORN to before me this APR 30 2019 day of APR 30 2019, affiant exhibiting to me the following:

Name	Competent ID	Date and Place of Issue
Rose Ann Joy V. Gonzales	Philippine Passport No. P7946474A	DFA NCR Northeast / 15 July 2017

Doc. No. 82  
Book No. YM  
Page No. 19  
Series of 2019.



**JAMIE KATRINA F. CHAN**  
Appointment No. M-223  
Notary Public for Makati City  
Until December 31, 2019  
Liberty Center Picazo Law  
104 H.V. Dela Costa Street, Makati City  
Roll No. 70089  
PTR No. 7339297/Makati City/01-06-2019  
IBP No. 060469/PPLM/01-03-2019

**COVER SHEET**  
For  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

0 0 0 0 0 0 1 3 0 3 9

Company Name

P A C I F I C A , I N C .

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

C / O M A N I L A H A R B O U R C E N T R E ,  
R - 1 0 , V I T A S , T O N D O , M A N I L A

Form Type

A F S 1 8

Department requiring the report

S E C

Secondary License Type, If Applicable

N A

**COMPANY INFORMATION**

Company's Email Address

N/A

Company's Telephone Number/s

(632) 637-8851

Mobile Number

N/A

No. of Stockholders

3,301

Annual Meeting  
Month/Day

12/05

Fiscal Year  
Month/Day

N/A

**CONTACT PERSON INFORMATION**

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

Name of Contact Person

MARIA ELENA POCONG

Email Address

mepocong@iholdings.com

Telephone  
Number/s

(032) 260-0005

Mobile Number

N/A

Contact Person's Address

Suite 1503-1504, 15<sup>th</sup> Floor, Chinabank Building, Cebu Business Park, Cebu City

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



**P&A**  
**Grant Thornton**

An instinct for growth™

Financial Statements and  
Independent Auditors' Report

**Pacifica, Inc.**

December 31, 2018, 2017 and 2016  
*(With Corresponding Figures at January 1, 2017)*

# PACIFICA INC

c/o Manila Harbour Centre, R-10, Vitas, Tondo, Manila

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Pacifica Inc (the Company) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2018 and 2017 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Punongbayan and Araullo, the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Signature: \_\_\_\_\_

**LOWELL L. YU/CHAIRMAN**

Signature: \_\_\_\_\_

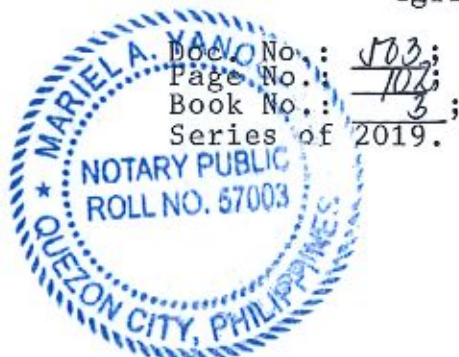
**WINGLIP K. CHANG/PRESIDENT**

Signature: \_\_\_\_\_

**CHRISTIAN FRANCIS C. REYES/CHIEF FINANCIAL OFFICER**

SUBSCRIBED AND SWORN TO before me, this **APR 30 2019**, by the following who exhibited to me their respective Personal Identification as follows:

Lowell L. Yu	TIN 225-146-343
Winglip K. Chang	TIN 103-790-389
Christian FRANCIS C. Reyes	TIN 206-415-088



*Mariel A. Yanogacio*  
**ATTY. MARIEL A. YANOGACIO**  
NOTARY PUBLIC FOR AND IN QUEZON CITY  
16 Dear Street, Don Fabian, Brgy. Commonwealth, QC.  
ADM. MATTER No. NP-103  
Roll of Attorneys No. 57003  
IBP Lifetime Member No. 014405; Pangasinan  
PTR No. 5174420; 05 January 2019; Pasig City  
MCLE Compliance No. V-0012647; 12-03-2015  
My Commission Expires on 31 December 2019



**P&A**  
**Grant Thornton**

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## **Report of Independent Auditors**

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**Punongbayan & Araullo**

20th Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 988 2288

**The Board of Directors and the Stockholders**  
**Pacifica, Inc.**  
Manila Harbour Centre, R-10, Vitas  
Tondo, Manila

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

#### ***Opinion***

We have audited the financial statements of Pacifica, Inc. (the Company), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in capital deficiency and statements of cash flows for the three years in the period ended December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRS).

#### ***Basis for Opinion***

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



### ***Material Uncertainty Related to Going Concern***

We draw attention to Note 1 to the financial statements which indicates that the Company has not started commercial operations yet since the renewal of its corporate life and it has a capital deficiency as at December 31, 2018 and 2017. It recognized substantial losses from impairment and write-off of assets in the prior years and a potential business venture prior to 2015 did not materialize. As stated in Note 1, these events and conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. In response to these matters, the Company continues to evaluate viable business opportunities and synergies to make the Company realize its business potential. Increasing its authorized capitalization and acceptance of strategic partners to invest in the Company have likewise been considered necessary to prepare the Company for the execution of its business plans. In connection with this strategy, two new investors have recently acquired majority ownership interest in the Company. The entry of these new majority stockholders, which also brought in a new governance and management team, is expected to bring in new sources of funds and fresh business ideas for the eventual commencement of the Company's commercial operations. Management is very optimistic that the steps that it has already undertaken will propel and support the viability of its new business plans for the Company. Accordingly, the accompanying financial statements have been prepared assuming that the Company will continue as a going concern which contemplates the realization of assets and the settlement of liabilities in the normal course of business. In connection with our audits, we have performed audit procedures to evaluate management's plans and actions as to the likelihood of improving the situation and as to feasibility under the circumstances. Our opinion is not modified in respect of this matter.

### ***Key Audit Matters***

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

### ***Other Information***

Management is responsible for the other information. The other information comprises the information included in the Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditors' report.

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

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





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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequence of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2018 required by the Bureau of Internal Revenue as disclosed in Note 17 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audits resulting in this independent auditors' report is Nelson J. Dinio.



**PUNONGBAYAN & ARAULLO**

*Nelson J. Dinio*  
By: **Nelson J. Dinio**  
Partner

CPA Reg. No. 0097048  
TIN 201-771-632  
PTR No. 7333691, January 3, 2019, Makati City  
SEC Group A Accreditation  
Partner - No. 1036-AR-2 (until Mar. 15, 2020)  
Firm - No. 0002-FR-5 (until Mar. 26, 2021)  
BIR AN 08-002511-32-2016 (Oct. 4, 2016 until Oct. 3, 2019)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 5, 2019

**PACIFICA INC  
QUESTIONS FOR AUDIT CONSIDERATIONS  
FOR DECEMBER 31, 2018 AUDIT**

**Background on Fraud Discussions with those Charged with Governance**

Philippine Standards on Auditing requires an auditor to perform procedures to obtain information that is used to identify the risks of material misstatement due to fraud.

The term "fraud" refers to an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage. For purposes of the audit, the auditor is concerned with fraud that causes a material misstatement in the financial statements. There are two types of intentional misstatements that are relevant to the auditor: (a) misstatements resulting from fraudulent financial reporting; and (b) misstatements resulting from misappropriation of assets.

Misstatements resulting from fraudulent financial reporting involve intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users. The examples of fraudulent financial reporting include the manipulation, falsification (including forgery), or alteration of accounting records or supporting documentation from which the financial statements are prepared, misrepresentation in, or intentional omission from, the financial statements of events, transactions or other significant information, and intentional misapplication of accounting principles relating to amounts, classification, manner of presentation, or disclosure.

On the other hand, misstatements resulting from misappropriation of assets involve theft of an entity's assets and are often perpetrated by employees in relatively small and immaterial amounts. However, it can also involve management. Misappropriation of assets can be accomplished in a variety of ways including embezzling receipts (for example, misappropriating collections on accounts receivable or diverting receipts in respect of written-off accounts to personal bank accounts), stealing physical assets (for example, stealing inventory for personal use or for sale, stealing scrap for resale), and using an entity's assets for personal use (for example, using the entity's assets as collateral for a personal loan or a loan to a related party). Misappropriation of assets is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

Fraud involves incentive or pressure to commit fraud, a perceived opportunity to do so and some rationalization of the act. Individuals may have an incentive to misappropriate assets for example, because the individuals are living beyond their means. Fraudulent financial reporting may be committed because management is under pressure, from sources outside or inside the entity, to achieve an expected (and perhaps unrealistic) earnings target – particularly since the consequences to management for failing to meet financial goals can be significant. A perceived opportunity for fraudulent financial reporting or misappropriation of assets may exist when an individual believes internal control can be overridden, for example, because the individual is in a position of trust or has knowledge of specific weaknesses in internal control. Individuals may be able to rationalize committing a fraudulent act. Some individuals possess an attitude, character

or set of ethical values that allow them knowingly and intentionally to commit a dishonest act. However, even otherwise honest individuals can commit fraud in an environment that imposes sufficient pressure on them.

Based on the foregoing discussions, certain information have to be obtained from the management. Hence, the management is requested to respond to the following questions:

**Question 1:**

Describe how the management creates the awareness of risk of fraud among themselves and the Company's employees. Explain whether the management adopts and effectively implements policies to prevent and mitigate the risk of fraud.

**Management's Response:**

Regular and Special meetings are held with the different department heads and management to discuss important matters, which include the risk of fraud within the entity. The different department head will then cascade this down to their direct reports to ensure everyone is on the same page. To help prevent and mitigate the risk of fraud, the organization is structured in such a way to have check and balance. We also make use of LT. solutions that minimize human intervention.

**Question 2:**

Describe the management's assessment of the risk that the Company's financial statements may be materially misstated due to fraud.

**Management's Response:**

Management believes that the financial statements are not materially misstated due to fraud.

**Question 3:**

Describe the management's process for identifying and responding to the risks of fraud in the entity, including any specific risks of fraud that management has identified or account balances, classes of transactions or disclosures for which a risk of fraud is likely to exist.

**Management's Response:**

There are staffs conducting daily sales audit wherein they ensure that all transactions punched in the system are valid and that those amounts are immediately deposited in the bank. For other transactions, every time somebody in the organizations notices something deviates from the norm, that transaction is investigated.

**Question 4:**

Describe the management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.

**Management's Response:**

Communication between management and those charged with governance is fast and immediate. Anything that would require the attention of those charged with governance is reported to them right away.

**Question 5:**

Describe the management's communication, if any, to employees regarding its views on business practices and ethical behavior.

**Management's Response:**

The company has defined its core values that are to embody what a person in our organization should be. These are introduced to the employee upon entering the organization and is also evaluated based on these values.

**Question 6:**

Describe the management's knowledge of any actual, suspected or alleged fraud affecting the entity, if any.

**Management's Response:**

Management is not aware of any actual, suspected or alleged fraud affecting the entity.

**Question 7:**

Describe the management's knowledge of any significant error in the Company's financial reporting process.

**Management's Response:**

Management is not aware of any significant error in the Company's financial reporting process.

Prepared by:

Name: LOWELL L. XU

Position: Chairman

Date:

4/13/19

**PACIFICA INC**  
**FRINGE BENEFITS TAX QUESTIONNAIRE**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

- | <b>A. HOUSING PRIVILEGES</b>   | <b>YES</b>               | <b>NO</b>                           |
|--|--------------------------|-------------------------------------|
| 1. Does the Company lease residential property used as residence for its supervisory/managerial employees?   | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 2. Rank and file employees?  | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 3. If yes, do you subject it to FBT (for supervisory/managerial), and withholding tax on compensation (for rank and file)?   | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 4. If no, why? _____   |                          |                                     |
| 5. Does the Company own a residential property and the same is assigned for the use of its employee as his usual place of residence?                                     | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 6. If yes, do you subject it to FBT?   | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 7. If no, why? _____   |                          |                                     |
| 8. Does the Company purchase residential on an installment basis for its employee as his usual place of residence?   | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 9. If yes, do you subject it to FBT?   | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 10. If no, why? _____  |                          |                                     |
| 11. Does the Company purchase a residential property and transfer the ownership thereof to its employee?   | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 12. If yes, do you subject it to FBT?  | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 13. If no, why? _____  |                          |                                     |
| <br>   |                          |                                     |
| <b>B. EXPENSE ACCOUNT</b>  |                          |                                     |
| 1. Does the Company provide allowances (like representation, transportation and other personal expenses) to its employees?   | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 2. If yes, do you subject it to FBT?   | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 3. If no, why? _____   |                          |                                     |
| 4. Does the Company provide for reimbursements for expenses paid for by the employees?   | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 5. Are the supporting documents such as O.Rs, invoices in the name of the Company?   | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 6. If no, do you subject it to FBT?  | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 7. If no, why? _____   |                          |                                     |
| 8. Are there representation and transportation allowances which are fixed in amounts that are regularly received by the employees as part of their monthly compensation? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 9. If yes, do you subject it FBT?  | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 10. If no, why? _____  |                          |                                     |

**C. MOTOR VEHICLE OF ANY KIND**

- |  | <u>YES</u>               | <u>NO</u>                           |
|--|--------------------------|-------------------------------------|
| 1. Does the Company purchase motor vehicles in the name of its employees?  | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 2. If yes, do you subject it to FBT?   | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 3. If no, why? _____   |                          |                                     |
| 4. Does the Company provide the employee with cash for the purchase of motor vehicles, the ownership of which is placed in the name of the employee?   | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 5. If yes, do you subject it to FBT?   | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 6. If no, why? _____   |                          |                                     |
| 7. Does the Company purchase car on an installment basis and the ownership of which is placed in the name of the employees?                            | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 8. If yes, do you subject it to FBT?   | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 9. If no, why? _____   |                          |                                     |
| 10. Does the Company shoulder a portion of the amount of the purchase price of a motor vehicle, the ownership of which is in the name of the employee? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 11. If yes, do you subject it to FBT?  | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 12. If no, why? _____  |                          |                                     |
| 13. Does the Company own and maintain a fleet of motor vehicles for the use of the business and the employees?   | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 14. If yes, do you subject it to FBT?  | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 15. How many years are the vehicles being depreciated, for FBT computation purposes?   | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 16. If no, why? _____  |                          |                                     |
| 17. Does the Company lease motor vehicle for the use of business and its employees?  | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 18. If yes, do you subject it to FBT?  | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 19. If no, why? _____  |                          |                                     |

**D. INTEREST ON LOANS AT LESS THAN MARKET RATE**

- |  |                          |                                     |
|--|--------------------------|-------------------------------------|
| 1. Does the Company provide loans to employees with no interest or with interest rate less than 12%? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 2. If yes, do you subject the interest less than 12% to FBT?   | <input type="checkbox"/> | <input type="checkbox"/>            |
| 3. If no, why? _____   |                          |                                     |

**E. MEMBERSHIP DUES**

- |  |                          |                                     |
|--|--------------------------|-------------------------------------|
| 1. Does the Company pay the membership fees, dues and other expenses for its employees in social, and athletic clubs or other similar organizations? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 2. If yes, do you subject it to FBT?   | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 3. If no, why? _____   |                          |                                     |

F. EXPENSES FOR FOREIGN TRAVEL	<u>YES</u>	<u>NO</u>
1. Does the Company provide allowances for foreign travel?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. If yes, do you subject it to FBT?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3. If no, why? _____		
4. Does the Company shoulder the travel expenses of the family members of its employees?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5. If yes, do you subject it to FBT?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
6. If no, why? _____		
G. HOLIDAY AND VACATION EXPENSES		
1. Does the Company pay the holiday and vacation expenses of its employees?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. If yes, do you subject it to FBT?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3. If no, why? _____		
H. EDUCATIONAL ASSISTANCE TO THE EMPLOYEE OR HIS DEPENDENTS.		
1. Does the Company provide educational assistance to its employee or his dependents?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. If yes, is the educational assistance based on a competitive program set by the Company?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3. If the assistance is provided to employee, is there a contract which the employee is required to stay with the Company for certain period?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4. If no, do you subject it to FBT?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5. If no, why? _____		
I. LIFE OR HEALTH INSURANCE AND OTHER NON-LIFE INSURANCE PREMIUMS		
1. Does the Company provide life or health insurance and other non-life insurance premiums?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. If yes, do you subject it to FBT?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3. If no, why? _____		
4. Are employees enrolled in a group insurance?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
J. HOUSEHOLD EXPENSES		
1. Does the Company pay the household expenses such as salaries of household help, personal driver or other similar personal expenses of an employee?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. If yes, do you subject it to FBT?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3. If no, why? _____		

Prepared by:

Name: LOWELL L. YU

Position: CHAIRMAN

Date: 4/3/09



**PACIFICA INC**

Unit 1503 15<sup>th</sup> Flr. Chinabank Corporate Center  
Lot 2, Samar Loop Corner Road 5 Cebu Business Park, Cebu City

**CERTIFICATION**

**Securities and Exchange Commission**

SEC Building  
V. Rama Avenue  
Guadalupe, Cebu City

Gentlemen:

In compliance with Memorandum Circular No. 06 dated April 7, 2006, issued by the Securities and Exchange Commission (SEC), requiring the submission by registered corporations of SEC reportorial requirements, we submit herewith the Audited Financial Statements (AFS) diskette of **Pacifica, Inc** for the years ended December 31, 2018 and 2017, consisting of the following:

- Table 1. Balance Sheet
- Table 2. Income Statement
- Table 3. Cash Flows Statements
- Table 4. Statement of Changes in Equity

I certify that except for certain details/breakdowns required in the General Form Financial Statements, the accounts and figures prescribed by Philippine Financial Reporting Standard provided in the electronic documents are based on the contents of the AFS submitted to SEC for the years ended December 31, 2018 and 2017.

**MARIA ELENA E. POCONG**  
Treasurer

APR 05 2019

SUBSCRIBED AND SWORN to before me on this \_\_\_\_\_ day of \_\_\_\_\_ 2019;  
affiant exhibiting to me his Community Tax Certificate No. \_\_\_\_\_ issued at  
\_\_\_\_\_ on \_\_\_\_\_ 2019.

Doc. No. 260 ;  
Page No. 52 ;  
Book No. 3 ;  
Series No. 2010 ;

**MARK WERNER J. ROSAL**  
COMMISSION NO. 155-08  
NOTARY PUBLIC-CITY OF CEBU  
UNTIL DECEMBER 31, 2019  
RM. 302, 8990 BLDG., CEBU BUSINESS PARK  
PTR NO. 1659990/01.03.19/CEBU CITY  
IBP NO. AR18625849 /01.03.19/ CEBU CITY  
MCLE COMPLIANCE NO. VI-0013620 /10.22.18  
ROLL NO. 47835



PACIFICA, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2018 AND 2017  
 (With Corresponding Figures at January 1, 2017)  
 (Amounts in Philippine Pesos)



	Notes	December 31, 2018	(As restated - see Note 2)	January 1, 2017 (As restated - see Note 2)
<b>A S S E T S</b>				
<b>CURRENT ASSETS</b>				
Cash in banks	6	P 541,540	P 1,695,458	P 198,025
Other current assets - net	7	50,000	50,000	50,000
<b>TOTAL ASSETS</b>		<b>P 591,540</b>	<b>P 1,745,458</b>	<b>P 248,025</b>
<b>LIABILITIES AND CAPITAL DEFICIENCY</b>				
<b>CURRENT LIABILITIES</b>				
Interest-bearing loan	8	134,500	P 4,285,760	P 3,217,656
Accrued expenses and other payables	9	239,133	239,133	91,019
Due to a related party	13	4,052,981	-	-
<b>Total Current Liabilities</b>		<b>4,987,081</b>	<b>4,524,893</b>	<b>3,308,675</b>
<b>NON-CURRENT LIABILITY</b>				
Deposit for future stock subscription	13	2,500,000	2,500,000	-
<b>Total Liabilities</b>		<b>7,487,081</b>	<b>7,024,893</b>	<b>3,308,675</b>
<b>CAPITAL DEFICIENCY</b>				
Capital stock	14	199,883,332	199,883,332	199,883,332
Additional paid-in capital	2	10,163,756	10,163,756	10,163,756
Deficit	2	( 216,942,629 )	( 215,326,523 )	( 213,107,738 )
<b>Capital Deficiency</b>		<b>( 6,895,541 )</b>	<b>( 5,279,435 )</b>	<b>( 3,060,650 )</b>
<b>TOTAL LIABILITIES AND CAPITAL DEFICIENCY</b>		<b>P 591,540</b>	<b>P 1,745,458</b>	<b>P 248,025</b>



APR 13 2019

See Notes to Financial Statements.

PACIFICA, INC.  
 STATEMENTS OF COMPREHENSIVE INCOME  
 FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016  
 (Amounts in Philippine Pesos)

	Notes	2018	2017	2016
REVENUES		P -	P -	P -
EXPENSES	11	<u>1,617,520</u>	<u>2,217,769</u>	<u>2,503,759</u>
OPERATING LOSS		<u>1,617,520</u>	<u>2,217,769</u>	<u>2,503,759</u>
FINANCE (INCOME) COSTS				
Finance income	10	( 5,563 )	( 4,257 )	( 5,307 )
Finance costs	8	<u>4,149</u>	<u>5,273</u>	<u>527</u>
		<u>1,414</u>	<u>1,016</u>	<u>( 4,780 )</u>
LOSS BEFORE TAX		<u>1,616,106</u>	<u>2,218,785</u>	<u>2,498,979</u>
TAX EXPENSE	12	<u>-</u>	<u>-</u>	<u>-</u>
NET LOSS	15	<u>1,616,106</u>	<u>2,218,785</u>	<u>2,498,979</u>
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS		<u>P 1,616,106</u>	<u>P 2,218,785</u>	<u>P 2,498,979</u>
Loss Per Share				
Basic and diluted	15	<u>P 0.00004</u>	<u>P 0.00006</u>	<u>P 0.00006</u>



APR 13 2019

See Notes to Financial Statements.

PACIFICA, INC.  
**STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY**  
**FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016**  
*(Amounts in Philippine Pesos)*

	<u>Capital Stock</u> <i>(see Note 14)</i>	<u>Additional</u> <u>Paid-in Capital</u> <i>(see Note 2)</i>	<u>Deficit</u> <i>(see Note 2)</i>	<u>Capital</u> <u>Deficiency</u> <i>(see Note 1)</i>
Balance at January 1, 2018	P 199,883,332	P 10,163,756	( P 215,326,523 )	( P 5,279,435 )
Total comprehensive loss for the year	<u>-</u>	<u>-</u>	( <u>1,616,106</u> )	( <u>1,616,106</u> )
Balance at December 31, 2018	<u>P 199,883,332</u>	<u>P 10,163,756</u>	( <u>P 216,942,629</u> )	( <u>P 6,895,541</u> )
Balance at January 1, 2017	P 199,883,332	P 10,163,756	( P 213,107,738 )	( P 3,060,650 )
Total comprehensive loss for the year	<u>-</u>	<u>-</u>	( <u>2,218,785</u> )	( <u>2,218,785</u> )
Balance at December 31, 2017	<u>P 199,883,332</u>	<u>P 10,163,756</u>	( <u>P 215,326,523</u> )	( <u>P 5,279,435</u> )
Balance at January 1, 2016	P 199,883,332	P 10,163,756	( P 210,608,759 )	( P 561,671 )
Total comprehensive loss for the year	<u>-</u>	<u>-</u>	( <u>2,498,979</u> )	( <u>2,498,979</u> )
Balance at December 31, 2016	<u>P 199,883,332</u>	<u>P 10,163,756</u>	( <u>P 213,107,738</u> )	( <u>P 3,060,650</u> )

*See Notes to Financial Statements.*

**PACIFICA, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016**  
*(Amounts in Philippine Pesos)*

	Notes	2018	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net loss before tax		(P 1,616,106)	(P 2,218,785)	(P 2,498,979)
Adjustments for:				
Unrealized foreign currency exchange gains - net	10	( 4,219)	( 1,564)	( 5,258)
Interest expense	8	4,149	5,273	527
Operating losses before working capital changes		( 1,616,176)	( 2,215,076)	( 2,503,710)
Decrease in other current assets		-	-	83,844
Increase (decrease) in due to a related party		4,852,581	-	( 661,829)
Increase (decrease) in accrued expenses and other payables		( 104,633)	148,114	90,492
Cash used in operations		3,131,772	( 2,066,962)	( 2,991,203)
Cash paid for income taxes		-	-	( 133,844)
Net Cash From (Used in) Operating Activities		3,131,772	( 2,066,962)	( 3,125,047)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayments of interest-bearing loan	8	( 4,285,760)	( 3,217,656)	-
Interest paid		( 4,149)	( 5,273)	( 527)
Proceeds from interest-bearing loan	8	-	4,285,760	3,217,656
Deposit for future stock subscription	13	-	2,500,000	-
Net Cash From (Used in) Financing Activities		( 4,289,909)	3,562,831	3,217,129
Effect of Exchange Rate Changes on Cash in Banks		4,219	1,564	5,258
<b>NET INCREASE (DECREASE) IN CASH IN BANKS</b>		( 1,153,918)	1,497,433	97,340
<b>CASH IN BANKS AT BEGINNING OF YEAR</b>		1,695,458	198,025	100,685
<b>CASH IN BANKS AT END OF YEAR</b>		P 541,540	P 1,695,458	P 198,025

*See Notes to Financial Statements.*

**PACIFICA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018, 2017 AND 2016**  
*(Amounts in Philippine Pesos)*

**1. GENERAL INFORMATION**

***1.1. Corporate Information***

Pacifica, Inc. (the Company), a publicly-listed domestic corporation, was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on September 2, 1957.

The Company's shares of stock are listed for trading in the Philippine Stock Exchange (PSE). It is presently engaged in discovery, exploration, development and exploitation of mineral oils and gaseous substances, gold, silver, copper, iron and other metal ores, and other mineral substances. However, as indicated in Note 1.2, the Company is yet to start commercial operations since the renewal of its corporate life in 2007.

The Company's registered office, which is also its principal place of business, is located at Manila Harbour Centre, R-10, Vitas, Tondo, Manila.

On October 26, 2017, the Board of Directors (BOD) approved several amendments to the Company's Articles of Incorporation as concurred by at least 2/3 of the Company's stockholders, which includes, among others the following: (1) changing the name of the Company to Pacifica Holdings, Inc.; (2) changing the primary purpose of the Company to reflect that of a holding company; and, (3) changing the principal place of business to China bank Corporate Center, Lot 2, Samar Loop corner Road 5, Cebu Business Park, Brgy. Mabolo, Cebu City; (4) amendment to the Seventh Article increasing the par value from Php0.005 per share to Php1.00 per share, without any resulting increase in the authorized capital stock of the company but with a decrease in the number of issued and outstanding shares of the Company; (5) amendment to the Seventh Article increasing of the Authorized Capital Stock of the Company from Php200 million to up to Php5 billion, such increase to be implemented in one or more tranches, and, (6) introduction of a new Eleventh Article to provide that no transfer of stock or interest which would reduce the ownership of Filipino citizens to less than the required percentage of the capital stock, as provided by existing laws, shall be allowed or permitted to be recorded in the proper books of the Company. However, these amendments have not been filed or presented for filing to SEC as of December 31, 2018.

***1.2. Status of Operations***

The Company has not started commercial operations yet as at December 31, 2018 since the renewal of its corporate life (see Note 1.1). In the prior years, the Company recognized substantial losses from impairment and write-off of assets resulting in the recognition of a net losses and, consequently, a capital deficiency. As at December 31, 2018 and 2017, it has a deficit of P216,942,629 and P215,326,523, respectively, and a capital deficiency of P6,895,541 and P5,279,435, respectively.

Furthermore, the application for mining exploration permit in Kabasalan, Zamboanga of Zam-iron Mining Corp. (ZMC), the Company's potential business partner, was denied in 2013. The mining exploration in Kabasalan, Zamboanga would have been the first business venture of the Company after the renewal of its corporate life. These events and conditions, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

In response to the foregoing matters, the Company continues to evaluate viable business opportunities and synergies to make the Company realize its business potential. Increasing its authorized capitalization and acceptance of strategic partners to invest in the Company have likewise been considered necessary to prepare the Company for the execution of its business plans. In connection with this strategy, on February 17, 2017, iHoldings, Inc. (iHoldings) and Unido Capital Holdings, Inc. (UCHI), respectively, have acquired majority ownership interest, 27.65% and 36.52%, respectively, in the Company. The entry of these new majority stockholders, which also brought in a new governance and management team, is expected to bring in new sources of funds and fresh business ideas for the eventual commencement of the Company's commercial operations. In relation to this, the cash infusion from UCHI in 2017 amounting to P2,500,000 has provided new funds to the Company to meet its current operating requirements (see Note 13.2). Management is very optimistic that the steps that it has already undertaken will propel and support the viability of its new business plans for the Company. Accordingly, the financial statements have been prepared assuming that the Company will continue as a going concern which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

### ***1.3. Approval of Financial Statements***

The financial statements of the Company as of and for the year ended December 31, 2018 (including the comparative financial statements as of December 31, 2017 and for the years ended December 31, 2017 and 2016 and the corresponding figures as of January 1, 2017) were authorized for issue by the Company's Board of Directors on April 5, 2019.

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

The significant accounting policies that follows have been used in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

### ***2.1 Basis of Preparation of Financial Statements***

#### ***(a) Statement of Compliance with Philippine Financial Reporting Standards***

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

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

(b) *Presentation of Financial Statements*

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income and expenses in a single statement of comprehensive income.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

In 2018, the Company reclassified its Deposit for Future Stock Subscription amounting to P2,500,000 as of December 31, 2017 from Current Liabilities to Non-current Liability section of the statements of financial position to conform to the current year presentation and classification. Accordingly, the Company presents a third statement of financial position as of January 1, 2017, without the related notes except for the disclosures required under PAS 8, *Accounting Policies, Changes in Estimates and Errors*. This reclassification, however, did not result in significant changes in the statements of comprehensive income, statements of changes in capital deficiency and statements of cash flows for the years ended December 31, 2017 and 2016.

In addition, the Company adopted PFRS 9, *Financial Instruments*, and PFRS 15, *Revenue from Contracts with Customers*. Aside from additional disclosures required by PFRS 9 and PFRS 15, the adoption of these new standards have no significant impact on the Company's financial statements.

(c) *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

## 2.2 *Adoption of New and Amended PFRS*

(a) *Effective in 2018 that are Relevant to the Company*

The Company adopted for the first time the following PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2018:

PFRS 9	:	Financial Instruments	*
PFRS 15	:	Revenue from Contracts with Customers; Clarifications to PFRS 15	



Discussed below are the relevant information about these new standards.

- (i) PFRS 9, *Financial Instruments* (issued in 2014). This new standard on financial instruments will replace PAS 39, *Financial Instruments: Recognition and Measurement*, and PFRS 9 issued in 2009, 2010 and 2013. This standard contains, among others, the following:
- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments, i.e., financial assets at amortized costs, fair value through profit and loss (FVTPL), and fair value through other comprehensive income (FVOCI);
  - an expected credit loss (ECL) model in determining impairment of all debt financial assets that are not measured at FVTPL, which generally depends on whether there has been a significant increase in credit risk since initial recognition of such financial assets; and,
  - a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

The Company's new accounting policies relative to the adoption of PFRS 9 is fully disclosed in Notes 2.3 and 2.8.

The adoption of this new standard has no impact as to the classification and measurement of its financial assets and liabilities.

- (ii) PFRS 15, *Revenue from Contract with Customers*, together with the *Clarifications to PFRS 15* (herein referred to as PFRS 15). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: IFRIC 13, *Customer Loyalty Programmes*; IFRIC 15, *Agreement for the Construction of Real Estate*; IFRIC 18, *Transfers of Assets from Customers*; and, Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company's adoption of PFRS 15 has no material impact on the Company's financial statements since the Company has not yet started commercial operations (see Note 1).

(b) *Effective in 2018 that are not Relevant to the Company*

The following amendments, interpretation and improvements to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2018 but are not relevant to the Company's financial statements:

PAS 40 (Amendments)	: Investment Property – Reclassification to and from Investment Property
PFRS 2 (Amendments)	: Share-based Payment – Classification and Measurement of Share-based Payment Transactions
PFRS 4 (Amendments)	: Insurance Contracts – Applying PFRS 9, with PFRS 4
International Financial Reporting Interpretations Committee (IFRIC) 22	: Foreign Currency Transactions and Advance Consideration
Annual Improvements to PFRS (2014-2016 Cycle)	
PAS 28 (Amendments)	: Investment in Associates – Clarification on Fair Value Through Profit or Loss Classification
PFRS 1 (Amendments)	: First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-term Exemptions

(c) *Effective Subsequent to 2018 but not Adopted Early*

There are amendments, interpretation and annual improvements to existing standards effective for annual periods subsequent to 2018, which are adopted by the FRSC. Management will adopt the following relevant pronouncements that follows in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements:

- (i) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the “solely payments of principal and interests” (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVOCI.
- (ii) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Company to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment.

Otherwise, the Company has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.

Management is currently assessing the impact of this new interpretation on the Company's financial statements.

- (iii) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, PAS 12 (Amendments), *Income taxes – Tax Consequences of Dividends*, is relevant to the Company but had no impact on the Company's financial statements as these amendments merely clarify that all income tax consequence of dividend payments should be recognized in profit or loss.

### 2.3 Financial Assets

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

#### (a) Classification, Measurement and Reclassification of Financial Assets in Accordance with PFRS 9

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Currently, all of the Company's financial assets are categorized as financial assets at amortized cost.

Financial assets are measured at amortized cost if both of the following conditions:

- the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Company's financial assets at amortized cost are presented in the statement of financial position as Cash in Banks, which are unrestricted and are subject to insignificant changes in value.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the statement of profit or loss as part of Finance Income.

The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Company is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Company's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(b) *Classification, Measurement and Reclassification of Financial Assets in Accordance with PAS 39*

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as of FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss.

Loans and receivables is the only category of financial assets relevant to the Company. Those are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

The Company's financial assets categorized as loans and receivables are presented as Cash in Banks in the statement of financial position. Cash in Banks are unrestricted and are subject to insignificant changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. \*

(c) *Impairment of Financial Assets under PFRS 9*

From January 1, 2018, the Company assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. Recognition of credit losses is no longer dependent on the Company's identification of a credit loss event. Instead, the Company considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Company applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables and contract assets. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Company uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. The Company also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due.

The key elements used in the calculation of ECL are as follows:

- Probability of default – It is an estimate of likelihood of default over a given time horizon.
- Loss given default – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral.
- Exposure at default – It represents the gross carrying amount of the financial instruments subject to the impairment calculation.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(d) *Impairment of Financial Assets under PAS 39*

As of December 31, 2017, 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.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the impairment loss is determined as the difference between the assets' 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 or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in profit or loss.

(e) *Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

**2.4 Other Current Assets**

Other current assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period are classified as non-current assets.

**2.5 Financial Liabilities**

Financial liabilities, which include interest-bearing loan, accrued expenses and other payables (except withholding taxes) and due to a related party are recognized when the Company becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability are recognized as an expense under the caption Finance Costs in the statement of comprehensive income, if any.

Interest-bearing loan are raised to finance expected working capital requirements. Finance charges are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Accrued expenses and other payables and due to a related party are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

### ***2.6 Deposit for Future Stock Subscription***

Deposit for future stock subscription is classified under non-current liability in the statement of financial position. It refers to the amount of money or sometimes even property received by a corporation with the purpose of applying the same as payment for future issuance of stocks which may or may not materialize.

A person or entity that makes a deposit on stock subscription in favor of a corporation does not have the standing of a stockholder nor entitled to the rights and attributes of a stockholder. Consequently, the deposit: (1) is not entitled to the receipt of any dividend; (2) is not included in the determination of quorum at meetings nor in the counting of votes requiring shareholder's action; (3) is not eligible to be voted upon; and (4) in general, cannot exercise stockholders' rights or privileges.

Under the new and amended Financial Reporting Bulletin (FRB) No. 006, as revised, the Company shall classify a contract to deliver its own equity instruments under equity as a separate account (e.g. deposits for future stock subscription) from capital stock if and only if, all of the following elements are present as of end of the reporting period:

- (a) The unissued authorized capital of the entity is insufficient to cover the amount of shares indicated in the contract;
- (b) There is BOD and stockholders' approval on the proposed increase in capital stock for which a deposit was received by the Company; and,
- (c) The application for the approval of the proposed increase has been presented for filing or has been filed with the Commission.

If any or all of the foregoing elements are not present, the transaction should be recognized as a liability. The amount of deposit for future stock subscriptions will be reclassified to equity accounts when the Company meets the foregoing criteria.

## ***2.7 Provisions and Contingencies***

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

## ***2.8 Revenue and Expense Recognition***

To determine whether to recognize revenue, the Company follows a five-step process:

- (1) identifying the contract with a customer;
- (2) identifying the performance obligation;
- (3) determining the transaction price;
- (4) allocating the transaction price to the performance obligations; and,
- (5) recognizing revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following five gating criteria must be present:

- (i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- (ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
- (iii) the payment terms for the goods or services to be transferred or performed can be identified;
- (iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
- (v) collection of the consideration in exchange of the goods and services is probable.



Revenue is recognized only when (or as) the Company satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- (i) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- (ii) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- (iii) the Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

In 2017 and prior periods, the Company recognized revenue based on the provision of PAS 18 which is to the extent that such revenues and the related costs incurred or to be incurred can be measured reliably and it is probable that future economic benefits will flow to the Company. In addition, specific recognition criteria must also be met before revenue is recognized.

As indicated in Note 1, the Company has no commercial operations yet and currently, it only earns interest income on its Cash in banks (see Note 2.3).

Expenses are recognized in profit or loss at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis.

### ***2.9 Foreign Currency Transactions and Translation***

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

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

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

The Company's non-financial assets, if any, are subject to impairment testing. Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

### *2.11 Income Taxes*

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets, if any, are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Company has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority.

### ***2.12 Offsetting Financial Instruments***

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Company currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

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

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

### ***2.14 Segment Reporting***

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's executive committee, its chief operating decision maker. The executive committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Company's products and service lines as well as geographical location of its operation.

Because the Company has no commercial operations yet (see Note 1), the Company does not present any segment information.

### ***2.15 Capital Deficiency***

Capital stock represents the nominal value of shares that have been issued and subscribed, less subscriptions receivable.

Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Deficit represents all current and prior period results of operations as reported in the statement of comprehensive income.

### ***2.16 Earnings (or Loss) per Share***

Basic earnings (or Loss) per share (EPS) is computed by dividing net profit attributable to equity holders of the Company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Company does not have dilutive potential shares outstanding; hence, the diluted EPS is equal to the basic EPS.

### ***2.17 Events After the End of the Reporting Period***

Any post-year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

## **3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. 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. Actual results may ultimately differ from these estimates.

### ***3.1 Critical Management Judgments in Applying Accounting Policies***

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

#### ***(a) Assessment of Going Concern***

The Company's management has made an assessment of its ability to continue as going concern. Management believes that the steps that it has already under taken will propel and support the viability of its new business plan for the Company (see Note 1.2). Therefore, the financial statements are prepared on a going concern basis.

*(b) Evaluation of Business Model Applied in Managing Financial Instruments (2018)*

Upon adoption of PFRS 9, the Company developed business models which reflect how it manages its portfolio of financial instruments. The Company's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Company) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Company evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Company (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Company's investment and trading strategies.

No such changes were required during the period presented.

*(c) Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.7 and disclosures on relevant contingencies are presented in Note 16.

**3.2 Key Sources of Estimation Uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

*(a) Estimation of Allowance for ECL (2018)*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behaviour (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 4.1.

*(b) Determination of Realizable Amount of Deferred Tax Assets*

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. As of December 31, 2018 and 2017, the deferred tax assets are not recognized because based on management's assessment there would be no sufficient future taxable profits yet against which the deductible temporary differences and carry forward benefits of unused net operating loss carry-over (NOLCO) could be utilized (see Note 12).

#### 4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to certain financial risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized in Note 5. The main types of risks are credit risk and liquidity risk.

The Company's risk management is coordinated with the Board of Directors (BOD) and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. Following are the significant financial risks to which the Company is exposed to:

##### *4.1 Credit Risk*

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk for certain financial instruments arising from placing deposits with banks.

The Company continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of cash in banks as of December 31, 2018 and 2017 amounts to P541,540 and P1,695,458, respectively, which is the carrying amount as shown in the statements of financial position or in the detailed analysis provided in the notes to the financial statements (see Note 6).

The credit risk for cash in banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

##### *4.2 Liquidity Risk*

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Company maintains cash to meet its liquidity requirements for up to 60-day periods.

As of December 31, 2018 and 2017, the Company's financial liabilities have contractual maturities which are summarized in the next page.

	<u>On demand</u>	<u>Within one year</u>	<u>Total</u>
<b>December 31, 2018</b>			
Due to a related party	P 4,852,581	P -	P 4,852,581
Accrued expenses (except withholding taxes)	<u>125,500</u>	<u>-</u>	<u>125,500</u>
	<b>P 4,978,081</b>	<b>P -</b>	<b>P 4,978,081</b>
<b>December 31, 2017</b>			
Interest-bearing loan	P -	P 4,289,909	P 4,289,909
Accrued expenses (except withholding taxes)	<u>225,633</u>	<u>-</u>	<u>225,633</u>
	<b>P 225,633</b>	<b>P 4,289,909</b>	<b>P 4,515,542</b>

The contractual maturities of the financial liabilities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

## 5. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AND FAIR VALUE MEASUREMENT AND DISCLOSURES

### 5.1 Carrying Amounts and Fair Values by Category

The Company has no financial assets or financial liabilities carried at fair value nor does it have any financial instruments whose fair value is required to be disclosed. The carrying values of its financial assets and financial liabilities that are carried at amortized cost approximate or equal their fair values, accordingly, comparison of their fair values and carrying values is no longer presented.

### 5.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets with net amounts presented in the 2017 statement of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements.

	<u>Gross amounts recognized in the statements of financial position</u>		Net amount presented in the statements of financial position	<u>Related amounts not set off in the statements of financial position</u>		Net amount
	<u>Financial assets (liabilities)</u>	<u>Financial liabilities (assets) set off</u>		<u>Financial instruments</u>	<u>Cash collateral received</u>	
Cash in banks	P 1,695,458	P -	P 1,695,458	(P 49,003)	P -	P 1,646,455
Interest-bearing loan	P 4,285,760	P -	P 4,285,760	(P 49,003)	P -	P 4,236,757

There are no financial instruments subject to potential offsetting as of December 31, 2018.

### **5.3 Fair Value Hierarchy**

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- (a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,
- (c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Company uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3

### **5.4 Financial Instruments Measured at Fair Value**

As indicated in Note 5.1, the Company has no financial assets and liabilities measured at fair value as at December 31, 2018 and 2017.

### **5.5 Fair Value Measurement for Non-financial Assets**

The Company has no non-financial assets measured at fair value as of December 31, 2018 and 2017.



**5.6 Financial Instruments Measured at Amortized Cost for which Fair Value is Not Disclosed**

As discussed in Note 5.1, carrying values of its financial instruments carried at amortized costs approximate or equal their fair values, hence comparison is no longer disclosed. Accordingly, the Company does not also present a fair value hierarchy. Nevertheless, its cash in banks can be categorized as Level 1 in the hierarchy of financial instruments while the rest of the financial instruments as Level 3.

**6. CASH IN BANKS**

Cash in banks, which pertain to demand and savings deposits, amounts to P541,540 and P1,695,458 as of December 31, 2018 and 2017, respectively. Cash in banks generally earn interest based on daily bank deposit rates, which amounted to P1,344, P2,693, and P49 for 2018, 2017 and 2016, respectively, and is presented as part of Finance Income in the statements of comprehensive income (see Note 10).

**7. OTHER CURRENT ASSETS**

The composition of this account is shown below.

	<u>2018</u>	<u>2017</u>
Input VAT	P 476,828	P 327,349
Allowance for impairment	( 476,828)	( 327,349)
Advances subject for liquidation	<u>50,000</u>	<u>50,000</u>
	<u>P 50,000</u>	<u>P 50,000</u>

The analysis of allowance for impairment of input VAT is presented below.

	<u>Note</u>	<u>2018</u>	<u>2017</u>
Balance at beginning of year		P 327,349	P 172,722
Impairment during the year	11	<u>149,479</u>	<u>154,627</u>
Balance at end of year		<u>P 476,828</u>	<u>P 327,349</u>

**8. INTEREST-BEARING LOAN**

The movements of interest-bearing loans are shown below:

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	P 4,285,760	P 3,217,656
Repayments	( 4,285,760)	( 3,217,656)
Additional borrowing	<u>-</u>	<u>4,285,760</u>
Balance at end of year	<u>P -</u>	<u>P 4,285,760</u>

The outstanding loan payable as of December 31, 2017 which bears an annual interest of 2.05% was paid in full on January 15, 2018. No additional loan was availed in 2018.

Total interest expense recognized in 2018, 2017 and 2016 amounted to P4,149, P5,273, and P527, respectively, and is presented as Finance Cost in the statements of comprehensive income.

## 9. ACCRUED EXPENSES AND OTHER PAYABLES

The composition of this account is shown below.

	<u>2018</u>	<u>2017</u>
Accrued professional fees	P 125,000	P 200,000
Withholding taxes	9,000	13,500
Accrued transportation and travel expenses	-	25,633
Others	<u>500</u>	<u>-</u>
	<u>P 134,500</u>	<u>P 239,133</u>

## 10. OTHER INCOME

Other income includes:

	<u>Note</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Unrealized foreign currency exchange gains - net		P 4,219	P 1,564	P 5,258
Interest income	6	<u>1,344</u>	<u>2,693</u>	<u>49</u>
		<u>P 5,563</u>	<u>P 4,257</u>	<u>P 5,307</u>

## 11. EXPENSES

Details of the Company's expenses by nature are shown below.

	<u>Note</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Professional fees		P 764,064	P 1,208,665	P 1,989,750
Taxes and licenses	17(d)	272,526	449,351	63,383
Impairment of input VAT	7	149,479	154,627	172,722
Write off of other assets		104,728	-	133,844
Transportation and travel		98,386	49,342	23,886
Directors' fees		90,000	90,000	-
Printing and supplies		76,604	89,293	45,406
Meetings and conferences		47,733	42,500	-
Communication		9,000	9,090	10,139
Advertising		-	123,900	17,842
Membership, association dues and fees		-	-	19,000
Others		<u>5,000</u>	<u>1,001</u>	<u>27,787</u>
		<u>P 1,617,520</u>	<u>P 2,217,769</u>	<u>P 2,503,759</u>

## 12. CURRENT AND DEFERRED TAXES

There is no tax expense reported in the statements of comprehensive income for the years ended December 31, 2018, 2017 and 2016 because the Company is in gross and taxable loss positions.

The reconciliation of tax on pretax loss computed at the applicable statutory rate of 30% to tax expense follows.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Tax on pretax loss at 30%	(P 484,832)	(P 665,636)	(P 749,694)
Tax effects of:			
Movements in NOLCO for which no deferred income tax asset was recognized	410,105	620,258	642,282
Non-taxable income	( 1,669)	( 1,277)	( 1,592)
Non-deductible expenses	<u>76,396</u>	<u>46,655</u>	<u>109,004</u>
Tax expense	<u>P -</u>	<u>P -</u>	<u>P -</u>

There were no deferred tax assets recognized in the current and prior years since management believes that it is not probable that the Company would have sufficient future taxable profits against which deductible temporary differences and carryforward benefits of unused NOLCO could be utilized. Unrecognized deferred tax assets on NOLCO amounts to P1,672,645 and P21,345,599 as at December 31, 2018 and 2017.

The details of the Company's unexpired NOLCO with their corresponding validity or availment periods are as follows:

<u>Taxable Years</u>	<u>Amount</u>	<u>Tax Effect</u>	<u>Valid Until</u>
2018	P 1,367,018	P 410,105	2021
2017	2,067,526	620,258	2020
2016	<u>2,140,940</u>	<u>642,282</u>	2019
	<u>P 5,575,484</u>	<u>P 1,672,645</u>	

NOLCO which arose from 2015 and 2014 amounting to P66,943,529 and P1,349,191, respectively, with the tax effect of P20,083,059 and P404,757, expired in 2018 and 2017, respectively.

The Company is subject to minimum corporate income tax (MCIT), which is computed at 2% of gross income, as defined under the tax regulations or the regular corporate income tax, whichever is higher. No MCIT was reported in 2018 and 2017 as the Company did not earn income subject to MCIT.

### 13. RELATED PARTY TRANSACTIONS

The Company's related parties include its stockholders and others as described in Note 2.13. A summary of the Company's transactions and outstanding balances with its related parties is presented below.

Related Party Category	Note	Amount of Transactions			Outstanding Balance	
		2018	2017	2016	2018	2017 (As restated - see Note 2.1)
<b>Stockholders</b>						
Accommodation payments	13.1	P 4,852,581	P 4,285,760	P 2,555,300	P 4,852,581	P -
Deposit for future stock subscription	13.2	-	2,500,000	-	2,500,000	2,500,000

#### 13.1 Due to a Related Party

In 2018, 2017 and 2016, the Company's stockholders accommodated certain expenses, including principal and interest payments on its bank loan, on behalf of the Company. As of December 31, 2018 the outstanding payable to its stockholders amounted to P4,852,582 which was presented as Due to a Related Party in the 2018 statement of financial position. As of December 31, 2017, the Company has no outstanding payables to its stockholder arising from this transaction, as the Company obtained interest-bearing loan to pay out the related payables (see Note 8).

#### 13.2 Deposit for Future Stock Subscriptions

In 2017, the Company's stockholder made cash infusion amounting to P2,500,000 for the planned subscriptions to the Company's authorized capital stock.

The outstanding balance amounted to P2,500,000 as of December 31, 2018 and 2017 are presented as non-current liability in the statement of financial position as the requirements of SEC FRB No. 006, as revised, for classification as equity has not been complied with as of the end of the reporting period. The cash infusion from stockholders is intended to cushion the capital deficiency of the Company (see Note 1.2).

#### 13.3 Key Management Compensation

The Company does not have key management personnel compensation in 2018, 2017 and 2016 as it has not yet started commercial operation.

## 14. EQUITY

### 14.1 Capital Stock

Capital stock consists of:

	Shares		Amount	
	2018	2017	2018	2017
Capital Stock – P0.005 par value				
Authorized	40,000,000,000	40,000,000,000	P 200,000,000	P 200,000,000
Issued	39,965,000,000	39,965,000,000	P 199,825,000	P 199,825,000
Subscribed	35,000,000	35,000,000	175,000	175,000
Subscriptions receivable	-	-	(116,668)	(116,668)
	35,000,000	35,000,000	58,332	58,332
Total issued and subscribed	40,000,000,000	40,000,000,000	P 199,883,332	P 199,883,332

On October 26, 2017, in addition to the items disclosed in Note 1, the BOD also approved several amendments to the Company's Articles of Incorporation as concurred by at least 2/3 of the Company's stockholders, which includes, among others the following: (1) increasing the par value to P1 per share without any resulting increase in the authorized capital stock of the Company but with a decrease in the number of issued and outstanding shares of the Company; and, (2) increasing the authorized capital stock of the Company to P5,000,000,000, which shall be implemented in one or more tranches.

On September 18, 2018, the BOD resolved to approve the implementation of the first tranche of the increase in the authorized capital stock of the Company from P200,000,000 divided into 40,000,000,000 common shares with a par value of P0.005 per share to P700,000,000 divided into 140 billion shares with par value of P0.005 per share.

However, as of December 31, 2018 and the date of audit report, these amendments have not been filed or presented for filing to SEC.

### 14.2 Listing with PSE

On November 23, 1959, the Company offered a portion of its stocks for listing with the PSE. The number of common shares registered was 25,345,216,000 with an issue price of P0.005. As of December 31, 2018 and 2017, the number of holders of such securities for both years is 3,300. The closing market price of the Company's shares as of December 31, 2018 and 2017 is P0.0370 and P0.0450, respectively. The total number of issued shares not listed with the PSE is 14,654,784,000 shares as at December 31, 2018 and 2017.

On June 21, 2011, pursuant to the approval by the BOD, a delinquency sale was held for all 14,654,784,000 delisted delinquent shares in accordance with the provisions of the Corporation Code of the Philippines and the Securities Regulation Code, the results of which were reported to the SEC and the PSE. This is the Company's confirmation of management's initiative to source funds. The delinquency sale was undertaken by the Company in its principal office and in the presence of a Notary Public. During the said auction, a total of 14,654,784,000 shares were bought by the winning bidders. Pursuant to the rules of the delinquency sales, payment of the winning bid shall be made on or before August 4, 2011. As at May 2, 2012, all winning bidders have fully paid their bids and have been issued certificates of stock.

The public auction of the delisted delinquent shares was ratified on October 16, 2015 during the Company's Annual Stockholders Meeting.

As at December 31, 2018 and 2017, 25,345,216,000 common shares of the Company remain listed with the PSE while the remaining 14,654,784,000 delisted shares are in the process of relisting. As at the same dates, the Company has no other securities listed in any capital markets.

### 14.3 Capital Management Objectives, Policies and Procedures

The Company maintains a capital base to cover risk inherent in the business. The primary objective of the Company's capital management is to ensure that it maintains an adequate and strong capital base to support its business. Accordingly, management is currently working on getting fresh investments to revitalize the capital base of the Company (see Note 1.2).

The Company monitors capital on the basis of the carrying amount of equity as presented on the face of the statements of financial position. Capital for the reporting periods under review is summarized below.

	<u>2018</u>		<u>2017</u>
Total liabilities	P 7,487,081	P	7,024,893
Capital deficiency	( 6,895,541)	(	5,279,435)

The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. However as at December 31, 2018 and 2017, the Company has capital deficiency and is still working on improving it as discussed in Note 1.2.

## 15. LOSS PER SHARE

Basic and diluted loss per share were computed as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net loss	P 1,616,106	P 2,218,785	P 2,498,979
Weighted average number of outstanding shares	<u>40,000,000,000</u>	<u>40,000,000,000</u>	<u>40,000,000,000</u>
Basic and diluted loss per share	<u>P 0.00004</u>	<u>P 0.00006</u>	<u>P 0.00006</u>

The Company has no potentially dilutive common shares as of December 31, 2018, 2017 and 2016. Thus, the basic and diluted loss per share are the same as of those dates.

## 16. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities that are not given recognition in the accompanying financial statements. As of December 31, 2018 and 2017, the management believes that losses, if any, that may arise from these commitments and contingencies will not have a material effect on the financial statements.

**17. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)**

Following are the supplementary information on taxes, duties and license fees paid or accrued during the taxable year, which is required by the BIR under Revenue Regulation No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

*(a) Output VAT*

The Company does not have output VAT in 2018 since the Company has not yet generated any revenues.

*(b) Input VAT*

The movements in input VAT in 2018 are summarized below.

Balance at the beginning of year	P	327,349
Purchases of services		<u>149,479</u>
Balance at end of year	P	<u>476,828</u>

*(c) Documentary Stamp Tax (DST)*

The Company does not have any transaction subject to DST.

*(d) Taxes and Licenses*

Details of taxes and licenses (see Note 11) follow:

Annual listing and filing fees	P	250,000
Business and local taxes		21,198
Annual registration fee		500
Others		<u>828</u>
	P	<u>272,526</u>

*(e) Withholding Taxes*

The total expanded withholding tax in 2018 amounted to P9,000 arising from Directors' fees. The Company has no income tax payments subjected to compensation and final taxes in 2018.

*(f) Deficiency Tax Assessments and Tax Cases*

As of December 31, 2018, the Company does not have final deficiency tax assessments with the BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.