

# **Annex B**

# 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 20-IS**  
 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

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 To be accomplished by SEC Personnel concerned

File Number

\_\_\_\_\_  
 LCU

Document I.D.

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 Cashier

STAMPS

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## NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

### G R E T I N G S:

Please be advised that the Annual Meeting of Stockholders of PACIFICA, INC. will be held on **5 December 2018, 10:00 a.m. at Metropolitan Club, Estrella cor. Amapola Streets, Guadalupe Viejo, Makati** to discuss the following matters in the Agenda:

### A G E N D A

1. Call to Order
2. Proof of Service of Notice
3. Certification of Presence of Quorum
4. Approval of the Minutes of the Annual Stockholders' Meeting held on 26 October 2017
5. Ratification of all acts of the Board of Directors and Officers since the 2017 Annual Stockholders' Meeting adopted in the ordinary course of business
6. Approval of the Annual Report and Audited Financial Statements of the Company for the year ended 31 December 2017
7. Report of Management
8. Election of the Members of the Board of Directors including the Independent Directors for the Ensuing Year
9. Appointment of the Company's External Auditors for Fiscal Year 2018
10. Other Matters

For purposes of the meeting, only stockholders of record as of **2 October 2018** are entitled to attend and vote in the said meeting.

For your convenience in registering your attendance, please have some form of identification such as a passport, driver's license or voter's I.D.

**The Company is not soliciting proxies.**

Very truly yours,

  
**CRISTINA S. PALMA GIL-FERNANDEZ**  
Corporate Secretary

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 20-IS**

**INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE**



1. Check the appropriate box:  
 Preliminary Information Statement  
 Definitive Information Statement
2. Name of Registrant as specified in its charter : **PACIFICA, INC.**
3. Province, country or other jurisdiction of incorporation or organization : **Philippines**
4. SEC Identification Number : **013039**
5. BIR Tax Identification Number : **320-000-484**
6. Address of Principal Office : **c/o Manila Harbour Centre, R-10, Vitas, Tondo, Manila**  
 Postal Code : **1013**
7. Registrant's telephone number, including area code : **(632) 637 8851**
8. Date, time and place of the meeting of security holders : **5 December 2018, 10:00 a.m. at Metropolitan Club, Estrella cor. Amapola Streets, Guadalupe Viejo, Makati City**
9. Approximate date on which the Information Statement is first to be sent or given to security holders : **12 November 2018**
10. *In case of Proxy Solicitations:*  
 Name of Person Filing the Statement/Solicitor: : **Not applicable**  
 Address and Telephone No. : **Not applicable**

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of each class	Number of Common Stock Outstanding or Amount of Debt Outstanding
<b>Common Shares</b>	<b>40,000,000,000</b>

12. Are any or all of registrant's securities listed on a Stock Exchange?

Yes  No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein.

**The common shares of PACIFICA, INC. are listed on the Philippine Stock Exchange.**

## INFORMATION STATEMENT

### A. GENERAL INFORMATION

#### Item 1. Date, Time, and Place of Meeting of Security Holders

Date : 5 December 2018  
Time : 10:00 a.m.  
Place : Metropolitan Club, Estrella cor. Amapola Streets,  
Guadalupe Viejo, Makati City

Complete mailing address of the principal office of the Company : c/o Manila Harbour Centre, R-10, Vitas, Tondo, Manila

Approximate date when the Information Statement is first to be sent out to stockholders of record: : 12 October 2018

**WE ARE NOT ASKING YOU FOR A PROXY AND  
YOU ARE REQUESTED NOT TO SEND US A PROXY.**

#### Item 2. Dissenter's Right of Appraisal

Pursuant to Section 81 of the Corporation Code, (1) in case of amendment to the articles of incorporation that has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence, (2) in case of lease, exchange, transfer, mortgage, pledge, or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code, and (3) in case of merger or consolidation, any stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares.

As provided in Section 82 of the Corporation Code, this appraisal right may be exercised by any stockholder who shall have dissented to such corporate action, by making a written demand on the Company within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares. Failure to make the demand within such period shall be deemed a waiver of the appraisal right.

Within ten (10) days after demanding payment for his shares, a dissenting stockholder shall submit to the Company the certificate(s) of stock representing his shares for notation thereon that such shares are dissenting shares. His failure to do so shall, at the option of the Company, terminate his appraisal rights. No demand for payment as aforesaid may be withdrawn by the dissenting stockholder unless the Company consents thereto.

If the corporate action is implemented or effected, the Company shall pay to such dissenting stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of a merger if such be the corporate action involved.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Company cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Company, and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made. No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment. Upon payment by the Company of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Company. The procedure to be followed in exercising the appraisal right shall be in accordance with Sections 81 to 86 of the Corporation Code.

There are no matters or proposed actions as specified in the Notice of Annual Stockholders' Meeting that will give rise to a possible exercise by shareholders of their appraisal rights as provided in the Corporation Code of the Philippines and summarized above.

**Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

Other than the election to office to include the nomination and election of directors and independent directors, there are no matters to be acted upon in which any director or executive officer is involved or has a direct, indirect, or substantial interest. Furthermore, no director has informed the registrant, in writing or otherwise, that he/she intends to oppose any action to be taken by the registrant at the Meeting.

**B. CONTROL AND COMPENSATION INFORMATION**

**Item 4. Voting Securities and Principal Holders Thereof**

As of 30 September 2018, the number of shares issued and outstanding of PACIFICA, INC. ("PA" or the "Company") is 40,000,000,000 shares with a par value of Php0.005 per share. As of 30 September 2018, a total of 124,545,249 shares or 0.31% of the outstanding capital stock of the Company are owned by foreigners.

All stockholders of record at the close of business hours on 2 October 2018 (the "Record Date") are entitled to notice and to vote at the Annual Stockholders' Meeting.

A stockholder entitled to vote at the Meeting shall have the right to vote in person or by proxy the number of shares registered in his name in the stock and transfer book of the Company as of the Record Date. With respect to the election of directors, said stockholder may vote such number of shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

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

The Company has no knowledge of any person who, as of 30 September 2018, was directly or indirectly the beneficial owner of more than five percent (5%) of the Company's outstanding shares of common stock or who has voting power of investment with respect to shares comprising more than five percent (5%) of the Company's outstanding shares of common stock except as stated below:

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. <sup>1</sup> 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%

<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.

Common shares	PCD Nominee Corporation <sup>2</sup> 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 <b>iHoldings, Inc.</b> which owns equivalent to 27.65% of the voting securities of the Company. Atty. Lowell L. Yu is the President and authorized representative of iHoldings, Inc.	Filipino	18,439,626,975	46.10%
<b>TOTAL</b>				<b>33,049,310,975</b>	<b>82.62%</b>

The Board of Directors of the following corporate stockholders of the Company is expected to authorize the following persons to exercise, on behalf of their respective corporations, the voting power over their securities in the Company, to wit:

Name of Corporate Stockholder	Authorized Representative
Unido Capital Holdings, Inc.	Lowell L. Yu
iHoldings, Inc.	Lowell L. Yu

#### Security Ownership of Management

The following table shows the shareholdings beneficially held by the directors and executive officers of the Company as of 30 September 2018:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	% of Total Outstanding Shares
		Direct	Indirect		
Common	Lowell L. Yu	100,000	0	Filipino	0.00
Common	Winglip K. Chang	200,000	0	Filipino	0.00
Common	Alexander S. Roleda	100,000	0	Filipino	0.00
Common	Luis R. Yu III	100,000	0	Filipino	0.00
Common	Ian Norman E. Dato	100,000	0	Filipino	0.00
Common	Richard N. Rocha	0	100,000	Filipino	0.00
Common	Christian Francis C. Reyes	0	100,000	Filipino	0.00
Common	Mark Werner J. Rosal	100,000	0	Filipino	0.00
Common	Vittorio P. Lim	0	100,000	Filipino	0.00
<b>TOTAL</b>		<b>700,000</b>	<b>300,000</b>		<b>0.00</b>

#### Voting Trust Holders of 5% or More

The Company is not aware of any voting trust or similar agreements involving the securities of the Company or of any person who holds more than five percent (5%) of a class of securities under a voting trust or similar agreements.

<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.

## Change in Control

Following the conduct and completion of the mandatory tender offer process in respect of the shares of the minority shareholders of the Company in accordance with the Securities Regulation Code (SRC) and its implementing rules and regulations, as well as the satisfaction of the closing conditions set forth in their respective Sale and Purchase Agreements (SPAs), Deeds of Absolute Sale were executed on 7 February 2017, as indicated below:

- (i) By and between 9<sup>th</sup> 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.

As a result of the said transactions, Unido Capital Holdings, Inc. now owns and holds a total of 14,609,684,000 common shares, representing 36.52% of the outstanding capital stock of the Company.

## Item 5. Directors and Executive Officers

### Background Information

#### Directors and Officers

The following served as directors and principal officers of the Company for the year 2017:

<b>Name</b>	<b>Age</b>	<b>Nationality</b>	<b>Position</b>
Lowell L. Yu	40	Filipino	Chairman
Winglip K. Chang	65	Filipino	President and Chief Executive Officer
Alexander S. Roleda	62	Filipino	Director
Luis Michael R. Yu III	29	Filipino	Director
Ian Norman E. Dato	39	Filipino	Director
Richard N. Rocha	34	Filipino	Director
Christian Francis C. Reyes	36	Filipino	Director
Mark Werner J. Rosal	41	Filipino	Independent Director
Vittorio P. Lim	33	Filipino	Independent Director
Cristina S. Palma Gil-Fernandez	50	Filipino	Corporate Secretary
Maria Elena E. Pocong	39	Filipino	Treasurer

The certification of independent directors executed by Atty. Mark Werner J. Rosal and Mr. Vittorio P. Lim are attached herewith as Annex "A-1" and "A-2", respectively.

### Business Experience and Other Directorships

#### Directors

The business experience of each of the incumbent directors and officers of the Company for the last five (5) years is as follows:

#### **Lowell L. Yu** *Chairman of the Board*

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., Icuisine, 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's 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.

The business experience of each of the persons nominated as directors of the Company (and who are not incumbent directors) for the last five (5) years is as follows:

**Officers**

The business experience of each of the current principal officers of the Company for the last five (5) years is as follows:

**Lowell L. Yu**

*Chairman of the Board*

*(See business description above)*

**Winglip K. Chang**

*President and Chief Executive Officer*

*(See business description above)*

**Cristina S. Palma Gil-Fernandez**

*Corporate Secretary*

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.

**Maria Elena E. Pocong**

*Treasurer*

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.

### **Information Required of Directors and Executive Officers**

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

As of the date of this Information Statement, the following persons have been nominated to the Board for election at the Annual Stockholders' Meeting and have accepted their nomination:

LOWELL L. YU  
WINGLIP K. CHANG  
ALEXANDER S. ROLEDA  
LUIS MICHAEL R. YU III  
IAN NORMAN E. DATO  
RICHARD N. ROCHA  
CHRISTIAN FRANCIS C. REYES  
MARK WERNER J. ROSAL as independent director  
VITTORIO P. LIM as independent director

The nominees, other than the nominees for independent directorships, were formally nominated to the Nomination Committee of the Board by Atty. Lowell L. Yu, a shareholder of the Company. The Nomination Committee is chaired by Mr. Vittorio P. Lim, while Mr. Ian Norman E. Dato and Mr. Winglip K. Chang serve as its members.

Mr. Mark Werner J. Rosal and Mr. Vittorio P. Lim are being nominated as independent directors, having possessed the qualifications and none of the disqualifications of an independent director, and were nominated by Atty. Ian Norman E. Dato in accordance with the guidelines for the nomination and election of independent directors pursuant to Rule 38 of the Securities Regulation Code (SRC). Atty. Dato is not related to any of the nominees including Mr. Rosal and Mr. Lim.

The qualifications of all nominated directors, including the nominated independent directors, have been pre-screened in accordance with the Code of Corporate Governance and By-Laws of the Company. Only the nominees whose names shall appear on the final list of candidates are eligible for election as directors (independent or otherwise), in accordance with the procedure set forth in the By-Laws of the Company. No other nominations will be entertained after the preparation of the final list of candidates and no further nominations shall be entertained or allowed during the Annual Stockholders' Meeting. The amendment of the Company's By-Laws in relation to the procedures on nomination and election of Independent Directors pursuant to SRC Rule 38, as amended, was approved on 14 August 2009.

#### **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 nominated as 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 in Certain Legal Proceedings**

The Corporation, at present, is not aware of any legal proceedings involving the Company within the last five (5) years prior to the date of this report, except as stated herein. The case of *Olivero G. Laperal, Sr. v. Pacifica, Inc., Victorina L. Laperal, Rosamaria L. Laperal, Regina L. Concepcion, and Alexandra L. Laperal and Securities Transfer Services, Inc.*, docketed as Civil Case No. 09-122278 and 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.

The Company, at present, is not aware of any legal proceedings within the last five (5) years prior to the date of this report that are material to the evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter, or control person of the Company nor is the Company aware of:

- Any bankruptcy petition filed by or against any business of which any incumbent member of the Board of Directors or senior management of the Company was a general partner or executive officer, either at the time of filing of the bankruptcy petition or within three (3) years prior to that time;
- Any conviction by final judgment in a criminal proceeding, domestic or foreign, pending against any of the incumbent directors or senior management of the Company;
- 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 the involvement of any of the incumbent directors or senior management of the Company in any type of business, securities, commodities, or banking activities; and
- Any finding by a domestic or foreign court of competent jurisdiction (in civil action), the Securities and Exchange Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or said regulatory organization, that any of the incumbent directors or senior management of the Company has violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

### **Certain Relationships and Related Transactions**

Except as described below and other than those disclosed in the Company's Annual Report for 2017, Audited Financial Statements as of 31 December 2017, and Quarterly Report for period ended 30 June 2018, the Company has not had any transaction during the last two (2) years in which any Director or Executive Officer or any of their immediate family members had a direct or indirect interest.

For more discussion on Related Party Transactions, please see Note 13 of the Financial Statements as of 31 December 2017.

### **Resignation of Directors**

No director has resigned from or declined to stand for re-election to the Board since the date of the 2017 Annual Stockholders' Meeting due to any disagreement with the Company relative to its operations, policies, and practices.

## **Item 6. Compensation of Directors and Executive Officers**

### **Executive Compensation**

The aggregate compensation paid or incurred in 2015, 2016, 2017 and estimated to be paid in 2018 to the Chief Executive Officer and senior executive officers of the Company are as follows:

*Compensation Table of CEO and four (4) most highly compensated executive officers*

	<u>Year</u>	<u>Total <sup>(1)</sup></u> <u>(P)</u>
CEO and the four most highly compensated executive officers		
.....	2015	n/a
	2016	n/a
	2017	n/a
	2018 (est.)	n/a
Aggregate compensation paid to all other officers as a group unnamed		
.....	2015	n/a
	2016	n/a
	2017	n/a
	2018 (est.)	n/a

*Note:*

(1) *Includes salary, bonuses, and other income.*

The members of the Board of Directors do not receive fixed compensation but are given reasonable *per diem* which usually range from Php5,000 to Php10,000 for every attendance in any regular or special meeting of the Board of Directors. In 2017, 2016, and 2015, respectively, the CEO and the four (4) most highly compensated executive officers did not directly receive compensation from the Company. Prepared procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors and of officers is pending board review and approval.

**Standard Arrangements**

Other than payment of such reasonable *per diem* there are no standard arrangements pursuant to which directors of the Company are compensated, or were compensated, directly or indirectly, for any services provided as a director and for their committee participation or special assignments for 2013 up to the present.

**Other Arrangements**

There are no other arrangements pursuant to which any director of the Company was compensated, or to be compensated, directly or indirectly, during 2016 for any service provided as a director.

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

**Employment Contracts**

The Company has no special employment contracts with the named executive officers.

**Warrants and Options Outstanding**

There are no outstanding warrants or options held by the President, the named executive officers, and all officers and directors as a group.

**Item 7. Independent Public Accountants**

The external auditor of the Company is the accounting firm of Punongbayan & Araullo, appointed by the stockholders during the Annual Stockholders' Meeting on 26 October 2017. The Board, upon the recommendation of the Company's Audit Committee, approved the reappointment of Punongbayan &

Araullo as the Company's independent auditor for 2018 based on their performance and qualifications. The Audit Committee is composed of Mr. Mark Werner J. Rosal (independent director) as Chairman, and Messrs. Alexander S. Roleda and Christian Francis C. Reyes as members.

The reappointment of Punongbayan & Araullo will be presented to the stockholders for their approval at the Annual Stockholders' Meeting.

Representatives of Punongbayan & Araullo for the current year and for the most recently completed fiscal year are expected to be present at the Annual Stockholders' Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

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

The financial statements of the Company as of and for the year ended 31 December 2017 were audited by Punongbayan & Araullo. Sycip, Gorres, Velayo & Co. previously acted as the Company's independent public accountant until 2014.

There was no event during the two most recent fiscal years where Punongbayan & Araullo had any disagreement with the Company with regard to any matter relating to accounting principles or practices or financial statements disclosure or auditing scope or procedure. There was no case of independent accountant to dismiss or to decline to stand for re-election after completion of the current audit.

To comply with the requirements of SRC Rule 68 (3)(b)(iv), the signing partners of Punongbayan & Araullo shall be rotated every five (5) years or earlier. The partner-in-charge for the year 2017 is Mr. Christopher M. Ferarez. He is likewise the recommended partner-in-charge for the ensuing year.

Further, Punongbayan & Araullo has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

Apart from audit-related services, the independent auditors of the Company have not rendered tax, accounting, compliance, advice, planning, and other tax services for the Company within the last two (2) fiscal years.

#### **Item 8. Compensation Plans**

The Company has no stock options, warrants or rights plan. There is likewise no other type of compensation plan.

### **C. ISSUANCE AND EXCHANGE OF SECURITIES**

#### **Item 9. Authorization or Issuance of Securities Other than for Exchange**

On 26 October 2017, the Board of Directors and stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock of the Company approved the increase in the authorized capital stock of the company from Two Hundred Million Pesos (Php200,000,000.00) to up to Five Billion Pesos (Php5,000,000,000.00), to be implemented in tranches, for working capital purposes and in preparation for the commencement of commercial operations.

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 Board of Directors of the Company is further expected to approve from time to time within the ensuing period the further issuance of shares of stock of the Company either out of the current unissued capital stock or the capital stock of the Company as increased, as may be required to fund additional working capital of the Company and investment opportunities that the Company is yet to identify, as well as to strengthen its capital base.

**Item 10. Modification or Exchange of Securities**

There are no actions or matters to be discussed in the Annual Stockholders' Meeting with respect to the modification of any class of securities of the Company, or the issuance or authorization for issuance of one (1) class of securities of the Company in exchange for outstanding securities of another class.

**Item 11. Financial and Other Information**

- (i) Management's Discussion and Analysis of Financial Condition and Results of Operations, market price of shares and dividends, and other data related to the Company's financial information are attached hereto as **Annex "B"**.
- (ii) The Audited Financial Statements for the year ended 31 December 2017 is attached hereto as **Annex "C"**.
- (iii) The Quarterly Report for the quarter ended 30 June 2018 is attached hereto as **Annex "D"**.

**Item 12. Mergers, Consolidations, Acquisitions, and Similar Matters**

There are no actions or matters to be discussed in the Annual Stockholders' Meeting with respect to mergers, consolidations, acquisitions, sales, or other transfers of all or any substantial part of the assets of the Company, liquidation or dissolution of the Company, and similar matters.

**Item 13. Acquisition of Disposition of Property**

There are no actions or matters to be discussed in the Annual Stockholders' Meeting with respect to the acquisition or disposition of any significant Company property.

**Item 14. Restatement of Accounts**

There are no actions or matters to be discussed in the Annual Stockholders' Meeting with respect to the restatement of any asset, capital, or surplus account of the Company.

**D. OTHER MATTERS**

**Item 15. Action with Respect to Reports**

The following are to be submitted for approval during the Annual Stockholders' Meeting:

- (i) Minutes of the Annual Stockholders' Meeting held on 26 October 2017;
- (ii) President's Report based on the Annual Report and 2017 Audited Consolidated Financial Statements of the Company; and
- (iii) Annual Report and Audited Financial Statements for the fiscal year ended 31 December 2017.

**Item 16. Matters Not Required to be Submitted**

There is no action to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

### **Item 17. Amendment of Charter, By-Laws, or Other Documents**

No other actions or matters will be discussed with respect to any amendment of the Company's charter, By-Laws, or other documents.

### **Item 18. Other Proposed Actions**

1. Election of the members of the Board of Directors, including the Independent Directors, for the ensuing fiscal year;
2. Ratification of all acts of the Board of Directors and Management since the last annual stockholders' meeting held on 26 October 2017 including:
  - (a) all material resolutions adopted by the Board and duly reported by the Company to the SEC and PSE through the filing of SEC Form 17-C;
  - (b) all other resolutions adopted by the Board in the ordinary course of business; and
  - (c) all other acts executed by Management in the exercise of their functions in the regular and ordinary course of business of the Company; and
3. Appointment of the Company's external auditor for the ensuing fiscal year.

### **Item 19. Voting Procedures**

#### *Manner of Voting*

In all items for approval, except in the election of directors, each share of stock entitles its registered owner to one vote.

For the purpose of electing directors, a stockholder may vote such number of his shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them in the same principle among as many candidates as he shall see fit. Unless required by law or demanded by a stockholder present or represented at the meeting and entitled to vote thereat, voting need not be by ballot and will be done by show of hands. The Corporate Secretary will be responsible for counting votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies.

The Chairman shall ensure that at least two (2) seats shall be allotted for the election of independent directors as required by the Securities Regulations Code and the Code of Corporate Governance.

#### *Vote Required*

With respect to the election of directors, candidates who received the highest number of votes shall be declared elected.

With respect to the approval of the minutes, the adoption of the Audited Financial Statements for the year ended 31 December 2017, as well as the approval or ratification of the other actions set forth under the heading "Other Proposed Actions" above (other than the election of directors), the vote of majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve such matters.

#### *Method of Counting Votes*

The Corporate Secretary will be responsible for counting votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies at the Annual Meeting of the stockholders.

Unless required by law or demanded by a stockholder present or represented at the meeting and entitled to vote thereat, voting need not be by ballot and will be done by show of hands.



**UNDERTAKING**

**UPON WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. SUCH WRITTEN REQUEST SHOULD BE ADDRESSED TO:**

**THE OFFICE OF THE CORPORATE SECRETARY  
Penthouse, Liberty Center,  
104 H.V. dela Costa Street,  
Salcedo Village, Makati City**

**A copy of the Unaudited Interim Financial Statements (the "Unaudited Interim FS") of the Company as of and for the quarter ended September 30, 2018 with Management Discussion and Analysis will be provided to any requesting shareholder, as soon as said Unaudited Interim FS becomes available but in no case later than November 30, 2018. Any request for a hard copy of the abovementioned Unaudited Interim FS should be sent to the abovegiven address.**

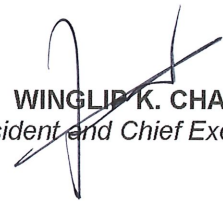
*[Remainder of this page intentionally left blank. Signature page follows.]*

**SIGNATURE PAGE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in MAKATI CITY on NOV 07 2018.

**PACIFICA, INC.**

By:



**WINGLIP K. CHANG**  
*President and Chief Executive Officer*

# Annex A-1

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MARK WERNER J. ROSAL**, Filipino, of legal age and a resident of Door 18, O & M Townhouse, Burgos St. Alang-Alang, Mandaue City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **PACIFICA, INC.** and have been its independent director since October 2015.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
RCDBSF Law Offices	Managing Partner	2009 - present
Rural Bank of Talisay (Cebu) Inc.	Independent Director	May 2017 - present
LBC Express Holdings Inc.	Director	April 28, 2015 - present
Wide Gain Property Holdings Inc.	Director	current
Sem-Ros Food Corp.	Director	current

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PACIFICA, INC.**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of \_\_\_\_\_ (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL/ SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
None		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/ I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
None		

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in \_\_\_\_\_, pursuant to Office of the President

Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of PACIFICA, INC. of any changes in the abovementioned information within five days from its occurrence.

Done, this OCT 04 2018 day of \_\_\_\_\_, at MAKATI CITY.

  
**MARK WERNER J. ROSAL**  
Affiant

SUBSCRIBED AND SWORN to before me this OCT 04 2018 day of \_\_\_\_\_ at MAKATI CITY,  
affiant personally appeared before me and exhibited to me his TIN ID NO. 221-607-10 issued  
at BIR on \_\_\_\_\_.

Doc No. 25 ;  
Page No. 6 ;  
Book No. V ;  
Series of 2018.

  
**ROSE ANN JOY V. GONZALES**  
Appointment No. M-221  
Notary Public for Makati City  
Until December 31, 2019  
Liberty Center-Picazo Law  
104 H.V. dela Costa Street, Makati City  
Roll No. 68583  
PTR No. 6619649/Makati City/01-05-2018  
IBP No. 020681/Isabela/01-03-2018

# Annex A-2

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **VITTORIO P. LIM**, Filipino, of legal age and a resident of 82 Sanso Street, Corinthian Gardens, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **PACIFICA, INC.** and have been its independent director since October 2015.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Apollo Global Capital, Inc.	President	2015 to present
V2S Property Developer Co., Inc.	President	current
B and P Realty, Inc.	Corporate Secretary	current
Champaca Development Corp.	Corporate Secretary	current
PX2 Enterprise Co., Inc.	Corporate Secretary	current
VNP Properties Development Inc.	Corporate Secretary	current
Zelle Dev't. Corporation	Corporate Secretary	current
Tarlac Centerpoint	Corporate Secretary	current
Panlilio Centerpoint	Corporate Secretary	current
Vini Agro Products, Inc.	Treasurer	current

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PACIFICA, INC.**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL/ SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
Victor Y. Lim, Jr.	Premiere Horizon Alliance Corporation	Father

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/ I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
None		

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6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the N/A to be an independent director in \_\_\_\_\_, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of PACIFICA, INC. of any changes in the abovementioned information within five days from its occurrence.

Done, this OCT 04 2018 day of \_\_\_\_\_, at MAKATI CITY.



**VITTORIO P. LIM**  
Affiant

SUBSCRIBED AND SWORN to before me this OCT 04 2018 day of \_\_\_\_\_ at MAKATI CITY,  
affiant personally appeared before me and exhibited to me his Passport No. EC8102283 issued at  
DFA NCR East on 24 June 2016.

Doc No. 26 ;  
Page No. 7 ;  
Book No. V ;  
Series of 2018.



**ROSE ANN JOY V. GONZALES**  
Appointment No. M-221  
Notary Public for Makati City  
Until December 31, 2019  
Liberty Center-Picazo Law  
104 H.V. dela Costa Street, Makati City  
Roll No. 68583  
PTR No. 6619649/Makati City/01-05-2018  
IBP No. 020681/Isabela/01-03-2018



## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULT OF OPERATION**

### **Plan of Operation**

Pacifica, Inc. (the "Corporation") 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 11,056.50 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 2017 and fiscal year ending 31 December 2016, the Company experienced net losses amounting to Php2.2M and Php2.5M, respectively. In 2015, the Company's net

loss amounted to Php25.5M. The gap primarily attributable to the impairment and write-off of various assets in 2015. In 2014, the Company's Php1.4M loss was mainly due to the provisions for probable losses and expenses incurred in view of its participation in various bidding programs where it lost. In 2013, the Company experienced a net loss of Php71.6M. It has not generated any revenue in view of its participation in various biddings where it lost.

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.

The Company is optimistic that it will obtain sufficient funds to support its anticipated fund requirements for the next twelve (12) months.

## **Analysis and Financial Condition and Results of Operations**

### **Full Fiscal Years**

Since the Company has no commercial operation to date and has not generated revenues for the fiscal years ending 31 December 2017, 2016, and 2015, 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 2017 with comparative figures of the previous years and as of 31 December 2016 and 2015.

	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Income Statement Data</b>			
Total Revenues	(4,257)	(5,307)	(6,697,055)
Net Loss	2,213,512	2,498,452	25,558,722
<b>Balance Sheet Data</b>			
Total Current Assets	1,745,458	248,025	234,529
Furniture, Fixtures & Equipment	0	0	0
Other Non-Current Assets	50,000	0	0
Total Assets	1,745,458	248,025	234,529
Current Liabilities	7,024,893	3,308,675	796,200
Stockholders' Equity	(5,279,435)	(3,060,650)	(561,671)
Total Liabilities & Stockholders' Equity	1,745,458	248,025	234,529
Current Ratio	0.25	0.07	0.29
Solvency Ratio	4.02	13.34	3.39
Debt-to-Equity Ratio	(1.33)	(1.08)	(1.42)

## Key Performance Indicators of the Company

Based on the above table, the following are key performance indicators of the Company for 2017, 2016, and 2015:

- (i) Current net loss of Php2.2 million, and net loss of Php2.5 million in 2016 are mainly due to administrative expenses while Php25.6 million loss in 2015 was due to impairment and write-off of, among others, Advances to MikroTech Capital, Inc., as approved by the Board on 28 August 2015 and ratified by the stockholders on 16 October 2015 and Retained Deficit. Meanwhile, administrative expenses were kept at bay because of cost saving measures initiated by Management while the Company is pre-operational.
- (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 2017 increased to 0.25 from 0.08 in 2016. The current ratio of the Company in 2015 was 0.29 wherein the Company recognized impairment and write-off of various current assets and due from related parties.

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

For 2017, the solvency ratio improved to 4.02 due primarily to increase in the total 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 2017, the debt-to-equity ratio decreased to -1.33 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 2017, 2016, and 2015, the following are the material changes and their causes:

## Changes in Financial Condition

### 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 Php234,000 in 2015 to Php248,000 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.

2015 vs. 2014

(i) Current Assets

Current assets decreased by 99% in 2015 due to impairment and write-off of (a) Accounts Receivable from 9th Kingdom Investments, Inc., (b) Advances to Mikro-Tech Capital, Inc., (c) Prepaid Royalties in favor of Zam-Iron Mining Corporation, (d) Accounts Receivables from LRSI and STRADEC, and (e) Retained Deficit as approved by the Board on 28 August 2015 and ratified by the stockholders on 16 October 2015.

(ii) Input Taxes

In 2015, the Company provided 100% allowance for probable losses.

(iii) Property and Equipment

The current period balance amounted to Php0.00 due to write-offs made.

(iv) Current Liabilities

Current liabilities decreased by Php6.17 million because of reversal of various payables.

(v) Deficit

Comprehensive losses for 2015 and 2014 amounting to Php25.56 million and Php1.37 million, respectively, were primarily due to impairment of due from related parties and administrative expenses caused to increase Deficit.

## Changes in Operating Results

### 2017 vs 2016 vs 2015

The Company has not yet commenced commercial operations. There were no mining activities or exploration as of 31 December 2017. 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-Iron 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 2017, the Comprehensive Loss decreased from Php2.5 million in 2016 to Php2.2 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 2016 and 2017.

## Material Events and Uncertainties

For 2017 and 2016, 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.

**MARKET FOR ISSUER'S COMMON EQUITY  
AND RELATED STOCKHOLDER MATTERS**

**Market Information**

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

Quarter	2018		2017		2016		2015	
	Common Shares		Common Shares		Common Shares		Common Shares	
	High	Low	High	Low	High	Low	High	Low
1 <sup>st</sup>	0.053	0.038	0.073	0.037	0.037	0.026	0.048	0.040
2 <sup>nd</sup>	0.046	0.036	0.068	0.053	0.039	0.032	0.042	0.030
3 <sup>rd</sup>	0.044	0.037	0.056	0.042	0.040	0.032	0.058	0.028
4 <sup>th</sup>	-	-	0.059	0.043	0.042	0.036	0.047	0.029

As of 5 November 2018, the closing price of the Company's common shares listed in the PSE is Php0.038.

**Holders**

The Company's capital stock consists of unclassified common shares. As of 30 September 2018, 99.69% are Filipino-owned while 0.31% are foreign-owned.

There are 3,296 stockholders as of 30 September 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 30 September 2018:

	Stockholders' Name	Nature of Shares	Number of Shares	Ownership Percentage
1	PCD Nominee Corporation (Filipino)	Common	18,439,626,975	46.10%
2	Unido Capital Holdings Inc.	Common	14,609,684,000	36.52%
3	Alexandra L. Laperal	Common	766,500,000	1.92%
4	Rosamaria Laperal	Common	639,800,000	1.60%
5	Oliverio L. Laperal, Jr.	Common	614,480,000	1.54%
6	Victorina Heras	Common	605,860,500	1.51%
7	Regina L. Concepcion	Common	600,000,000	1.50%
8	Desiderio L. Laperal	Common	554,500,000	1.39%
9	LMI Holdings Corporation	Common	452,000,000	1.13%
10	PCD Nominee Corporation (Foreign)	Common	124,045,249	0.31%
11	Chiong & Company, Inc.	Common	95,530,000	0.24%
12	Oliverio G. Laperal	Common	95,238,442	0.24%
13	Ansaldo, Godinez & Co., Inc.	Common	75,860,000	0.19%
14	Benjamin Co Ca & Co., Inc.	Common	74,384,499	0.19%
15	Vicente Goquiolay & Co., Inc.	Common	69,630,000	0.17%
16	Industrial Horizons, Inc.	Common	53,200,000	0.13%
17	Nieves Sanchez, Inc.	Common	52,620,000	0.13%
18	Tiong Securities, Inc.	Common	51,810,000	0.13%
19	Manotoc, Rosenberg & Co., Inc.	Common	43,110,000	0.11%
20	Emma Laperal	Common	40,000,000	0.10%
	<b>TOTAL</b>		<b>38,057,879,665</b>	<b>95.14%</b>

## **Dividends**

The Corporation has not declared any cash or stock dividend during the past three years.

## **Recent Sale of Unregistered Securities**

On June 21, 2011, the Corporation conducted a delinquency sale of 14,654,784,000 delisted delinquent shares, the results of which were reported to the Securities and Exchange Commission and the Philippine Stock Exchange. This corporate act confirms the Corporation's initiative to source funds. As of the date of the preparation of this report, all winning bidders have fully paid their bids.

To date, there were no new securities issued.

## **Financial Statements**

The Audited Financial Statements for the year ended 31 December 2017 is attached hereto as Annex "C". The Quarterly Report for the quarter ended 30 June 2018 is likewise attached hereto as Annex "D". The Interim Unaudited Financial Statements of the Corporation for the period ended 30 June 2018 are incorporated herein by reference.

## **Information on Independent Accountant**

The external auditor of the Company is the accounting firm of Punongbayan & Araullo, appointed by the stockholders during the Annual Stockholders' Meeting on 26 October 2017. The Board, upon the recommendation of the Company's Audit Committee, approved the reappointment of Punongbayan & Araullo as the Company's independent auditor for 2018 based on their performance and qualifications. The Audit Committee is composed of Mr. Mark Werner J. Rosal (independent director) as Chairman, and Messrs. Alexander S. Roleda and Christian Francis C. Reyes as members.

The reappointment of Punongbayan & Araullo will be presented to the stockholders for their approval at the Annual Stockholders' Meeting.

Representatives of Punongbayan & Araullo for the current year and for the most recently completed fiscal year are expected to be present at the Annual Stockholders' Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

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

The financial statements of the Company as of and for the year ended 31 December 2017 were audited by Punongbayan & Araullo. Sycip, Gorres, Velayo & Co. previously acted as the Company's independent public accountant until 2014.

There was no event during the two most recent fiscal years where Punongbayan & Araullo had any disagreement with the Company with regard to any matter relating to accounting principles or practices or financial statements disclosure or auditing scope or procedure. There was no case of independent accountant to dismiss or to decline to stand for re-election after completion of the current audit.

To comply with the requirements of SRC Rule 68 (3)(b)(iv), the signing partners of Punongbayan & Araullo shall be rotated every five (5) years or earlier. The partner-in-charge for the year 2017 is Mr. Christopher M. Ferarez. He is likewise the recommended partner-in-charge for the ensuing year.

Further, Punongbayan & Araullo has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

Apart from audit-related services, the independent auditors of the Company have not rendered tax, accounting, compliance, advice, planning, and other tax services for the Company within the last two (2) fiscal years.



**Audit and Audit-Related Fees**

The following table sets forth the aggregate fees billed for the past year for professional services rendered by of Punongbayan & Araullo:

<b>Year</b>	<b>Audit &amp; Audit-Related Fees</b>	<b>Tax Fees</b>	<b>Other Fees</b>
2017	280,000	0	42,000
2016	280,000	0	42,000

No aggregate fees were billed in the past fiscal year for professional services rendered by the external auditor for tax accounting, compliance, advice, planning and any other form of tax services.

No other aggregate fees were billed in the past fiscal year for products and services provided by the external auditor.

The Audit Committee has approved the payment of the above audit fees for the audit service rendered by Punongbayan & Araullo.

## **CORPORATE GOVERNANCE**

On 31 May 2017, the Company submitted its revised Manual on Corporate Governance, in compliance with the leading practices on good corporate governance and related SEC rules and regulations.

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 filed its I-ACGR on 30 May 2018.

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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 - I O , V I T A S , T O N D O , M A N I L A

Form Type

A B S I 7

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

OCTOBER 26

Fiscal Year  
Month/Day

DECEMBER 31

### 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.ph

Telephone  
Number/s

(032) 260-0005

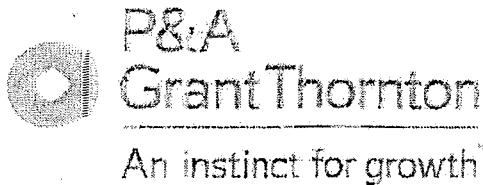
Mobile Number

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 designate.d.



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

T +63 2 988 2288

**Report of Independent  
Certified Public Accountants  
to Accompany Income Tax Return**

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

We have audited the financial statements of Pacifica, Inc. (the Company) for the year ended December 31, 2017, on which we have rendered the attached report dated April 10, 2018.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

**PUNONGBAYAN & ARAULLO**

  
By: **Christopher M. Ferarezza**  
Partner

CPA Reg. No. 0097462  
TIN 184-595-975  
PTR No. 6616009, January 3, 2018, Makati City  
SEC Group A Accreditation  
Partner - No. 1185-AR-1 (until May 11, 2018)  
Firm - No. 0002-FR-5 (until Mar. 26, 2021)  
BIR AN 08-002511-34-2017 (until Jun. 19, 2020)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

April 10, 2018

## PACIFICA INC.

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

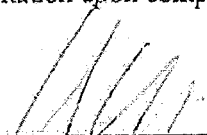
The management of **Pacifica, Inc.** (the Company) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2017, 2016 and 2015 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

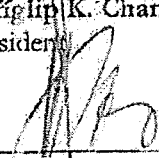
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

Puncngbayan & Araullo, the independent auditors 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.

  
\_\_\_\_\_  
Lowell L. Yu  
Chairman of the Board

  
\_\_\_\_\_  
Winglip K. Chang  
President

  
\_\_\_\_\_  
Ma. Elena E. Pocong  
Treasurer


Signed this \_\_\_\_\_ day of \_\_\_\_\_

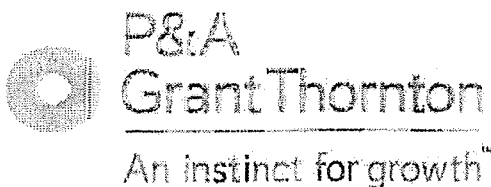
APR 16 2019

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ in Makati City, Metro Manila, Philippines affiant exhibiting to me the following documents as proof of identity:

Name	Government-issued ID	Date and Place Issued
Lowell L. Yu	Passport No. EC4506891	6/26/2015 / DFA Cebu
Winglip K. Chang	Passport No. EC3110078	1/6/2015 / DFA Cebu
Maria Elena E. Pocong	Passport No. EC2547400	10/27/2014 / DFA Cebu

Doc No. 80  
Page No. 18  
Book No. 7  
Series of 2018.

  
**ROSE ANN JOY V. GONZALES**  
Appointment No. M-221  
Notary Public for Makati City  
Until December 31, 2019  
Liberty Center-Picazo Law  
104 H.V. dela Costa Street, Makati City  
Roll No. 68583  
PTR No. 6619649/Makati City/01-05-2018  
IBP No. 020681/Isabela/01-03-2018



## Report of Independent Auditors

Punongbayan & Araullo  
20th Floor, Tower 1  
The Enterprise Center  
6766 Agala 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, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the three years in the period ended December 31, 2017, 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, 2017 and 2016, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2017 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, 2017 and 2016. It recognized substantial losses from impairment and write-off of assets in 2015 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 this matter, 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 these 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, 2017, 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, 2017 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, 2017 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.

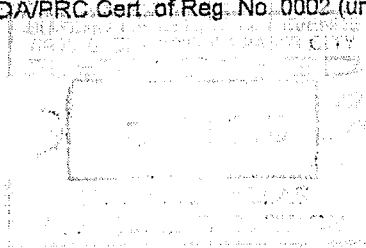
The engagement partner on the audits resulting in this independent auditors' report is Christopher M. Ferarezza.

#### **PUNONGBAYAN & ARAULLO**

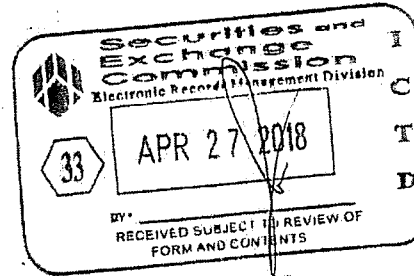
  
By: **Christopher M. Ferarezza**  
Partner

CPA Reg. No. 0097462  
TIN 184-595-975  
PTR No. 6616009, January 3, 2018, Makati City  
SEC Group A Accreditation  
Partner - No. 1185-AR-1 (until May 11, 2018)  
Firm - No. 0002-FR-5 (until Mar. 26, 2021)  
BIR AN 08-002611-34-2017 (until Jun. 19, 2020)  
Firm's BQ/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

April 10, 2018

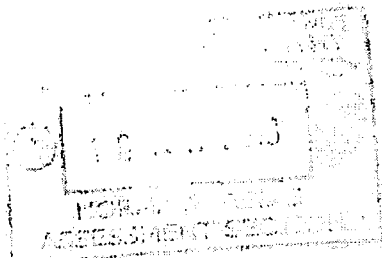


PACIFICA, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2017 AND 2016  
 (Amounts in Philippine Pesos)



	Notes	<u>2017</u>		<u>2016</u>
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS</b>				
Cash in bank	6	P 1,695,458		P 198,025
Other current assets - net	7	<u>50,000</u>		<u>50,000</u>
<b>TOTAL ASSETS</b>		<u>P 1,745,458</u>		<u>P 248,025</u>
<b><u>LIABILITIES AND EQUITY</u></b>				
<b>CURRENT LIABILITIES</b>				
Interest-bearing loan	8	P 4,285,760		P 3,217,656
Accrued expenses	9	239,133		91,019
Deposits for future stock subscription	13	<u>2,500,000</u>		<u>-</u>
Total Liabilities		<u>7,024,893</u>		<u>3,308,675</u>
<b>EQUITY</b>				
Capital stock	14	199,883,332		199,883,332
Additional paid-in capital	2	10,163,756		10,163,756
Deficit	2	( <u>215,326,523</u> )		( <u>213,107,738</u> )
Capital Deficiency		( <u>5,279,435</u> )		( <u>3,060,650</u> )
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>P 1,745,458</u>		<u>P 248,025</u>

*See Notes to Financial Statements.*



PACIFICA, INC.  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015**  
*(Amounts in Philippine Pesos)*

	Notes	<u>2017</u>	<u>2016</u>	<u>2015</u>
REVENUES		P -	P -	P -
EXPENSES	11	2,217,769	2,503,759	32,255,777
OTHER INCOME	10	( 4,257 )	( 5,307 )	( 6,697,055 )
OPERATING LOSS		2,213,512	2,498,452	25,558,722
FINANCE COST	8	<u>5,273</u>	<u>527</u>	<u>-</u>
LOSS BEFORE TAX		2,218,785	2,498,979	25,558,722
TAX EXPENSE	12	<u>-</u>	<u>-</u>	<u>-</u>
NET LOSS	15	2,218,785	2,498,979	25,558,722
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE LOSS</b>		<b><u>P 2,218,785</u></b>	<b><u>P 2,498,979</u></b>	<b><u>P 25,558,722</u></b>
<b>Loss Per Share</b>				
Basic and diluted	15	<u>P 0.00006</u>	<u>P 0.00006</u>	<u>P 0.00064</u>

*See Notes to Financial Statements.*

PACIFICA, INC.  
 STATEMENTS OF CHANGES IN EQUITY  
 FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015  
 (Amounts in Philippine Pesos)

	Capital Stock (see Note 14)	Additional Paid-in Capital (see Note 2)	Deficit (see Note 2)	Capital Deficiency (see Note 1)
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	-	-	( 2,218,785 )	( 2,218,785 )
Balance at December 31, 2017	P 199,883,332	P 10,163,756	( P 215,326,523 )	( P 5,279,435 )
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	-	-	( 2,498,979 )	( 2,498,979 )
Balance at December 31, 2016	P 199,883,332	P 10,163,756	( P 213,107,738 )	( P 3,060,650 )
Balance at January 1, 2015	P 199,883,332	P 10,163,756	( P 185,050,037 )	P 24,997,051
Total comprehensive loss for the year	-	-	( 25,558,722 )	( 25,558,722 )
Balance at December 31, 2015	P 199,883,332	P 10,163,756	( P 210,608,759 )	( P 561,671 )

*See Notes to Financial Statements.*

PACIFICA, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015  
(Amounts in Philippine Pesos)

	Notes	2017	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net loss before tax		(P 2,218,785)	(P 2,498,979)	(P 25,558,722)
Adjustments for:				
Interest expense	8	5,273	527	-
Unrealized foreign currency exchange gains	10	( 1,564)	( 5,258)	( 4,859)
Impairment of receivables	11, 13	-	-	30,625,286
Gain on reversal of payables	10	-	-	( 6,692,196)
Loss on write-off of furniture, fixtures and equipment	11	-	-	83,800
Operating losses before working capital changes		( 2,215,076)	( 2,503,710)	( 1,546,691)
Decrease in other current assets		-	83,844	-
Decrease in due from related parties		-	-	1,148,607
Increase (decrease) in accrued expenses		148,114	90,492	( 272,673)
Increase (decrease) in due to a related party		-	( 662,356)	662,356
Cash used in operations		( 2,066,962)	( 2,991,730)	( 8,401)
Cash paid for income taxes		-	( 133,844)	-
Net Cash Used in Operating Activities		( 2,066,962)	( 3,125,574)	( 8,401)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from interest-bearing loan	8	4,285,760	3,217,656	-
Deposits for future stock subscription	13	2,500,000	-	-
Repayments of interest-bearing loan	8	( 3,217,656)	-	-
Interest paid		( 5,273)	-	-
Net Cash From Financing Activities		3,562,831	3,217,656	-
Effect of Exchange Rate Changes on Cash in Bank		1,564	5,258	4,859
<b>NET INCREASE (DECREASE) IN CASH IN BANK</b>		1,497,433	97,340	( 3,542)
<b>CASH IN BANK AT BEGINNING OF YEAR</b>		198,025	100,685	104,227
<b>CASH IN BANK AT END OF YEAR</b>		P 1,695,458	P 198,025	P 100,685

*See Notes to Financial Statements.*

PACIFICA, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017, 2016 AND 2015  
*(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. In 2007, the Company's corporate life has been extended for another 50 years upon approval by the SEC of its application for renewal.

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

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. However, as of December 31, 2017 and the date of audit report, these amendments have not been filed or presented for filing to SEC.

*1.2 Status of Operations*

The Company has not started commercial operations yet as at December 31, 2017 since renewal of its corporate life (see Note 1.1). In 2015, the Company recognized substantial losses from impairment and write-off of assets resulting in a net loss of P25,558,722 and a capital deficiency of P561,671. As at December 31, 2017 and 2016, it has a deficit of P215,326,523 and P213,107,738, respectively, and a capital deficiency of P5,279,435 and P3,060,650, 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 matter, 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, in 2015 and, subsequently on February 17, 2017, iHoldings, Inc. 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 13.3). Management is very optimistic that these 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, 2017 (including the comparative financial statements as of December 31, 2016 and for the years ended December 31, 2016 and 2015) were authorized for issue by the Company's Board of Directors on April 10, 2018.

## **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 of 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.

(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 2017 that are Relevant to the Company*

The Company adopted for the first time the following amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2017:

PAS 7 (Amendments)	:	Statement of Cash Flows – Disclosure Initiative
PAS 12 (Amendments)	:	Income taxes – Recognition of Deferred Tax Assets for Unrealized Losses

The relevant information about these amendments follows.

- (i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative*. The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

Management has applied these amendments in the current year and the comparative reporting period. A reconciliation between the opening and closing balance of interest-bearing loan and deposits for future stock subscriptions as of December 31, 2017 and 2016 are presented in Note 8 and 13, respectively.

- (ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses*. The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference. The application of these amendments have no impact on the Company's financial statements.

*(b) Effective in 2017 that are not Relevant to the Company*

The annual improvements to PFRS (2014-2016 Cycle) – PFRS 12: *Disclosure of Interest in Other Entities – Scope Clarification on Disclosure of Summarized Financial Information for Interests classified as held for sale*, are mandatorily effective for annual periods beginning on or after January 1, 2017 but are not relevant to the Company's financial statements.

*(c) Effective Subsequent to 2017 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2017, which are adopted by the FRSC. Management will adopt the 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 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will replace PAS 39, *Financial Instruments: Classification and Measurement* and PFRS 9 (2009, 2010 and 2013 versions). 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;
  - an expected credit loss (ECL) model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
  - 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.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income (FVTOCI) if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Based on an assessment of the Company's financial assets and financial liabilities as of December 31, 2017, which has been limited to the facts and circumstances existing at that date, management initially determined that the adoption of PFRS 9 (2014) will not have significant impact on the Company's financial statements because it has no complex financial instruments; its financial instruments are limited currently to those carried at amortized cost which will continue to be accounted for at amortized cost based on management's earlier assessment.

- (ii) PFRS 15, *Revenue from Contracts with Customers* (effective from January 1, 2018.) This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (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.

Because, the Company has no commercial operations yet, management has considered that this new standard will have no significant impact on the financial statements.

- (iii) IFRIC 22, *Foreign Currency Transactions and Advance Consideration – Interpretation on Foreign Currency Transactions and Advance Consideration* (effective from January 1, 2018). The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. Management has initially assessed that this interpretation will have no material impact on the Company's financial statements.

- (iv) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right of use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similar to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similar to a financial liability which is amortized using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

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

- (v) FRIC 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.
- (vi) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, PAS 12 (Amendments), *Income taxes – Tax Consequences of Dividends*, 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 and Measurement of Financial Assets

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: 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 Bank in the statement of financial position.

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

#### (b) Impairment of Financial Assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

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.

*(c) Items of Income and Expense Related to Financial Assets*

All income and expenses relating to financial assets, except those arising from operating activities, that are recognized in profit or loss are presented as part of Finance Income or Finance Cost in the statement of comprehensive income.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

*(d) 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 and accrued expenses (except withholding taxes) 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 Cost 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 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 twelve 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 as current liabilities 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*

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that future economic benefits will flow to the Company; and, the costs incurred or to be incurred can be measured reliably. 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 bank. Interest income is recognized as the interest accrues taking into account the effective yield on the asset.

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 Leases - Company as Lessee*

Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

The Company determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

### *2.10 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.

### *2.11 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.

### *2.12 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.

### *2.13 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.

### *2.14 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.

### *2.15 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.

### *2.16 Equity*

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.

### *2.17 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.

### *2.18 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) Distinction between Operating and Finance Leases*

The Company has entered into a lease agreement as a lessee. Critical judgment was exercised by management to distinguish each lease agreement, as either an operating or a finance lease by looking at the transfer or retention of significant risks and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

Management has determined that its lease agreement qualify under operating lease (see Note 2.9).

#### *(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*

Determination of realizable amount of deferred tax asset is a key assumption 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.

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, 2017 and 2016, 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 carryforward 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. The following are 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 bank as of December 31, 2017 and 2016 amounts to P1,695,458 and P198,025, 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, 2017 and 2016, the Company's financial liabilities have contractual maturities which are summarized below.

	<u>On demand</u>	<u>Within one year</u>	<u>Total</u>
<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>
	<u>P 225,633</u>	<u>P 4,289,909</u>	<u>P 4,515,542</u>
<b>December 31, 2016</b>			
Interest-bearing loan	P -	P 3,223,457	P 3,223,457
Accrued expenses (except withholding taxes)	<u>91,019</u>	<u>-</u>	<u>91,019</u>
	<u>P 91,019</u>	<u>P 3,223,457</u>	<u>P 3,314,476</u>

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 statements 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>		<u>Net amount presented in the statements of financial position</u>	<u>Related amounts not set off in the statements of financial position</u>		<u>Net amount</u>
	<u>Financial assets</u>	<u>Financial liabilities set off</u>		<u>Financial instruments</u>	<u>Cash collateral received</u>	
<b>December 31, 2017</b>						
Cash in bank	P <u>1,695,458</u>	P -	P <u>1,695,458</u>	(P <u>49,003</u> )	P -	P <u>1,646,455</u>
<b>December 31, 2016</b>						
Cash in bank	P <u>198,025</u>	P -	P <u>198,025</u>	(P <u>49,071</u> )	P -	P <u>148,954</u>



The following financial liabilities with net amounts presented in the statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the statements of financial position		Net amount presented in the statements of financial position	Related amounts not set off in the statements of financial position		Net amount
	Financial liabilities	Financial assets set off		Financial instruments	Cash collateral received	
<b>December 31, 2017</b>						
Interest-bearing loan	P 4,285,760	P -	P 4,285,760	(P 49,003)	P -	P 4,236,757
<b>December 31, 2016</b>						
Interest-bearing loan	P 3,217,656	P -	P 3,217,656	(P 49,071)	P -	P 3,168,585

### 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.

### 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, 2017 and 2016.

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

The Company has no non-financial assets measured at fair value as of December 31, 2017 and 2016.

*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 bank 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 BANK

Cash in bank, which pertains to demand deposits, amounts to P1,695,458 and P198,025 as of December 31, 2017 and 2016, respectively. It generally earns interest based on daily bank deposit rates (see Note 10).

7. OTHER CURRENT ASSETS

The composition of this account is shown below.

	<u>2017</u>	<u>2016</u>
Input VAT	P 327,349	P 172,722
Allowance for impairment	( 327,349)	( 172,722)
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>2017</u>	<u>2016</u>
Balance at beginning of year		P 172,722	P -
Impairment during the year	11	<u>154,627</u>	<u>172,722</u>
Balance at end of year		<u>P 327,349</u>	<u>P 172,722</u>

In 2015, the input VAT amounting P9,643 was written off by the Company. There was no similar transaction in 2017 and 2016.

8. INTEREST-BEARING LOAN

The movements of interest-bearing loans are shown below:

	<u>2017</u>	<u>2016</u>
Balance at beginning of year	P 3,217,656	P -
Additional borrowings	4,285,760	3,217,656
Repayments of interest-bearing loans	( 3,217,656)	-
Balance at end of year	<u>P 4,285,760</u>	<u>P 3,217,656</u>

In 2017 and 2016, the Company obtained a short-term bank loan amounting to P4,285,760 and P3,217,656 from a local universal bank for working capital requirements and payment of due to related parties (see Note 13.2). The loan bears annual interest of 2.05% and 2.95% in 2017 and 2016, respectively, and is unsecured. The outstanding loan payable as of December 31, 2017 is payable in lump sum on January 15, 2018.

Total interest expense recognized in 2017 and 2016 amounted to P5,273 and P527 (nil in 2015), respectively, and is presented as Finance Cost in the statements of comprehensive income.

9. ACCRUED EXPENSES

The composition of this account is shown below.

	<u>2017</u>	<u>2016</u>
Accrued professional fees	P 200,000	P 90,492
Accrued transportation and travel expenses	25,633	-
Withholding taxes	13,500	-
Accrued interest	-	527
	<u>P 239,133</u>	<u>P 91,019</u>

10. OTHER INCOME

Other income includes:

	Note:	<u>2017</u>	<u>2016</u>	<u>2015</u>
Unrealized foreign currency exchange gains	P	1,564	P 5,258	P 4,859
Interest income	6	2,693	49	-
Gain on reversal of payables		-	-	6,692,196
		<u>P 4,257</u>	<u>P 5,307</u>	<u>P 6,697,055</u>

Gain on reversal of payables pertains to the accrued professional fees and other payables as that was derecognized in 2015. There is no similar transaction in 2017 and 2016.

11. EXPENSES

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

	Notes	2017	2016	2015
Professional fees		P 1,208,665	P 1,989,750	P 639,910
Taxes and licenses	17.1(d)	449,351	63,383	500
Impairment of input VAT	7	154,627	172,722	-
Advertising		123,900	17,842	-
Directors' fees		90,000	-	-
Printing and supplies		89,293	45,406	-
Transportation and travel		49,342	23,886	247,051
Meetings and conferences		42,500	-	-
Communication		9,090	10,139	-
Write off of other assets	7, 12	-	133,844	9,643
Membership, association dues and fees		-	19,000	294,160
Impairment of due from related parties	13.1	-	-	30,625,286
Salaries and wages		-	-	162,110
Rent		-	-	135,000
Loss on write off of furniture, fixtures and equipment		-	-	83,800
Utilities		-	-	43,200
Others		1,001	27,787	15,117
		<u>P 2,217,769</u>	<u>P 2,503,759</u>	<u>P 32,255,777</u>

As discussed in Note 1, ZMC's application for mining exploration was denied in 2013. Consequently, the Company demanded for the full refund of its P50,000,000 prepaid royalties to ZMC. The prepaid royalties, previously presented as part of prepaid expenses under Other Current Assets, which have already been provided with 100% allowance for impairment remained unpaid as at December 31, 2015 and management has made an assessment that collection of the said amount is remote. Accordingly, the Company wrote off the full amount of the prepaid royalties against the related allowance for impairment in 2015.

In 2015, the Company wrote off its remaining furniture, fixtures and equipment with a carrying amount of P83,800 and recognized the corresponding loss on write-off in the 2015 statements of comprehensive income.

## 12. CURRENT AND DEFERRED TAXES

There is no tax expense reported in the statements of comprehensive income for the years ended December 31, 2017, 2016 and 2015 because the Company is in a tax loss position.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tax on pretax loss at 30%	(P 665,636)	(P 749,694)	(P 7,667,617)
Tax effects of:			
Movements in NOLCO for which no deferred income tax asset was recognized	620,258	642,282	( 1,518,951)
Non-taxable income	( 1,277)	( 1,592)	( 1,458)
Non-deductible expenses	<u>46,655</u>	<u>109,004</u>	<u>9,188,026</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 P21,345,599 and P21,130,098 as at December 31, 2017 and 2016.

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>
2017	P 2,067,526	P 620,258	2020
2016	2,140,940	642,282	2019
2015	<u>66,943,529</u>	<u>20,083,059</u>	2018
	<u>P 71,151,995</u>	<u>P 21,345,599</u>	

NOLCO which arose from 2014 and 2013 amounting to P1,349,191 and P1,552,932, respectively, with the tax effect of P404,757 and P465,879, expired in 2017 and 2016, 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 (RCIT), whichever is higher. No MCIT was reported in 2017 and 2016 as the Company did not earn income subject to MCIT.

In 2015, the Company incurred MCIT amounting to P133,844 which is valid for application against income tax due until 2018. In 2016, management has assessed that the possibility of MCIT to be applied in the future period is remote, hence, it was written-off in the 2016 (see Note 11).

### 13. RELATED PARTY TRANSACTIONS

The Company's related parties include its stockholders and others as described in Note 2.14. 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	
		2017	2016	2015	2017	2016
<b>Stockholders</b>						
Write-off of receivable Accommodation	13.1	P -	P -	P30,625,286	P -	P -
payments	13.2	4,285,760	2,555,300	1,810,963	-	-
Deposits for future Stock subscription	13.3	2,500,000	-	-	2,500,000	-

#### 13.1 Due from Related Parties

In 2015, management has assessed that the outstanding balance of the amount of due from the stockholder, after offsetting of payables (see Note 13.2), amounting to P30,625,286 will no longer be recovered and as such was provided with 100% allowance for impairment (see Note 11). In the same year, the outstanding balance of the receivables from the stockholder were written off against the related allowance for impairment as approved by the BOD and stockholders of the Company on October 16, 2015.

#### 13.2 Due to Related Parties

In 2017, 2016 and 2015, the Company's stockholders accommodated certain expenses amounting to P4,285,760, P2,555,300 and P1,810,963, respectively, on behalf of the Company. In 2015, the payables related to this transaction amounting to P1,148,607 were offset against the due from related parties (see Note 13.1). There was no similar offsetting transaction in 2017 and 2016. As of December 31, 2017 and 2016, 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).

#### 13.3 Deposits 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 balance as of December 31, 2017 are presented as current liability in the statement of financial position as the requirements of SEC FRB No. 006 (as revised in May 11, 2017) 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. Key Management Compensation

The Company does not have key management personnel compensation in 2017, 2016 and 2015 as it has not yet started commercial operation.

## 14. EQUITY

### 14.1 Capital Stock

Capital stock consists of:

	Shares		Amount	
	2017	2016	2017	2016
Capital Stock - P0.005 par value				
Authorized	<u>40,000,000,000</u>	<u>40,000,000,000</u>	P <u>200,000,000</u>	P <u>200,000,000</u>
Issued	<u>39,965,000,000</u>	<u>39,965,000,000</u>	P <u>199,825,000</u>	P <u>199,825,000</u>
Subscribed	<u>35,000,000</u>	<u>35,000,000</u>	<u>175,000</u>	<u>175,000</u>
Subscriptions receivable	<u>35,000,000</u>	<u>35,000,000</u>	<u>(116,668)</u>	<u>(116,668)</u>
Total issued and subscribed	<u>40,000,000,000</u>	<u>40,000,000,000</u>	P <u>199,883,332</u>	P <u>199,883,332</u>

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. However, as of December 31, 2017 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, 2017 and 2016, the number of holders of such securities is 3,300 and 3,307, respectively. The closing market price of the Company's shares as of December 31, 2017 and 2016 is P0.0450 and P0.0380, respectively. The total number of issued shares not listed with the PSE is 14,654,784,000 shares as at December 31, 2017 and 2016.

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.

As at December 31, 2017 and 2016, 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.

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

#### *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>2016</u>		<u>2015</u>	
Total liabilities	P	7,024,893	P	3,308,675
Capital deficiency	(	5,279,435)	(	3,060,650)

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, 2017 and 2016, 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>2017</u>		<u>2016</u>		<u>2015</u>	
Net loss	P	2,218,785	P	2,498,979	P	25,558,722
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	P	<u>0.00006</u>	P	<u>0.00006</u>	P	<u>0.00064</u>

The Company has no potentially dilutive common shares as of December 31, 2017, 2016 and 2015. 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, 2017 and 2016, 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 which is required by the BIR under its existing revenue regulations to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

### *17.1 Requirements under Revenue Regulations (RR) No. 15-2010*

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No. 15-2010 are as follows:

#### (a) *Output VAT*

The Company does not have output VAT in 2017 since the Company has not yet generated any revenues.

#### (b) *Input VAT*

The movements in input VAT in 2017 are summarized below.

Balance at the beginning of year	P	147,001
Purchases of services		<u>124,206</u>
Balance at end of year	P	<u>271,207</u>

#### (c) *Documentary Stamp Tax (DST)*

The Company incur documentary stamp tax (DST) in 2017 amounting to P998 arising from the execution of a loan agreement [see Note 17.1(d)].

#### (d) *Taxes and Licenses*

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

	<u>Note</u>	
Annual listing and filing fees		390,282
Business and local taxes		48,021
DST	17.1(c)	998
Others		<u>10,050</u>
		P <u>449,351</u>

(e) *Withholding Taxes*

The total expanded withholding tax in 2017 amounted to P13,500 arising from Directors' fees. The Company has no income tax payments subjected to compensation and final tax in 2017.

(f) *Deficiency Tax Assessments and Tax Cases*

As of December 31, 2017, 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.

**17.2 Requirements under RR No. 19-2011**

RR No. 19-2011 requires schedules of taxable revenues and other non-operating income, itemized deductions and other significant tax information, to be disclosed in the notes to financial statements.

The following amounts of taxable revenues and income, and deductible costs and expenses are based on relevant tax regulations issued by the BIR, hence, may not be the same as the amounts reflected in the 2017 statement of comprehensive income.

(a) *Taxable Revenues*

The Company has no taxable revenues in 2017.

(b) *Deductible Cost of Services*

The Company has no deductible cost of services in 2017.

(c) *Taxable Non-operating and Other Income*

The Company has no taxable non-operating and other income in 2017.

(d) *Itemized Deductions*

The amounts of itemized deductions for the year ended December 31, 2017 are as follows:

Professional fees	P	1,208,665
Taxes and licenses		449,351
Advertising and promotions		123,900
Directors' fees		90,000
Printing and supplies		89,293
Transportation and travel		49,342
Meetings and conferences		42,500
Communication, light and water		9,090
Interest		4,384
Miscellaneous		<u>1,001</u>
	P	<u>2,067,526</u>



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**Report of Independent Auditors  
to Accompany Supplementary  
Information Required by the  
Securities and Exchange  
Commission Filed Separately from  
the Basic Financial Statements**

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**The Board of Directors and the Stockholders**  
**Pacifica, Inc.**  
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Tondo, Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Pacifica, Inc. as at and for the year ended December 31, 2017, on which we have rendered our report dated April 10, 2018. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, as amended, and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. 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, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**PUNONGBAYAN & ARAULLO**

  
By: **Christopher M. Perareza**  
Partner

CPA Reg. No. 0097462  
TIN 184-595-975  
PTR No. 6616009, January 3, 2018, Makati City  
SEC Group A Accreditation  
Partner - No. 1185-AR- 1 (until May 11, 2018)  
Firm - No. 0002-FR- 6 (until Mar. 26, 2021)  
BIR AN 08-002511- 34-2017 (until Jun. 19, 2020)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

April 10, 2018

PACIFICA, INC.  
LIST OF SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2017

Schedule	Content	Page No.
<b>Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68</b>		
A	Financial Assets Financial Assets at Fair Value Through Profit or Loss Held-to-maturity Investments Available-for-sale Financial Assets	1
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable/Payable from/to Related Parties which are Eliminated during the Consolidation of Financial Statements	3
D	Intangible Assets - Other Assets	4
E	Long-term Debt	5
F	Indebtedness to Related Parties	6
G	Guarantees of Securities of Other Issuers	7
H	Capital Stock	8
<b>Other Required Information</b>		
	Reconciliation of Retained Earnings Available for Dividend Declaration	9
	Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2017	10 - 13
	Map Showing the Relationships Between and Among the Company and Its Related Parties	N/A
	Financial Indicators	14

PACIFICA, INC.  
 SCHEDULE A - FINANCIAL ASSETS  
 DECEMBER 31, 2017

<i>Name of Issuing Entity and Association of Each Issue</i>	<i>Number of Shares or Principal Amount of Bonds and Notes</i>	<i>Amount shown on the statement of financial position</i>	<i>Valued based on Market Quotation at End of Reporting Period</i>	<i>Income received and accrued</i>
Cash in bank	P <u>1,695,458</u>	P <u>1,695,458</u>	P <u>1,695,458</u>	P <u>2,693</u>

PACIFICA, INC.  
 SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES  
 AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)  
 DECEMBER 31, 2017

Name and designation of debtor	Balance at beginning of period	Additions	Deductions		Ending Balance		Balance at end of period
			Amounts collected	Amounts written off	Current	Not current	

NOT APPLICABLE

PACIFICA, INC.  
 SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS  
 DECEMBER 31, 2017

<i>Name and designation of debtor</i>	<i>Balance at the beginning of period</i>	<i>Additions</i>	<i>Deductions</i>		<i>Current</i>	<i>Non current</i>	<i>Balance at the end of the period</i>
			<i>Amounts collected</i>	<i>Amounts written off</i>			

NOT APPLICABLE

**PACIFICA, INC.**  
**SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS**  
**DECEMBER 31, 2017**

<i>Description</i>	<i>Beginning balance</i>	<i>Additions at cost</i>	<i>Deduction</i>			<i>Ending balance</i>
			<i>Charged to cost and expenses</i>	<i>Charged to other accounts</i>	<i>Other changes additions (deductions)</i>	

*NOT APPLICABLE*



PACIFICA, INC.  
SCHEDULE E - LONG-TERM DEBT  
DECEMBER 31, 2017

<i>Title of issue and type of obligation</i>	<i>Amount authorized by indenture</i>	<i>Amount shown under caption "Current portion of long-term debt" in related statement of financial position</i>	<i>Amount shown under caption "Long-Term Debt" in related statement of financial position</i>
--	---------------------------------------	--	---

*NOT APPLICABLE*

PACIFICA, INC.  
SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES  
(LONG-TERM LOANS FROM RELATED COMPANIES)  
DECEMBER 31, 2017

<i>Name of related party</i>	<i>Balance at beginning of period</i>	<i>Balance at end of period</i>
Unido Capital Holdings, Inc. - Deposits for future stock subscription	P <u>          -          </u>	P <u>          2,500,000          </u>

**PACIFICA, INC.**  
**SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS**  
**DECEMBER 31, 2017**

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

*NOT APPLICABLE*

PACIFICA, INC.  
 SCHEDULE H - CAPITAL STOCK  
 DECEMBER 31, 2017

<i>Title of Issue</i>	<i>Number of shares authorized</i>	<i>Number of shares issued and outstanding as shown under the related statement of financial position caption</i>	<i>Number of shares reserved for options, warrants, conversion and other rights</i>	<i>Number of shares held by</i>		
				<i>Related parties</i>	<i>Directors, officers and employees</i>	<i>Others</i>
Common shares - P0.0005 par value	40,000,000,000	40,000,000,000	-	25,668,000,000	1,000,000	14,331,000,000

**PACIFICA, INC.**  
**Manila Harbour Centre, R-10, Vitas, Tondo, Manila**

**Reconciliation of Retained Earnings Available for Dividend Declaration  
December 31, 2017**

The Company has a deficit as at December 31, 2017. Presented below is an analysis of the deficit for the purposes of this reconciliation requirement.

<b>DEFICIT AT BEGINNING OF YEAR</b>	P	213,107,738
Net loss for the year		<u>2,218,785</u>
<b>DEFICIT AT END OF YEAR</b>	P	<u><u>215,326,523</u></u>

PACIFICA, INC.

Schedule of Philippine Financial Reporting Standards and Interpretations  
Adopted by the Securities and Exchange Commission and the  
Financial Reporting Standards Council as at December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
<i>Philippine Financial Reporting Standards (PFRS)</i>				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters**	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters**	✓		
	Amendments to PFRS 1: Government Loans**	✓		
	Amendments to PFRS 1: Deletion of Short-term Exemptions**	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions (effective January 1, 2018)			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation (effective January 1, 2019)			✓
	Insurance Contracts			✓
PFRS 4	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, <i>Financial Instruments</i> , with PFRS 4, <i>Insurance Contracts</i> (effective January 1, 2018)			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures* (effective when PFRS 9 is first applied)			✓
PFRS 8	Operating Segments**	✓		
PFRS 9	Financial Instruments (2014)* (effective January 1, 2018)			✓
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date deferred indefinitely)			✓
	Amendments to PFRS 10: Investment Entities - Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
	Amendment to PFRS 11: Remeasurement of Previously Held Interests in a Joint Operation (effective January 1, 2019)			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers* (effective January 1, 2018)			✓
PFRS 16	Leases* (effective January 1, 2019)			✓
PFRS 17	Insurance Contracts (effective January 1, 2021)			✓
<i>Philippine Accounting Standards (PAS)</i>				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation**	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets**	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses**	✓		
	Amendment to PAS 12 - Tax Consequences of Dividends* (effective January 1, 2019)			✓
PAS 16	Property, Plant and Equipment**	✓		
	Amendment to PAS 16: Bearer Plants**	✓		
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization**	✓		
PAS 17	Leases**	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits			✓
	Amendment to PAS 19: Defined Benefit Plans - Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation**	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
	Amendment to PAS 23: Eligibility for Capitalization**	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendment to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date deferred indefinitely)			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception			✓
	Amendment to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss (effective January 1, 2018)			✓
	Amendment to PAS 28: Long-term Interest in Associates and Joint Venture (effective January 1, 2019)			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation**	✓		
	Amendment to PAS 32: Classification of Rights Issues**	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts**	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives**	✓		
	Amendment to PAS 39: Eligible Hedged Items**	✓		
Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting*†	✓			
PAS 40	Investment Property			✓
	Amendment to PAS 40: Reclassification to and from Investment Property (effective January 1, 2018)			✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants			✓
<i>Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)</i>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease**	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation*†	✓		
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine**	✓		
IFRIC 21	Levies**	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration* (effective January 1, 2018)			✓
IFRIC 23	Uncertainty Over Income Tax Treatments* (effective January 1, 2019)			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<i>Philippine Interpretations - Standing Interpretations Committee (SIC)</i>				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives*	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease**	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services*	✓		
SIC-32	Intangible Assets - Web Site Costs			✓

\* These standards will be effective for periods subsequent to 2017 and are not early adopted by the Company.

\*\* These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.

**PACIFICA, INC.**  
**FINANCIAL SOUNDNESS INDICATORS**  
**DECEMBER 31, 2017, 2016 AND 2015**

	2017	2016	2015
<b>LIQUIDITY RATIOS</b>			
Current ratio	0.25	0.07	0.29
Quick ratio	0.24	0.06	0.13
<b>SOLVENCY RATIOS</b>			
Debt-to-equity ratio	-1.33	-1.08	-1.42
Debt-to-assets ratio	4.02	13.34	3.39
Equity-to-asset ratio	-3.02	-12.34	-2.39
<b>TEST OF PROFITABILITY</b>			
Return on assets *	N/A	N/A	N/A
Return on equity *	N/A	N/A	N/A
Earnings per share *	N/A	N/A	N/A
Loss per share	P 0.00006	P 0.00006	P 0.00064

\* The Company has not started commercial operations yet as of December 31, 2017 after the renewal of its corporate life in 2017.

**LIQUIDITY RATIOS** measures the Company's ability to pay its short-term liabilities as these fall due.

Current ratio - current assets divided by current liabilities

Quick ratio - quick assets (cash and cash equivalents and accounts receivables) divided by current liabilities

**SOLVENCY RATIOS** measures the Company's ability to pay all its liabilities, both current and non-current, over a longer time horizon.

Debt-to-equity ratio - total liabilities divided by total stockholders' equity

Debt-to-asset ratio - total liabilities divided by total assets

Equity-to-asset ratio - total stockholders' equity divided by total assets

**TEST OF PROFITABILITY** refers to the Company's earning capacity. This includes the Company's ability to earn reasonable amount of income in relation to total investment.

Return on assets - net income divided by average total assets

Return on equity - net income divided by average total stockholders' equity

Earnings per share - net income divided by outstanding common shares

# Annex D



108142018003375



## SECURITIES AND EXCHANGE COMMISSION

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

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Company Information

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SEC Registration No. 0000013039  
Company Name PACIFICA INC.  
Industry Classification  
Company Type Stock Corporation

Document Information

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Document ID 108142018003375  
Document Type 17-Q (FORM 11-Q: QUARTERLY REPORT/FS)  
Document Code 17-Q  
Period Covered June 30, 2018  
No. of Days Late 0  
Department CFD  
Remarks

# COVER SHEET

0 1 3 0 3 9

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-Q**  
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

Document I.D.

LCU  
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 Center  
R-10, Vitas, Tondo, Manila**

\_\_\_\_\_  
(Company's Address)

**(632) 637-8851**

\_\_\_\_\_  
(Telephone Number)

**December 31**

\_\_\_\_\_  
(Calendar Year Ended)

**SEC FORM 17-Q**

\_\_\_\_\_  
Form Type

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

**June 30, 2018**

\_\_\_\_\_  
(Period Ended Date)

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended June 30, 2018
2. Commission identification number 013039 3. BIR Tax Identification No. 000-484-693  
PACIFICA, INC
4. Exact name of issuer as specified in its charter  
Manila, Philippines
5. Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code:  (SEC Use Only)  
c/o Manila Harbour Center  
R-10, Vitas, Tondo, Manila 1013
7. Address of issuer's principal office Postal Code  
(632) 637-8851
8. Issuer's telephone number, including area code  
Not Applicable
9. Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding</u>
Common Shares	40,000,000,000

11. Are any or all of the securities listed on a Stock Exchange?  
Yes [ / ] No [ ]  
If yes, state the name of such Stock Exchange and the class/es of securities listed therein:  
Philippine Stock Exchange Common shares
12. Indicate by check mark whether the registrant:
- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 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 [ ]

## **PART I--FINANCIAL INFORMATION**

### **Item 1. Financial Statements.**

The Financial Statements attached are the balance sheets as of June 30, 2018 and December 31, 2017, and the related statements of comprehensive operations, changes in stockholders' equity and cash flows for the current financial year to date, with comparative statements for the comparable year-to-date period of the immediately preceding financial year.

**The interim financial reports are prepared in compliance with generally accepted accounting principles.**

### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

#### **(1) Plan of Operation**

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

In 2007, the Corporation redirected its business focus to exploration, operation, management and marketing of mining claims. Pursuant thereto, the SEC on August 31, 2007 approved its Amended Articles of Incorporation reverting its primary purpose to mineral exploration, extending the corporate life for another 50 years and changing the par value from 1.00 to 0.005.

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

After the Corporation 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 August 14, 2009, it was approved that the Corporation shall enter an Operating Agreement with Zam-Iron Mining Corporation (Zam-Iron) granting the Corporation 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 Corporation will pay Zam-Iron royalties at a stipulated price. The loan of P50 million extended by the Corporation to Zam-Iron on January 2, 2008 was applied as advanced royalty payments. Moreover, the management is continuously looking for mining opportunities and negotiating for possible investors and technical partners.

The Corporation 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 Corporation does not close its doors to business opportunities in power related activities.

On November 15, 2013, Zam-Iron Mining Corp. (Zam-Iron) informed the Corporation 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 their application and operations.

On November 22, 2013, the Corporation informed Zam-Iron that insofar as it is concerned, Zam-Iron has failed to fulfill its obligations under the Memorandum of Agreement (MOA) signed on January 2, 2008 and Operating Agreement signed in December 2009 and is deemed in default. The Corporation demanded for the full refund of P50,000,000 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 August 28, 2015, given that the recovery of the Corporation's receivables within the next 12 months has been deemed remote, the Board of Directors of the Corporation unanimously approved the impairment and write-off of the following items from its books of accounts: (1) accounts receivable from 9th Kingdom Investments, Inc., (2)



advances to Mikro-Tech Capital, Inc; (3) prepaid royalties in favor of Zam-Iron Mining Corporation, (4) accounts receivables from LRSI and Stradec, and (5) retained deficit. This was ratified by the stockholders during the Corporation's annual stockholders' meeting on October 16, 2015.

The Corporation 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 Corporation will likewise be considered as necessary initiatives to source funds. Therefore, the Corporation is optimistic that it shall obtain sufficient funds to support its anticipated fund requirements for the next 12 months.

For the second quarter ending June 30, 2018 and calendar year ending December 31, 2017, the Corporation experienced net losses amounting to Php272,434 and Php 2,218,785, respectively, attributed to administrative expenses incurred.

For the year ending December 31, 2017 and 2016, the Corporation's net losses were Php2.219 million and Php 2.499 million, respectively. Moreover, in 2015 and 2014, revenues were not generated and material losses of PPhp25,558,722 and Php1,368,043, respectively, were experienced in view of allowance for probable losses on royalties and allowance for doubtful accounts in 2013.

#### **Key Performance Indicators of the Company**

Since the Company has no commercial operation to date and has not generated revenues for the current period ending June 30, 2018 and fiscal years ending December 31, 2017 and 2016, it posted losses. Losses for the current period being reported and fiscal years December 31, 2017 and 2016 are attributed to administrative expenses incurred. The table sets forth the comparative key performance indicators of the Company for the current interim period with comparative figures for the periods ending June 30, 2018 and 2017, December 31, 2017 and 2016:

	June 30, 2018	December 31, 2017	June 30, 2017	December 31, 2016
Total Revenues	0	0	0	0
Net Loss	745,246	2,218,785	1,118,165	2,498,979
Total Current Assets	761,078	1,745,458	2,019,832	248,025
Other Non-Current Assets	0	0	0	0
Plant, Property and Equipment	0	0	0	0
Total Assets	761,078	1,745,458	2,019,832	248,025
Current Liabilities	6,785,760	7,024,893	6,198,646	3,308,675
Stockholders' Equity	(6,04,682)	(5,279,435)	(4,178,814)	(3,060,650)
Total Liabilities & Stockholders' Equity	761,078	1,745,458	2,019,832	248,025
Current Ratio	0.112	0.248	0.32585	0.075
Solvency Ratio	0.105	0.241	0.32585	0.075
Debt to Equity Ratio	(1.1263)	(1.33061)	3.0689	1.081

(a) Net loss for the quarter ending June 30, 2018 resulted to Php 272,434 or by a Php 66,616 increase from last year of the same period.

(b) Stringent controls are utilized on incurring expenses. Management maintains a generally cautious stance in identifying mining opportunities in order to maximize the Corporation's gross margin. Consequently, Management has taken a conservative stand in approving any mining or power-related activity which the Corporation engaged in 2014 and 2013 and may potentially engage in the next twelve months.

(c) *Working Capital Ratio or Current Ratio* – This will measure how liquid the corporation is and its ability to meet its current obligations. It is computed by dividing total current assets with the total current liabilities.

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

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

By comparing accounts in the Balance Sheets and Statements of Operations for the interim period ending June 30, 2018 with comparable data for December 31, 2017 and interim period from preceding year, the following are the material changes and their causes:

#### **Changes in Financial Condition**

##### (a) Current Assets

The decrease of Current Assets, as of June 30, 2018 and December 31, 2017 is attributable to cash uses for the administrative expenses of the Company.

##### (b) Input Taxes

Input taxes have increased during the period because of fees paid to professionals.

##### (c) Property and Equipment

There have no acquisition of property and equipment in 2018, 2017 and 2016.

##### (d) Current Liabilities

The current liabilities decreased to Php6,785,760 as of June 30, 2018 primarily due to payment of expense accruals and other liabilities outstanding as of December 31, 2017.

##### (e) Deficit

Comprehensive losses as of June 30, 2018 and for fiscal years ending December 31, 2017 and 2016 contribute to the Deficit. While recent losses are attributable to administrative expenses, the losses in previous years represent bidding related and administrative expenses. This Retained Deficit was also increased upon impairment and write-off of various uncollectible assets as determined by the Board on August 28, 2015 and ratified by the stockholders on October 16, 2015.

#### **Changes in Operating Results**

The Corporation has not yet started commercial operations. There was no mining activities or exploration as of June 30, 2018. The exploration works for Zam-Iron have not yet been commenced. On November 15, 2013, Zam-Iron received a letter from the Mines and Geosciences Bureau IX stating that their office has issued an Order of Denial for mining exploration with finality. Zam-Iron's next recourse would be to file an appeal to the Mines and Geosciences Bureau central office in Manila. The Company demanded for the full refund of Php50,000,000 prepaid royalties with interest and waived its right in the event of default to take over the operation and production of the mining operation. The Company has 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 December 31, 2014 and 2013. The Company thereafter deemed that the recovery of the Company's receivables as remote. The Board of Directors on August 28, 2015 unanimously approved the impairment and write-off of the following items from its books of accounts: (1) accounts receivable from 9th Kingdom Investments, Inc., (2) advances to Mikro-Tech Capital, Inc; (3) prepaid royalties in favor of Zam-Iron Mining Corporation, (4) accounts receivables from LRSI and Stradec, and (5) retained deficit. This was ratified by the stockholders during the annual stockholders' meeting on October 16, 2015.

Net loss for the quarter ending June 30, 2018 resulted to Php 272,434 or by a Php 66,616 increase from last year of the same period given that a number of administrative expenses have been incurred during the recent quarter. Compared to the December 31, 2017 performance, the net loss during the recent quarter is a decrease by Php1,946,351 due to administrative expenses incurred. Net loss for the period ending December 31, 2016 materially decreased from 2015 of the same period due to non-incurrence of impairment losses and write-offs of certain balances during 2016.

A significant increase in losses in 2014 versus 2013 was due to provision for probable losses and allowance for doubtful accounts. The Corporation has not participated in bidding activities during the year.

#### **Material Events and Uncertainties**

For the interim periods, the Corporation 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 Corporation's liquidity increasing or decreasing in any material way.
- (ii) Events that will trigger direct or contingent financial obligation that is material to the Corporation, including any default or acceleration of obligation. The Corporation 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 Corporation with unconsolidated entities or other persons created during the reporting period. - A disclosure is made in Notes 11 and 12 to Financial Statements and in the Company plan of operation.
- (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.

#### **PART II – OTHER INFORMATION**

Other than the additional disclosures discussed below, there are no information not disclosed in SEC Form 17-C prior to preparation of this report:

- i. The discussion in item 11 of the Notes to Financial Statements shall be consistent for the interim period being reported. The Company's financial instruments still pertain to cash, advances to related parties, accounts payable and accrued expenses resulting from Company's operations. The main purpose of these financial instruments is to fund the Company's administrative costs while it has no commercial operations yet.
- ii. The discussion on item 2 of the Notes to Financial Statements as to Amendments to PAS 1, *Presentation of Financial Statements*, shall be consistent for the interim period being reported. As the Company has no other comprehensive income, the Company has elected to present one statement of comprehensive income.
- iii. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements.

- iv. The Company has no significant seasonality or cyclicity in its business operations that would have a material effect on the financial condition or results of operations.
- v. There are no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidents.
- vi. There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years.
- vii. There are no issuances, repurchases, and repayments of debt and equity securities this interim period.
- viii. There are no dividends paid (aggregate or per share) separately for ordinary shares and other shares.
- ix. Segment reporting is not applicable to the Company.
- x. There are no material events subsequent to the end of the interim period that have not been reflected in the unaudited financial statements for the interim period.
- xi. There is no effect in changes in the composition of the issuer during the interim period, including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructurings, and discounting operations.
- xii. There are no changes in contingent liabilities or contingent assets since the last annual balance sheet.
- xiii. There are no material contingencies and any other events or transactions that are material to an understanding of the current interim period.

**PACIFICA, INC.****BALANCE SHEETS**

June 30, 2018 (Unaudited) and December 31, 2017 and 2016 (Audited)

	Unaudited June 30, 2018	Audited December 31, 2017	Audited December 31, 2016
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash in banks (Note 6)	598,172	1,695,458	198,025
Advances for Liquidation (Note 7)	50,000	50,000	50,000
Prepaid Expenses	-	-	-
Input taxes (Note 7)	112,906	-	-
Due from related parties	-	-	-
<b>Total Current Assets</b>	<b>761,078</b>	<b>1,745,458</b>	<b>248,025</b>
<b>Noncurrent Assets</b>			
Furniture, fixtures and equipment	-	-	-
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>761,078</b>	<b>1,745,458</b>	<b>248,025</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accrued expenses and other liabilities	-	13,500	-
Due to a related party (Note 12)	4,285,760	-	-
Loans Payable (Note 8)	-	4,285,760	3,217,656
Accrued expenses	-	225,633	91,018
Deposit for future stock subscription	2,500,000	2,500,000	-
Income tax payable	-	-	-
<b>Total Current Liabilities</b>	<b>6,785,760</b>	<b>7,024,893</b>	<b>3,308,675</b>
<b>Equity</b>			
Capital stock – ₱0.005 par value (Note 13)			
Authorized – 40,000,000,000 shares			
Issued and outstanding – 39,965,000,000 total shares held by all stockholders (except 1) as of Mar. 31, 2018 and Dec. 31, 2017	199,825,000	199,825,000	199,825,000
Subscribed and partially paid – 35,000,000 shares as of Mar. 31, 2018 and Dec. 31, 2017 held by one (1) stockholder	175,000	175,000	175,000
Subscriptions receivable	(116,667)	(116,667)	(116,667)
Additional paid-in Capital	10,163,756	10,163,756	10,163,756
Deficit	(216,071,771)	(215,326,524)	(213,107,739)
<b>Total Equity</b>	<b>(6,024,682)</b>	<b>(5,279,435)</b>	<b>(3,060,650)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>761,078</b>	<b>1,745,458</b>	<b>248,025</b>

See accompanying Notes to Financial Statements.

**PACIFICA, INC.****STATEMENTS OF COMPREHENSIVE INCOME**

For the 6 months period ended June 30, 2018, 2017 and 2016 (Unaudited)

	6 mos. Jan-Jun, 2018	6 mos. Jan-Jun, 2017	6 mos. Jan-Jun, 2016
<b>INCOME</b>			
Interest income (Note 9)	871	3,594	-
	<u>871</u>	<u>3,594</u>	<u>-</u>
<b>EXPENSES (Note 10)</b>			
Professional fees	617,367	525,329	300,000
Membership, association dues and fees	-	-	19,000
Salaries and wages	-	-	-
Transportation and travel	15,900	10,302	6,427
Rent	-	-	-
Representation and entertainment	-	-	-
Utilities	-	-	-
Taxes and licenses	22,026	390,832	-
Supplies	43,672	2,749	-
Depreciation	-	-	-
Advertising	-	123,900	-
Others	47,770	63,373	5,376
	<u>746,735</u>	<u>1,116,485</u>	<u>330,804</u>
<b>NET LOSS</b>	<b>745,864</b>	<b>1,112,891</b>	<b>330,804</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>	<b>618</b>	<b>(5,273)</b>	<b>667</b>
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>745,246</b>	<b>1,118,165</b>	<b>330,136</b>
<b>BASIC/DILUTED LOSS</b>			
<b>PER SHARE (Note 14)</b>	<b>0.00001863</b>	<b>0.0000275</b>	<b>0.0000082</b>

**PACIFICA, INC.****STATEMENTS OF COMPREHENSIVE INCOME**

For the 3 months period ended June 30, 2018, 2017 and 2016 (Unaudited)

	3 mos. Apr-Jun, 2018	3 mos. Apr-Jun, 2017	3 mos. Apr-Jun, 2016
<b>INCOME</b>			
Interest income (Note 9)	322	1,417	-
	<b>322</b>	<b>1,417</b>	
<b>EXPENSES (Note 10)</b>			
Professional fees	236,000	190,820	188,000
Membership, association dues and fees	-	-	-
Salaries and wages	-	-	-
Transportation and travel	15,900	10,302	2,469
Rent	-	-	-
Representation and entertainment	-	-	-
Utilities	-	-	-
Taxes and licenses	-	550	550
Supplies	3,000	2,749	2,749
Depreciation	-	-	-
Advertising	-	-	-
Others	19,431	2,814	2,138
	<b>274,331</b>	<b>207,235</b>	<b>192,608</b>
<b>NET LOSS</b>	<b>274,009</b>	<b>205,818</b>	<b>192,608</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>	<b>1,575</b>	<b>-</b>	<b>667</b>
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>272,434</b>	<b>205,818</b>	<b>191,940</b>
<b>BASIC/DILUTED LOSS</b>			
PER SHARE (Note 14)	0.00000681	0.0000051	0.0000048

*See accompanying Notes to Financial Statements.*

**PACIFICA, INC.****STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**

As at June 30, 2018, 2017 and 2016 (Unaudited)

	Capital Stock (Notes 13) Issued	Subscribed	Subscriptions Receivable (Note 13)	Additional Paid-in Capital (Note 13)	Deficit	Total
<b>BALANCES AT DECEMBER 31, 2015</b>	199,825,000	175,000	(116,667)	10,163,756	(210,608,758)	(561,669)
Collection of subscriptions receivable	-	-	-	-	-	-
Issuance of capital stock	-	-	-	-	-	-
Net loss from Jan to Jun 2016	-	-	-	-	(330,136)	(330,136)
<b>BALANCES AT June 30, 2016</b>	<b>199,825,000</b>	<b>175,000</b>	<b>(116,667)</b>	<b>10,163,756</b>	<b>(210,938,894)</b>	<b>(891,805)</b>
<b>BALANCES AT DECEMBER 31, 2016</b>	199,825,000	175,000	(116,667)	10,163,756	(213,107,739)	(3,060,650)
Collection of subscriptions receivable	-	-	-	-	-	-
Issuance of capital stock	-	-	-	-	-	-
Net loss from Jan to Jun 2017	-	-	-	-	(1,118,165)	(1,118,165)
<b>BALANCES AT June 30, 2017</b>	<b>199,825,000</b>	<b>175,000</b>	<b>(116,667)</b>	<b>10,163,756</b>	<b>(214,225,904)</b>	<b>(4,178,814)</b>
<b>BALANCES AT DECEMBER 31, 2017</b>	199,825,000	175,000	(116,667)	10,163,756	(215,326,525)	(5,279,436)
Collection of subscriptions receivable	-	-	-	-	-	-
Issuance of capital stock	-	-	-	-	-	-
Net loss from Jan to Jun 2018	-	-	-	-	(745,246)	(745,246)
<b>BALANCES AT June 30, 2018</b>	<b>199,825,000</b>	<b>175,000</b>	<b>(116,667)</b>	<b>10,163,756</b>	<b>(216,071,771)</b>	<b>(6,024,682)</b>



**PACIFICA, INC.****INTERIM STATEMENTS OF CASH FLOWS**

For the 3 months period ended June 30, 2018, 2017 and 2016 (Unaudited)

	Jun 30, 2018	Jun 30, 2017	Jun 30, 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss	(272,434)	(1,118,165)	(330,136)
Impairment of receivables	-	-	-
Gain on reversal of payables	-	-	-
Loss on write-off of furniture, fixtures and equipment	-	-	-
Adjustment for depreciation	-	-	-
Unrealized foreign exchange	(1,575)	2,657	(667)
Provision for probable losses on input tax	-	-	-
Interest Income	-	-	-
Provision for doubtful accounts	-	-	-
Operating loss before working capital changes	(270,858)	(1,115,508)	(330,804)
Decrease (increase) in:			
Input taxes	(32,560)	(96,399)	(36,000)
Advances for liquidation	-	-	-
Increase (decrease) in accounts payable and accrued expenses	-	-	-
Decrease in prepaid expenses	-	-	133,844
Increase in receivables	-	-	-
Increase in accrued expenses	-	(91,018)	415,326
Decrease in income tax payable	-	-	(133,844)
Net cash used in operating activities	(303,418)	(1,302,925)	48,522
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease (increase) in due from related parties	4,285,760	4,198,646	-
Increase in deposit for future stock subscription	-	2,000,000	-
Net cash from (used in) investing activities	4,285,760	6,198,646	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Collection of subscriptions receivables	-	-	-
Increase (decrease) in due to related parties	-	-	-
Increase (decrease) in loans payable	(4,285,760)	(3,217,656)	-
Net cash from financing activities	(4,285,760)	(3,217,656)	-
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<b>1,575</b>	<b>(2,657)</b>	<b>667</b>
<b>NET INCREASE (DECREASE) IN CASH IN BANKS</b>	<b>(304,993)</b>	<b>1,675,407</b>	<b>49,189</b>
<b>CASH IN BANKS, BEGINNING</b>	<b>903,165</b>	<b>198,024</b>	<b>100,686</b>
<b>CASH IN BANKS, END</b>	<b>598,172</b>	<b>1,873,432</b>	<b>149,875</b>

See accompanying Notes to Financial Statements.

## **PACIFICA, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **1. Corporate Information and Status of Operations**

##### Corporate Information

Pacifica, Inc. (the Company), a publicly-listed domestic corporation, was incorporated in the Philippines on September 2, 1957.

In 2007, the Company renewed its corporate life with the Securities and Exchange Commission (SEC) with its primary purpose to engage in exploration, development, and exploitation of mineral resources. Also, the Company is allowed to engage in gas, oil and power-related activities as its secondary purposes.

The Company's registered office address is Manila Harbour Centre, R-10, Vitas, Tondo, Manila.

##### Status of Operations

On December 28, 2009, the Company entered into an operating agreement with Zam-Iron Mining Corporation (Zam-Iron). Zam-Iron granted the Company an exclusive right to explore, utilize and develop Kabasalan Mining Rights (see Note 4).

In 2010, the Company participated in the bidding conducted by Power Sector Assets and Liabilities Management Corporation (PSALM) for the appointment as independent power producer administrator for the contracted capacity of (a) the Ilijan Combined Cycle Power Plant at Ilijan, Batangas City, (b) the Malaya Thermal Power Plant at Pililia, Rizal, (c) the Unified Leyte Geothermal Power Plant at Tongonan, Leyte, and (d) the Naga Power Plant Complex (Cebu Thermal Power Plant 1 & 2) at Naga, Cebu and a joint venture project with R-II Builders, Inc., and the contracted lease, operation and maintenance of the Subic Diesel Power Plant (SDPP) at Causeway Extension, Subic Bay, Freeport Zone. Unfortunately, the Company's bid for Ilijan and Malaya power plants fell short and it lost the bidding to other rival companies while in the others, the bidding process did not materialize. In 2011, the Company did not participate in any bidding conducted by PSALM.

Losses in 2010 represent expenses for the conduct of bidding and administrative expenses incurred.

To generate funds to be used for the acquisition or purchase of mining claims, rights and businesses as may be identified by the Corporation, the BOD approved on July 9, 2009 the call for payment of unpaid subscriptions, which was extended until March 10, 2010. On April 6, 2010, the BOD approved the extension of the call for payment from March 10, 2010 to June 10, 2010.

On June 21, 2011, pursuant to the approval by the BOD, a delinquency sale was held for all 14,619,784,000 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 Philippine Stock Exchange. 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. Pursuant to the rules of the delinquency sale, payment of the winning bid shall be made on or before August 4, 2011. As of the date of this report, all winning bidders have fully paid their bids and have been issued certificates of stock.

Infusion of funds from the auction of delinquent shares held on June 21, 2011 have been used 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 Corporation.

The recovery of the Corporation's receivables within the next twelve (12) months has been deemed remote. On August 28, 2015, the Board of Directors unanimously approved the impairment and write-off of the following items from its books of accounts: (1) accounts receivable from 9th Kingdom Investments, Inc., (2) advances to Mikro-Tech Capital, Inc; (3) prepaid royalties in favor of Zam-Iron Mining Corporation, (4) accounts receivables

from LRSI and Stradec, and (5) retained deficit which was ratified by the stockholders during its annual stockholders' meeting on October 16, 2015.

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## 2. Summary of Significant Accounting and Financial Reporting Policies

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

### **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 of 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.

#### (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.

### **Adoption of New and Amended PFRS**

#### (a) *Effective in 2016 that are Relevant to the Company*

The Company adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2016:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Disclosure Initiative
Annual Improvements	:	Annual Improvements to PFRS (2012-2014 Cycle)

Discussed below are the relevant information about these amendments and improvements.

- (i) *PAS 1 (Amendments), Presentation of Financial Statements - Disclosure Initiative.*  
The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

- (ii) Annual Improvements to PFRS (2012-2014 Cycle). Among the improvements, the PFRS 7 (Amendment), Financial Instruments - Disclosure is relevant to the Company but management does not expect these to have material impact on the Company's financial statements:

The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

*(b) Effective in 2016 that are not Relevant to the Company*

The following amendment and annual improvements to PFRS are mandatory for accounting periods beginning on or after January 1, 2016 but are not relevant to the Company's financial statements:

PAS 16 and 41 (Amendments)	:	Property, Plant and Equipment, and Agriculture – Bearer Plants
PAS 16 and 38 (Amendments)	:	Property, Plant and Equipment, and Intangible Assets – Clarification of Acceptable Methods of Depreciation And Amortization
PAS 27 (Amendments)	:	Separate Financial Statements –Equity Method in Separate Financial Statements
PFRS 11 (Amendments)	:	Joint Arrangements – Accounting for Acquisitions of interests in Joint Operations
PFRS 14	:	Regulatory Deferral Accounts
PFRS 10, PFRS 12 and PAS 28 (Amendments)	:	Consolidated Financial Statements, Disclosure of interests in Other Entities, and Investments in Associates and Joint Ventures – Investment Entities -Applying the Consolidation Exception
Annual Improvements to PFRS (2012-2014 Cycle) PAS 19 (Amendments)	:	Employee Benefits – Discount Rate: Regional Market Issue
PFRS 5 (Amendments)	:	Non-current Assets Held for Sale and Discontinued Operations –Changes in Methods of Disposal
PFRS 7 (Amendments)	:	Financial Instruments: Disclosures – Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements
PAS 34 (Amendments)	:	Interim Financial Reporting - Disclosure of Information "Elsewhere in the Interim Financial Report"

*(c) Effective Subsequent to 2016 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2016 which are adopted by the FRSC. Management will adopt the following relevant pronouncements 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) PAS 7 (Amendments), *Statement of Cash Flows - Disclosure Initiative* (effective from January 1, 2017). The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rate or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.
- (ii) PFRS 9 (2014), *Financial Investments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). 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;
  - an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; 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.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

The Company does not expect to implement and adopt PFRS 9 (2014) until its effective date. In addition, management is currently assessing the impact of PFRS 9 (2014) on the financial statements of the Company and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

- (iii) PFRS 15, *Revenue from contract with Customers* (effective from January 1, 2018). The new standard will eventually 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.

While the Company has no commercial operations yet, management is optimistic that the Company will already have sources of revenues when the standard becomes effective, hence, considers this as relevant to the Company. Accordingly, management is currently assessing the impact of this new standard on the Company's financial statements based on its operational plans.

(iv) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right of use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for similarly to as financial liability using the effective interest method.

However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting remains the same as PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard in its financial statements.

### **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*. All other non-derivative financial instruments are treated as debt instruments.

#### ***(a) Classification and Measurement of Financial Assets***

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: 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 Bank in the statement of financial position.

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

#### ***(b) Impairment of Financial Assets***

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

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.

*(c) Items of Income and Expense Related to Financial Assets*

All income and expenses, except those that arise from operating activities which are included as part of Other Income or Expenses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Cost in the statement of comprehensive income.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

*(d) Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) and due to a related party 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.

**Prepayment and Other Current Assets**

Prepayment and 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.

**Financial Liabilities**

Financial liabilities, which include interest-bearing loan and accrued interest and expenses 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 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 interest and expenses 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 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.

### **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.

### **Revenue and Expense Recognition**

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that future economic benefits will flow to the Company; and the costs incurred or to be incurred can be measured reliably. In addition, specific recognition criteria of an asset 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 bank.

Interest income is recognized as the interest accrues taking into account the effective yield on the asset.

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.

### **Leases - Company as Lessee**

Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

The Company determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

### **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.

### **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.

### **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.

### **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.

### **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.

### **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.

### **Equity**

Capital stock represents the nominal value of shares that have been issued.

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 loss.

### **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.

### **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.

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### **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.

#### **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. Distinction between Operating and Finance Leases*

The Company has entered into a lease agreement as a lessee. Critical judgment was exercised by management to distinguish each lease agreement, as either an operating or a finance lease by looking at the transfer or retention of significant risks and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

Management has determined that its lease agreement qualify under operating leases.

*b. 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 2.6 and disclosures on relevant contingencies are presented in Note 15.

#### **Key Sources of Estimation Uncertainty**

Determination of realizable amount of deferred tax asset is a key assumption 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.

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, 2017 and 2016, 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 carryforward benefits of unused net operating loss carry-over (NOLCO) could be utilized (see Note 11).

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#### **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.

## 5. Categories and Offsetting Of Financial Assets and Financial Liabilities, and Fair Value Measurement and Disclosures

### 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.

### Offsetting of Financial Assets and Financial Liabilities

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

	Gross amounts recognized in the Statement of Financial Position		Net amount presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net Amount
	Financial Assets	Financial liabilities set-off		Financial Instruments	Cash collateral received	
<b>Jun 30, 2018</b>						
Cash in bank	P 598,172		P 598,172			P 598,172

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

	Gross amounts recognized in the Statement of Financial Position		Net amount presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net Amount
	Financial Liabilities	Financial assets set-off		Financial Instruments	Cash collateral received	
<b>Jun 30, 2018</b>						
Due to a related party	P 4,285,760		P 4,285,760			P 4,285,760

In 2017, the Company has no financial assets or financial liabilities subject to offsetting, enforceable master netting arrangement and similar arrangement.

### 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 presented in the succeeding page.

- (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.

**Financial Instruments Measured at Fair Value**

The Company has no financial assets and liabilities measured at fair value as at December 31, 2017 and 2016 or financial instruments whose fair value are required to be disclosed.

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

The Company has no non-financial assets measured at fair value as of December 31, 2017 and 2016.

**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 bank 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 Bank**

Cash in bank, which pertains to demand deposits, amounts to P598,172 and P1,695,458 as of June 30, 2018 and December 31, 2017, respectively. It generally earns interest at rates based on daily bank deposit rates

**7. Prepayments and other Current Assets**

The composition of this account is shown below.

	Note	<u>June 30, 2018</u>		<u>Dec. 31, 2017</u>	
Input taxes	11	P	<b>112,906</b>	P	-
Advances subject for liquidation			<b>50,000</b>		50,000
		<b>P</b>	<b>162,906</b>	<b>P</b>	<b>50,000</b>

**8. Interest-Bearing Loan**

On December 29, 2017, the Company obtained a short-term bank loan amounting to P4,285,760 from a local universal bank for working capital requirements. The loan bears annual interest of 2.05%, unsecured and is payable in lump sum on January 15, 2018.

Total interest expense recognized as of June 30, 2018 and December 31, 2017 amounted to P4,149 and P5,273 respectively, and is presented as Finance Cost in the Statement of Comprehensive income.

## 9. Other Income

Other income includes:

	<u>Jun 30, 2018</u>	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
Unrealized foreign currency exchange gain	P 4,767	P 1,563	P 5,258
Interest Income	872	2,694	49
Gain on reversal of payables	-	-	-
	<u>P 5,639</u>	<u>P 4,257</u>	<u>P 5,307</u>

The accrued professional fees and other payables as of December 31, 2015 amounting to P6,692,196 were written off in 2015. The corresponding gain on derecognition is included in Other Income in the 2015 statement of comprehensive loss.

## 10. Expenses

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

	<u>Notes</u>	<u>Jun 30, 2018</u>	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
Professional fees		P 617,367	P 1,989,750	P 639,910
Taxes and licenses	16	22,026	6,664	500
Advertising		-	17,842	
Others		-	77,509	15,117
Rent		-	-	135,000
Transportation and travel		15,900	10,245	247,051
Communication		-	10,139	-
Printing and supplies		40,672	45,406	-
Bank Charges		3,000	6,998	-
Impairment due from related parties	12	-		30,625,286
Membership, association dues and fees		-	19,000	294,160
Salaries and wages		-	-	162,110
Representation and entertainment		-	-	-
Utilities		-	-	43,200
Impairment of prepaid royalties and input VAT		-	306,566	9,643
Loss on write of furniture, fixtures and equipment		-	-	83,800
Courier		40,005	13,640	-
Other Service Fees		7,766	-	-
		<u>P 746,736</u>	<u>P 2,503,759</u>	<u>P 32,255,777</u>

As discussed in Note 1, ZMC's application for mining exploration was denied in 2013. Consequently, the Company demanded for the full refund of its P50,000,000 prepaid royalties to ZMC. The prepaid royalties which have already been provided with 100% allowance for impairment remained unpaid in 2015 and management has made an assessment that collection of the said amount is remote. Accordingly, the Company wrote off the full amount of the prepaid royalties against the related allowance for impairment in 2015.

In 2015, the Company wrote off its remaining furniture, fixtures and equipment with a carrying amount of P83,800 and recognized the corresponding loss on write-off.

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## 11. Current and Deferred Taxes

There is no tax expense reported in the statement of comprehensive income for the period ended June 30, 2018, and for the years ended December 31, 2017, 2016 and 2015 because the Company is in a tax loss position.

The components of deductible temporary differences and unused NOLCO for which no deferred income tax assets were recognized as of June 30, 2018 are as follows:

	June 30, 2018	2017	2016
Allowance for probable losses	-	-	-
NOLCO	750,885	2,067,526	2,140,940
Allowance for doubtful accounts	-	-	-

Deferred income tax assets were not recognized as management believes that it is not probable that the Company would have sufficient future taxable profits against which deductible temporary differences and carry forward benefits of unused NOLCO could be utilized.

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

Year Incurred	Amount	Expired	Balance as of December 31, 2017	Available Until
2017	P 2,067,526		P 2,067,526	2020
2016	2,140,940		2,140,940	2019
2015	66,943,529	P-	66,943,529	2018
	<u>P71,151,995</u>	<u>P-</u>	<u>P71,151,995</u>	

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 (RCIT), whichever is higher. The Company has incurred MCIT amounting to P133,844 in 2015 which is reported as part of Other Current Assets in the statements of financial position (see Note 7). The MCIT incurred in 2015 is valid for application against income tax due until 2018. In 2016, Management has assessed that the possibility of MCIT to be applied in the future period is remote, hence, it was written-off in the current year.

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## 12. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

The Company discloses the nature of the related party relationship and information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements, including, as a minimum, the amount of outstanding balances and its terms and conditions including whether they are secured, and the nature of the consideration to be provided in settlement.

The Company entered into transactions with related parties principally consisting of noninterest-bearing intercompany advances to and from related parties.

### 12.1 Due from Related Parties

MTCI bills the Company for its share in rent, association dues and utilities amounting to P1,148,607 and P1,289,632 in 2015 and 2014, respectively and is offset against the advances of the Company to MTCI. In 2015, management has assessed that the outstanding balance of MTCI, after offsetting of payables amounting to P30,625,286 will no longer be recovered and as such was provided with 100% allowance for impairment (see Note 11). In 2013, the Company provided 100% allowance on receivables from 9th Kingdom amounting to P20,000,000 (see Note 11).

In 2015, the outstanding balance of the receivables from MTCI and 9th Kingdom were written off against the related allowance for impairment after obtaining approval from the BOD and stockholders during the annual stockholders meeting of the Company on October 16, 2015.

### 12.2 Due to a Related Party

As of June 30, 2018, iHoldings, Inc. has accommodated certain expenses on behalf of the Company. Such amount is presented as Due to a Related Party.

## 13. Capital Stock

Capital stock as of June 30, 2018 and 2017 consists of:

	Shares		Amount	
	Jun 2018	Jun 2017	Jun 2018	Jun 2017
Capital Stock – P0.005 par value				
Authorized	<u>40,000,000,000</u>	<u>40,000,000,000</u>	<u>P 200,000,000</u>	<u>P 200,000,000</u>
Issued and subscribed	39,965,000,000 35,000,000	39,965,000,000 35,000,000	P 199,825,000 175,000	P 199,825,000 175,000
Subscriptions receivable	-	-	( 116,667)	( 116,667)
	<u>40,000,000,000</u>	<u>40,000,000,000</u>	<u>P 199,883,333</u>	<u>P 199,883,333</u>

The following tables show the movements in the number of outstanding shares:

Issued and subscribed shares:

At June 30, 2017	40,000,000,000
Issuance of capital stock	0
<u>At June 30, 2018</u>	<u>40,000,000,000</u>

### 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, 2017, the number of holders of such securities is 3,307. The market price of the Company's shares as of December 31, 2017 is P0.0450. The total number of issued shares not listed with the PSE is P14,654,784,000 shares as at December 31, 2017 and 2016.

On June 21, 2011, pursuant to the approval by the BOD, a delinquency sales 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 sales 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 of May 2, 2012, all winning bidders have fully paid their bids and have been issued certificates of stock. Presently, 25,345,216,000 common shares remain to be listed with the PSE while the remaining 14,654,784,000 delisted shares are in the process of relisting to the PSE.

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

#### **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).

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.

	June 30, 2018		Dec. 31, 2017	
Total liabilities	P	6,785,760	P	7,024,893
Total capital deficiency	(	6,024,682)	(	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, 2017 and 2016, the Company has capital deficiency and is still working to improve it as discussed in Note 1.

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#### **14. Basic/Diluted Loss Per Share**

Basic/diluted loss per share is computed as follows:

	Jun 30, 2017		Dec 31, 2017		Dec 31, 2016	
Net loss	P	745,246	P	2,218,785	P	2,498,979
Weighted average number of outstanding shares		40,000,000,000		40,000,000,000		40,000,000,000
Basic/diluted loss per share	P	0.00001863	P	0.0000555	P	0.0000625

The Company has no potentially dilutive common shares as of June 30, 2018, December 31, 2017 and December 31, 2016. Thus, the basic loss and diluted loss per share amounts are the same as of those dates.

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#### **15. Financial Risk Management Policies and Objectives**

The Company's principal financial instruments pertain to cash in banks, due from and to related parties, and accrued expenses and other liabilities. These financial instruments arise directly from the Company's operations. The main purpose of these financial instruments is to fund the Company's administrative costs.

The main risks arising from the Company's financial instruments are credit risk and liquidity risk. The BOD reviews and agrees on certain policies for managing some of these risks as summarized below:

##### *Credit Risk*

Credit risk is the risk that the Company incurs a loss because its counterparties failed to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures to such limits. The Company has no significant concentration of credit risk with any single entity.

With respect to credit risk arising from financial assets, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying values of these instruments.

Cash in banks are classified as *High grade* since these are deposited and invested with reputable banks and can be withdrawn anytime.

*High grade* receivables pertain to those receivables from clients or customers that consistently pay before the maturity date. *Standard grade* includes receivables and advances that are collected on their due dates even without an effort from the Company to follow them up. *Past due and impaired* are those that are long-outstanding and have been provided with allowance for bad debts.

#### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its obligation when they fall due. To limit this risk, the Company's stockholders provide the necessary funds when the need arises.

#### *Market Risk*

Market risk is the risk of change in fair value of financial instruments from fluctuations in market interest rates (fair value interest rate risk), market prices (equity price risk) and foreign exchange rates (currency risk) whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

#### *Fair value*

The carrying amounts of cash in banks, due from and to related parties and accrued expenses and other liabilities approximate their fair values because of their short-term nature.

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## **16. Capital Management**

The Company maintains a capital base to cover risks 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. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of its activities.

No changes were made in the objectives, policies and processes from the previous year.

The capital considered by management is the same capital as those indicated in the equity section of the balance sheet.

## 17. Operating Segment

The Company is engaged in mineral exploration and considers such as its primary activity and only operating segment. The President, which is considered as the chief operating decision maker, monitors the operating results of the Company. The Company has only one geographical segment.

Net loss, total assets and total liabilities as of and for the period ended June 30, 2018, December 31, 2017 and December 31, 2016 are the same as reported elsewhere in the financial statements. Segment information for this operating segment is as follows:

	June 30, 2018	December 31, 2017	December 31, 2016
Net loss	₱ 745,246	₱2,218,785	₱2,498,979
Total assets	761,078	1,745,458	248,025
Total liabilities	6,785,760	7,024,893	3,308,675

### SCHEDULE: AGING OF ACCOUNTS RECEIVABLE (1)

As of June 30, 2018

Description	Total	1 Mo	2-3 Mos	4-6 Mos	7 Mos to 1Yr	1-2 Yrs	3-5 Yrs	5 Yrs- Above	Past Due accounts & Items in Litigation
a)Trade Receivables None (No commercial operation)	-								
b)Non-Trade Receivables 1)Advances to Related Parties Impairment/Write-off*									
Sub Total	-							-	
Less: Allow. for Doubtful Accounts Impairment/Write-off*									
Net Non-Trade Receivable	-							-	
<b>NET RECEIVABLE ( a + b )</b>	-							-	

- End -

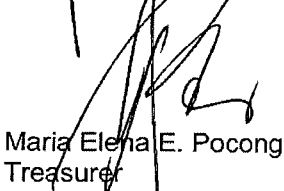
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this 17Q report to be signed on its behalf by the undersigned thereunto duly authorized in Manila on August 13, 2018 .

Pacifica, Inc.  
Issuer

By:



WINGLIP K. CHANG  
President & CEO



Maria Elena E. Pocong  
Treasurer