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## SECURITIES AND EXCHANGE COMMISSION

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Company Information

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Company Name JACKSTONES INC.  
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Company Type Stock Corporation

### Document Information

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# 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, 2019
2. SEC Identification Number 24988
3. BIR Tax Identification No. 000-275-073
4. Exact name of issuer as specified in its charter JACKSTONES, INC. (Formerly:  
NextStage, Inc.)
5. Province, country or other jurisdiction of incorporation or organization Taguig City,  
Philippines
6. Industry Classification Code(SEC Use Only) \_\_\_\_\_
7. Address of principal office  
593 Antonio Drive, Bagumbayan, Taguig City, 1630
8. Issuer's telephone number, including area code +63 2 3723052
9. Former name or former address, and former fiscal year, if changed since last report N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the  
RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	250,059,097

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

Yes      No

If yes, state the name of such stock exchange and the classes of securities listed therein:

PHILIPPINE STOCK EXCHANGE

Common Stock

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC 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 that the registrant was required to file such reports);

Yes [ X ]      No [   ]

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

Yes [ X ]      No [   ]

**JACKSTONES, INC. AND SUBSIDIARY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE SIX MONTHS PERIOD

30 June 2019

## **PART I. FINANCIAL INFORMATION**

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

Attached are the interim consolidated financial statements of Jackstones, Inc. (the "Corporation") for the period ending 30 June 2019. These interim financial statements are in compliance with Philippine Financial Reporting Standards. In addition, the same accounting policies and methods of computation used in the most recent annual audited financial statements were followed in preparing these statements.

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

#### **Business Overview**

The Company's shares are listing in the Philippine Stock Exchange (PSE) but the trading of the Company's shares was suspended until June 30, 2013. The PSE lifted the suspension on July 9, 2019 and the shares are now tradable.

On October 12, 2014, a group of individual and corporate shareholders entered into memorandum of Agreement with Ketton Holdings, Inc. and a group of individual investors for the sale of the formers' shares of stock representing 70% of the outstanding share capital of the Company. The sale effectively transferred control of the Company to Ketton Holdings, Inc. which became the parent company and ultimate controlling party, owning 54% equity interest of Jackstones, Inc. Ketton Holdings, Inc. is a domestic corporation registered with the Philippines SEC.

On June 13, 2017, the stockholders of the Corporation approved the amendment of the Seventh Articles of Incorporation increasing the authorized capital stock of Five Hundred Million Pesos (P500,000,000.00), Philippine Currency, divided into Five Hundred Million (500,000,000) Common Shares with a par value of One Peso (P1.00) each share. The said amendment was approved by the SEC on February 7, 2018.

Additional shares may now be issued out of the 330,000,000 unissued portion of the increase. In the special board meeting on March 14, 2018, the Directors approved a resolution for listing of the whole unissued portion of the authorized capital stock, or a total of 330,000,000 shares. The said resolution was approved and ratified by the stockholders during the annual meeting on June 11, 2018. Initially, the Corporation will apply for listing with the PSE and SEC of 82,500,000 shares. The rest of the shares will be applied for listing at a future date as a secondary offering to be sold to the investing public.

During the November 12, 2018 Special Stockholders' Meeting, the minority stockholders physically present or represented by proxy, unanimously waived the

requirements to conduct a stock rights offering in relation to the Corporation's application to list additional shares with the PSE.

On October 20, 2017, the SEC approved the Articles of Incorporation and By-Laws of Jackstone Properties, Inc. (JPI), a wholly owned subsidiary of the Company which will allow the latter to engage in the business of owning, holding, developing, selling of real property intended for mixed-use real property development projects.

On June 13, 2018, JPI entered into a Deed of Sale with Wonderoad Corporation covering the sale of land located in Marikina City with a total area of 2,652.30 sq. meters.

In May 2019, the first residential project of JPI named Michelia Residences was formally launched and 30% of its inventory has already pre-sold.

Likewise, in JAS' Annual Stockholder's Meeting on June 24, 2019, the Company is considering not just real estate development but also allied businesses such as property management, property leasing and building management. The Company is also exploring and reviewing projects, ventures and other assets that could be included in the landholdings of the Company for future expansion and development.

The Company has four (4) regular employees as of June 30, 2019. The record keeping of its transactions is outsourced to a third party consultant.

### **Key Performance Indicators**

The Company's key performance indicators are set out below. Except for Net Income, these key performance indicators are not measurements in accordance with Philippine Financial Reporting Standards and should not be considered as an alternative to net income or any other measure of performance which are in accordance with PFRS.

The following are the key performance indicators of the Company. There is no profitability indicators as of interim period yet.

	<b>June 30</b>	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Liquidity:			
Current Ratio	1.43	1.51	2.10
Solvency			
Debt to Equity Ratio	2.14	1.85	0.91
Asset to Equity Ratio	3.14	2.85	1.91

### Current Ratio

The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. This tells investors how a company can maximize the current assets on its balance sheets to satisfy its current debt and other payables.

### Debt to Equity Ratio

The debt-to-equity ratio is calculated by dividing a company's total liabilities by its shareholder equity. The ratio is used to evaluate a company's financial leverage and measure the degree to which a company is financing its operations through debt versus wholly-owned funds.

### Asset to Equity Ratio

The asset to equity ratio shows the relationship of the total assets of the company to the portion owned by shareholders. This ratio is an indicator of the company's leverage used to finance the Company.

## **Financial and Operational Results**

### Results of Operations

Starting January 1, 2008, the Company has gone into a state of dormancy, awaiting further management plans. The Company's ability to operate on a going concern basis is dependent upon its ability to generate immediate additional capital infusion and sufficient cash flows to meet its obligations, to develop sustainable business strategies and undertake measures to attain long-term financial stability. Despite the Company's capital position as at December 31, 2014, management believes that the Company will be able to continue as a going concern considering the entry of new shareholders in 2014. The Company's long-term business plans are currently under evaluation of this new controlling shareholders.

Starting December 2014, Jackstones Inc. (JAS) is steadily being transferred into a holding Company for projects, property ventures, business and assets primarily in the ASEAN region and neighboring Asian countries without industry-specific limitations. The management team shall benefit enormously from the excellent business and management track record of its Chairman.

Comparison of key financial performance for the 2Q 2019 and calendar year-ended December 31 2018 and 2017 are summarized in the following tables:

	June 30	December 31
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	2019	2018	2017
Sales	-	-	-
Cost of Sales	-	-	-
Gross Profit	-	-	-
Administrative Expenses	3,411,104	4,721,770	2,856,610
Operating Loss	(3,411,104)	(4,721,770)	(2,856,610)
Foreign Exchange Gain (Loss)	(428,672)	158,353	(689,578)
Interest Income	654,013	484,173	307,282
Net Loss	(3,185,763)	(3,744,213)	(3,238,906)

### Financial Condition

The Company's objective when managing capital are to support the Company's ability to effectively deploy capital and to protect the interest of its shareholders.

Management shall utilize the capital structure that generates the most value for shareholders and this may entail adjustments to dividends paid to shareholders, loans obtained from banks, and the issuance of new shares. Total capital being managed by the Company as its total equity as shown in the attached statement of financial position.

The Company is also currently negotiating with various investment groups to raise new capital and is also seriously considering another public offering to raise more funds for its investments and holdings. The Company continues to review projects, ventures, businesses and assets that can be included in the holdings of the Company of which JAS may issue shares in exchange for owning them.

As of June 30, 2019, the Corporation's assets consist of cash in the amount of P17,444,091; due from related party of P10,543,006; prepayment and other current asset of P3,725,930; property and equipment – net P138,215; input VAT of P1,294,998, land held for sale and development P36,972,835; and deferred income tax assets of P353,339 for a total assets of P70,472,414 compared to P72,955,337 total assets as of 31 December 2018.

Comparison of key financial position for the six months period ended June 30, 2019 and calendar year-ended December 31 2018 and 2017 are summarized in the following tables:

	June 30	December 31	
	2019	2018	2017
Current Assets	68,685,863	71,309,416	56,067,621
Non-Current Assets	1,786,552	1,645,921	37,827
Total Assets	70,472,414	72,955,337	56,105,448
Total Liabilities	48,056,302	47,353,462	26,759,360
Deficit	(309,102,755)	(305,916,992)	(302,172,779)
Equity	22,416,112	25,601,875	29,346,088

Likewise, the comparative increase (decrease) of financial analysis of balance sheets as of June 30, 2019 and December 31, 2018 and 2017 as follows:

	June 30, 2019 vs December 31, 2018	December 31 2018 vs 2017
Current Assets	-3.68%	27.2%
Non-Current Assets	8.54%	4251.2%
Total Assets	3.40%	30.0%
Total Liabilities	1.48%	76.9%
Deficit	-1.04%	1.2%
Equity	-12.44%	-12.8%

### Legal, Regulatory and Corporate Developments

A Memorandum of Agreement between Ketton Holdings, Inc. and the previous shareholders states that any claims filed against the Company by ING following the closing date of sale, with regards to loan extended by ING to PACEMCO, shall be for the account of the previous shareholders. Accordingly, management believes that the Company's financial position and results of operations will not be significantly affected from the ultimate disposition of outstanding legal cases and claims. Further, there are no other material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of the future financial condition of the Company.

### Other Relevant Information

There are no 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. Likewise, there are no material commitments for capital expenditures.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. There are no seasonal aspects that had a material effect on the financial condition or results of operations.

## PART II. OTHER INFORMATION

### Item 3. Items Reported in SEC Form 17C

The following items were disclosed in the SEC Form 17C of the Company filed last 25 June 2019:

1. The conclusion of the Annual Stockholders Meeting and Organizational Meeting whereby, among other agenda, the following were elected as the new members of the Board of Directors of JAS:

Name	Board of Directors	Officers
Mariano Chua Tanenglian	Chairman of the Board	
Maximilian So Tanenglian	Member of the Board	President
Jonathan A. Ong Carranceja	Member of the Board	Vice-President
Vandermir Carnegie Tan Say	Member of the Board	Assistant Vice-President
Beryl Fayette Tanenglian Say	Member of the Board	
Aleta So Tanenglian	Member of the Board	Treasurer
Stilwell Tan Sy	Independent Director	
Amando Musni Velasco	Independent Director	
William Chong Lee	Independent Director	
Maria Arrabelle Tan Lim		Compliance Officer
Juan Miguel Victor C. de la Fuente		Corporate Secretary/ Chief Information Officer
Adaline Daryl T. Ong-Carranceja		Assistant Corporate Secretary
Salvador Andrew S. Tugade		Assistant Compliance Officer

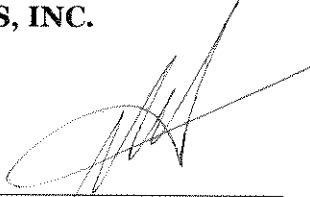
2. Further, the following Committee Members were elected:

Committee	Audit Committee	Corporate Governance Committee
Chairman	William Chong Lee	Stilwell Tan Sy
Members	Amando Musni Velasco	William Chong Lee
	Stilwell Tan Sy	Amando Musni Velasco
	Aleta So Tanenglian	Amando Musni Velasco

**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

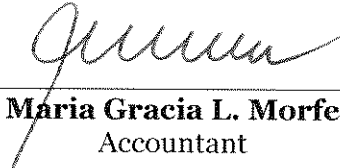
**JACKSTONES, INC.**



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**Maximilian So Tanenglian**  
President

Date signed



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**Maria Gracia L. Morfe**  
Accountant

Date signed

# ***Jackstones, Inc. and Subsidiary***

**Unaudited Consolidated Financial Statements  
As at June 30, 2019 and 2018 and for each of the six months  
ended June 30, 2019**

**Jackstones, Inc. and Subsidiary**

Unaudited Consolidated Statements of Financial Position  
As at June 30, 2019 and December 31, 2018  
(All amounts in Philippine Peso)

	Notes	2019	2018
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash and cash equivalents	2	17,444,091	28,854,662
Land held for sale and development	4	36,972,835	17,394,825
Due from related parties	7	10,543,006	24,332,200
Prepayments and other current assets	3	3,725,930	727,729
<b>Total current assets</b>		<b>68,685,862</b>	<b>71,309,416</b>
<b>Non-current assets</b>			
Property and equipment, net	5	138,215	83,285
Input value-added tax (VAT), non-current	3	1,294,998	1,209,297
Deferred income tax (DIT) assets	10	353,339	353,339
<b>Total non-current assets</b>		<b>1,786,552</b>	<b>1,645,921</b>
<b>Total assets</b>		<b>70,472,414</b>	<b>72,955,337</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current liabilities</b>			
Trade payables and other liabilities	6	1,760,225	1,057,385
Advances from shareholders	7	46,277,769	46,277,769
<b>Total current liabilities</b>		<b>48,037,994</b>	<b>47,335,154</b>
<b>Non-current liability</b>			
Deferred income tax liability	10	18,308	18,308
<b>Total liabilities</b>		<b>48,056,302</b>	<b>47,353,462</b>
<b>Equity</b>			
Share capital, net of treasury shares	8	188,184,097	188,184,097
Share premium	8	143,334,770	143,334,770
Deficit		(309,102,755)	(305,916,992)
<b>Total equity</b>		<b>22,416,112</b>	<b>25,601,875</b>
<b>Total liabilities and equity</b>		<b>70,472,414</b>	<b>72,955,337</b>

The notes on pages 1 to 27 are integral part of these consolidated financial statements.

**Jackstones, Inc. and Subsidiary**

Unaudited Consolidated Statements of Total Comprehensive Income  
For the each of the period ended June 30, 2019 and 2018  
(All amounts in Philippine Peso)

	Notes	Three months ended		Six months ended	
		June 30		June 30	
		2019	2018	2019	2018
<b>Income</b>					
Interest income	2	295,788	3,786	654,013	5,023
Foreign exchange gain		-	-	72,442	-
		295,788	3,786	726,455	5,023
<b>Expenses</b>					
Administrative expenses	9	(1,597,443)	(776,607)	(3,411,104)	(2,567,783)
Foreign exchange loss		(501,114)	-	(501,114)	-
Loss before income tax		(1,802,769)	(772,821)	(3,185,763)	(2,562,760)
Income tax expense	10	-	-	-	-
Loss for the period		(1,802,769)	(772,821)	(3,185,763)	(2,562,760)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		(1,802,769)	(772,821)	(3,185,763)	(2,562,760)
Loss per share (basic and diluted)	12	(0.0072)	(0.0065)	(0.0127)	(0.0217)

The notes on pages 1 to 27 are integral part of these consolidated financial statements.





**Jackstones, Inc. and Subsidiary**

Consolidated Statements of Cash Flows

For the quarters ended June 30, 2019 and 2018 and six months ended June 30, 2019 and 2018  
(All amounts in Philippine Peso)

	Notes	Three months ended June 30		Six months ended June 30	
		2019	2018	2019	2018
<b>Cash flows from operating activities</b>					
Net loss for the period		(1,802,770)	(772,821)	(3,185,763)	(2,562,760)
Adjustments for:					
Depreciation	5	4,901	3,709	9,802	5,596
Unrealized foreign exchange loss	13	501,114	-	428,672	-
Interest income	2	(295,788)	(3,786)	(654,013)	(5,023)
Operating loss before changes in assets and liabilities		(1,592,543)	(772,898)	(3,401,302)	(2,562,187)
(Increase) decrease in assets:					
Due from related parties	7	(2,972,512)	1,999	13,789,194	-
Land held for sale and development	4	(15,505,879)	(16,986,717)	(19,578,010)	(16,986,717)
Prepayments and input vat	3	(2,889,745)	(211,937)	(3,083,902)	(262,760)
Increase in trade payables and other liabilities	6	927,699	1,425,288	702,840	1,533,406
Cash used in operating activities		(22,032,980)	(16,544,265)	(11,571,180)	(18,278,258)
Interest received		295,788	3,786	654,013	5,023
Net cash provided by operating activities		(21,737,192)	(16,540,479)	(10,917,167)	(18,273,235)
<b>Cash flow from investing activity</b>					
Acquisition of property and equipment	5	(64,732)	(58,393)	(64,732)	(58,393)
<b>Cash flow from financing activity</b>					
Advances from shareholders		-	23,327,610	-	25,735,000
<b>(Decrease) increase in cash and cash equivalents</b>		(21,801,924)	6,728,738	(10,981,899)	7,403,372
Cash and cash equivalent, beginning		39,747,129	52,571,619	28,854,662	51,896,985
Effect of foreign exchange	13	(501,114)	-	(428,672)	-
<b>Cash and cash equivalent, end</b>	2	17,444,091	59,300,357	17,444,091	59,300,357

The notes on pages 1 to 27 are integral part of these consolidated financial statements.

## **Jackstones, Inc. and Subsidiary**

Notes to Consolidated Financial Statements

As at June 30, 2019, 2018 and December 31, 2018

(In the notes, all amounts are shown in Philippine Peso, unless otherwise stated)

### **Note 1 - Business information**

#### **1.1 General information**

Jackstones, Inc. (the "Parent Company") was originally incorporated on April 22, 1964 as Pacific Cement Company, Inc. to engage in the manufacture and trading of cement and related products. In June 2000, the Securities and Exchange Commission (SEC) approved the change in primary purpose of the Company to that of a holding company and changed its corporate name to PACEMCO Holdings, Inc. (PACEMCO). Simultaneous therewith, PACEMCO spun-off its cement manufacturing and mining facility and assets to Pacific Cement Philippines, Inc. (PACEMPHIL), in exchange for 100% of the shares of stock of PACEMPHIL. This investment was subsequently sold in November 2000.

In December 2000, PACEMCO acquired 100% of the share capital of NextStage, Inc., and in June 2001, the SEC approved the merger of PACEMCO and its subsidiary, Nextstage, Inc., with PACEMCO as the surviving corporation. Subsequently, the SEC also approved the change in name from PACEMCO to NextStage, Inc.

The Parent Company's shares are listed in the Philippine Stock Exchange (PSE) but the trading of the Parent Company's shares was suspended until June 30, 2013. The PSE lifted the suspension on July 9, 2013 and the shares are now tradable. As a public company, it is covered by Part I Section 2 A (i) of the Securities and Regulation Code (SRC) Rule 68, as amended on October 20, 2011 and also covered by additional requirement under SRC Rule 68, as amended, Part II.

On April 16, 2014, the SEC approved the Company's application to change its corporate name to its present name and the extension of its corporate life for another 50 years immediately after the first 50 years from and after the date of incorporation.

On October 12, 2014, a group of individual and corporate shareholders sold their shares of stock representing 70% of the outstanding share capital of the Company to Ketton Holdings, Inc. and a group of individual investors. The sale effectively transferred control of the Parent Company to Ketton Holdings, Inc., a domestic corporation registered in the Philippine SEC, who became the ultimate controlling party, owning 54% equity interest in the Parent Company.

On March 23, 2015, the Parent Company's Board of Directors (BOD) approved the transfer of principal office from Bonifacio Technology Center, 2nd Avenue corner 31st Street, Bonifacio Global City, Taguig City to 593 Antonio Drive, Bagumbayan, Taguig City. The above resolution has been ratified by the shareholders on April 30, 2015 and approved by the SEC on July 6, 2015.

On March 10, 2017, the Parent Company's BOD, through an amendment of the Parent Company's Articles of Incorporation, approved the increase of the Parent Company's authorized share capital from P170 million divided into 170 million shares with P1 par value per share to P500 million divided into 500 million shares with P1 par value per share. This amendment was approved and ratified by the Parent Company's shareholders during the annual shareholders' meeting on June 13, 2017. The amendment was filed and approved by the SEC on February 7, 2018.

As at June 30, 2019 and 2018, the Parent Company has 306 shareholders owning at least 100 shares each. Of the total shares outstanding, 20.10% were publicly held as at December 31, 2018 (2017 - 17.57%).

For comparative purposes, the balances presented as at March 31, 2018 and December 31, 2018 are based on consolidated amounts of the parent and its subsidiary.

Status of operations

In 2017, the Parent Company increased its authorized share capital to obtain additional stock subscription and address its negative equity. The Parent Company also established a wholly-owned subsidiary, Jackstones Properties, Inc. (JPI), which is engaged in real estate business.

In 2018, JPI purchased a land for future development and sale to start its commercial operations. In January 2019, JPI submitted its application to Housing and Land Use Regulatory Board (HLURB) for the license to sell saleable units in the purchased land. The project is expected to be completed and will generate income in 2019.

Also, the Group has identified target projects, ventures, businesses and assets that can be included in the holdings of the Parent Company for which the Parent Company may issue shares in exchange for owning them.

Moreover, the shareholders continue to provide financial support to the Group to enable it to meet its financial obligations when they fall due and carry out its business operations, going forward.

**1.2 Subsidiary information**

The Parent Company holds 100% ownership in the shares of stock of Jackstones Properties, Inc. (JPI).

The Parent Company and its subsidiary are collectively referred to as the “Group”.

JPI was incorporated and registered with the Philippine SEC on October 20, 2017 primarily to purchase, acquire, own, hold, use and dispose real property. The registered office address of JPI is located at 593 Antonio Drive, Bagumbayan, Taguig.

**Note 2 - Cash and cash equivalents**

Cash and cash equivalent at June 30, 2019 and December 31, 2018 consist of:

	2019	2018
Cash on hand	2,000	3,719
Cash in banks	12,242,816	5,201,700
Cash equivalents	5,199,275	23,649,243
	17,444,091	28,854,662

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents represent short-term investment with local bank having a maturity of less than three (3) months from the date of placement and earning interest ranging from 1.375% to 1.875% in 2019 and 2018. Interest income earned from bank deposits and cash equivalent during the six months ending June 30, 2019 amounted to P654,013, respectively (June 30, 2018 – P5,023).

### **Note 3 - Prepayments and other current assets; Input VAT, non-current**

#### *Prepayments and other current assets*

Prepayments and other current assets as at June 30, 2019 and December 31, 2018 consist of:

	2019	2018
Prepaid expenses	3,000	6,600
Input VAT	2,703,987	378,802
Advances to employees	62,543	310,387
Deposit to suppliers	956,400	31,940
	<u>3,725,930</u>	<u>727,729</u>

The Group's other current asset includes advances to employees, that pertain to cash advances for operating expenses, and tax refund which are expected to be liquidated within 12 months upon release or utilization of its purpose. Input tax is fully recoverable and can be applied against output tax.

#### *Input VAT, non-current portion*

The Group presented the input VAT related to the Parent Company at June 30, 2019 and December 31, 2018 amounting to P1,294,998 and P1,209,297, respectively, as non-current asset since the management assessed that there will be no activities that will generate revenue that are subject to VAT within the next 12 months.

The Group has started searching for projects, property ventures, business and assets, and other activities that will generate revenue that are subject to VAT. Management assessed that it is premature to recognize an impairment of the input VAT as management's intention is to apply it against future VAT obligations.

### **Note 4 - Land held for development and sale**

On June 13, 2018, the Group purchased a land located at Barangay Marikina Heights, Marikina City with a total area of 2,651.30 square meters for a total consideration of P14,582,150 paid in full upon execution of the Deed of Absolute Sale. The land was acquired for future development and sale.

As discussed in Note 1, JPI submitted its application to HLURB in 2019.

The composition of land held for sale and development as at June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019	December 31, 2018
Land cost	14,582,150	14,582,150
Professional fees	3,985,443	2,812,675
Development costs	18,225,797	-
Taxes and licenses	179,445	-
	<u>36,972,835</u>	<u>17,394,825</u>

Professional fees associated with the land held for future development and sale primarily consist of architectural and engineering design fees and survey fees incurred to prepare the land for development.

The Group's land held for sale and development are carried at the lower of cost or net realizable value.

*Critical accounting judgment: Provision for losses on land held for development and sale*

The Group provides for an allowance to write down real properties held for development and sale whenever the net realizable value becomes lower than cost. The allowance account is reviewed periodically.

As at June 30, 2019 and December 31, 2018, the Group has not provided any allowance for losses on land held for development and sale based on the assessment as described above.

**Note 5 - Property and equipment, net**

Property and equipment as at June 30, 2019 consist of:

	Office furniture and fixtures	Office equipment	Total
<b>At January 1, 2018</b>	-	-	-
Cost	-	41,173	41,173
Accumulated depreciation	-	(3,346)	(3,346)
<b>Net carrying value</b>	-	37,827	37,827
<b>For the year ended December 31, 2018</b>	-	-	-
Opening net carrying value	-	37,827	37,827
Additions	9,370	50,893	60,263
Depreciation	(469)	(14,336)	(14,805)
<b>Closing net carrying value</b>	<b>8,901</b>	<b>74,384</b>	<b>83,285</b>
<b>At December 31, 2018</b>	-	-	-
Cost	9,370	92,066	101,436
Accumulated depreciation	(469)	(17,682)	(18,151)
<b>Net carrying value</b>	<b>8,901</b>	<b>74,384</b>	<b>83,285</b>
<b>For the year ended June 30, 2019</b>	-	-	-
Opening net carrying value	8,901	74,384	83,285
Additions	-	64,732	64,732
Depreciation	(938)	(8,864)	(9,802)
<b>Closing net carrying value</b>	<b>7,963</b>	<b>130,252</b>	<b>138,215</b>
<b>At June 30, 2019</b>	-	-	-
Cost	9,370	156,798	166,168
Accumulated depreciation	(1,407)	(26,546)	(27,953)
<b>Net carrying value</b>	<b>7,963</b>	<b>130,252</b>	<b>138,215</b>

Depreciation and amortization for the three months ended June 30, 2019 amounted to P4,900 (2018 – P3,709) were charged to operating expenses in the statements of total comprehensive income.

### **Note 6 - Accrued expenses and other liabilities**

Accrued expenses and other liabilities at June 30, 2019 and December 31, 2018 consist of:

	2019	2018
Trade payables	434,085	434,085
Accrued expenses	953,027	532,518
Payable to regulatory agency	373,113	90,782
	1,760,225	1,057,385

Trade payables are non-interest bearing and are normally settled within 30 days. Accrued expenses and other liabilities mainly pertain to accrued payroll and professional fees for accounting, legal, audit and stock transfer services rendered for the Group.

There are neither guarantees nor assets pledged to secure the Group's liabilities at June 30, 2019 and December 31, 2018 and 2017. The carrying amounts of trade payables and other liabilities approximate their fair values due to their short-term maturities.

### **Note 7 - Related party transactions**

The table below summarizes the Group's transactions and balances with its related parties.

	Transactions		Outstanding balance		Terms and conditions
	June 2019	December 2018	June 2019	December 2018	
<i>Due from Entities under common control</i>	7,280,806	3,262,200	10,543,006	3,262,200	Due from entities under common control are non-interest bearing, unsecured, collectible in cash, with no fixed repayment terms.
<i>Advances from Shareholders</i>	-	19,053,333	46,277,769	46,277,769	Advances are extended for working capital requirements which are payable in cash with no fixed repayment date. These are non-interest bearing, unguaranteed and unsecured.
<i>Key management compensation Salaries and other short term benefits (Note 9)</i>	876,250	1,295,297	102,403	95,186	Key management compensation covering salaries and wages and other short-term benefits are determined based on contract of employment and payable in cash every month. The Company has not provided share-based payments, termination benefits or other long term benefits to its key management personnel for the months ended June 30, 2019.

In the normal course of the business, the Group receives advances from the shareholders for working capital purposes. The carrying amount of advances from shareholders approximates its fair value due to its short-term maturity.

*Critical accounting judgment: Provision for impairment of amount due from related parties*

The Group's individual and collective provision for impairment of amount due from related parties is based on the Group's assessment of the collectibility of outstanding receivables from its related parties. This assessment requires judgment regarding the ability of the related parties to pay the amounts owed to the Group and the outcome of any disputes. Any change in the Group's assessment of the collectibility of receivables could impact the recorded carrying amount of receivables and related provision for impairment.

Due from related parties arising from advances are collectible on demand and therefore, expected credit losses are based on the assumption that repayment of balances outstanding are demanded at the reporting date. Based on assessment of qualitative and quantitative factors that are indicative of the risk of default, including but not limited to, availability of accessible highly liquid asset and internal and external funding of related parties, the Group has assessed that the outstanding balances are exposed low credit risk. Expected credit losses on these balances have therefore been assessed to be insignificant.

**Note 8 - Equity**

*Share capital, net of treasury shares*

Details of share capital at June 30, 2019 and December 31, 2018 are as follows:

	2019		2018	
	Shares	Amount	Shares	Amount
Common shares at P1 par value per share				
Authorized share capital	500,000,000	500,000,000	500,000,000	500,000,000
Fully paid				
Share capital issued	167,559,179	167,559,179	167,559,179	167,559,179
Treasury shares	(82)	(82)	(82)	(82)
Share capital issued and outstanding	167,559,097	167,559,097	167,559,097	167,559,097
Partially paid				
Subscribed share capital	82,500,000	82,500,000	82,500,000	82,500,000
Subscription receivable	(61,875,000)	(61,875,000)	(61,875,000)	(61,875,000)
Subscribed and paid	20,625,000	20,625,000	20,625,000	20,625,000
Share capital, net of treasury shares	188,184,097	188,184,097	188,184,097	188,184,097

Each common share confers upon a common shareholder: a) the right to vote at any shareholder's meeting or on any resolution of the shareholders; and b) the right to distribution of income under such terms and conditions as the BOD may approve. All holders of common shares shall have preemptive rights to acquire new shares (including any common shares, securities convertible or exchangeable into shares, options, warrants or other rights to purchase or subscribe for shares or securities convertible or exchangeable into shares) to be issued by the Parent Company.

The Parent Company's record of registration of its securities under the Securities Regulation Code follows:

Date of approval	February 7, 2018	October 27, 1967
Number of shares registered	330,000,000	170,000,000
Issued/offer price	2.50	2.30

As discussed in Note 1, the Parent Company's BOD, through an amendment of the Parent Company's Articles of Incorporation, approved on March 10, 2017 the increase of the Parent Company's authorized share capital from P170,000,000 divided into 170,000,000 shares with a par value of P1.00 per share to P500,000,000 divided into 500,000,000 shares with a par value of P1.00 per share. This amendment was approved and ratified by the Parent Company's shareholders during the annual shareholders' meeting on June 13, 2017. The amendment was filed and approved by the SEC subsequently on February 7, 2018.

As at June 30, 2019 and December 31, 2018, the Parent Company has 306 shareholders owning at least 100 shares each of the Parent Company's common shares.

#### *Share premium*

Details of share premium at June 30, 2019 and December 31, 2018 are as follows:

	2019	2018
Beginning balance	143,334,770	113,074,880
Additions during the period	-	30,259,890
Ending balance	143,334,770	143,334,770

In 2013, as part of the Parent Company's equity restructuring and to improve and strengthen the financial condition of the Parent Company without affecting the present ownership, the Board of Directors approved the conversion of the Parent Company's due to related parties, advances from shareholders and deposits for future shares subscriptions aggregating to P113,074,880 to additional paid in capital on April 30, 2013. On the same date, the Parent Company's shareholders approved such conversion into equity (under share premium).

On February 7, 2018, the SEC approved the Parent Company's increase in authorized capital stock. As a result, portion of the deposit for future stock subscription was transferred to share premium amounting to P30,259,890.

#### *Deposit for future stock subscription*

On July 27, 2017, the Parent Company and its parent company, Ketton Holdings, Inc., entered into a subscription agreement to subscribe to 82,500,000 new common shares at P2.50 per share or a total of P206,250,000. Cash received as initial payment for the subscribed shares amounting to P50,884,890, net of share issuance costs amounting to P677,610, is shown under the deposit for future stock subscription account in the equity section of the statement of financial position.

As at December 31, 2017, the Parent Company met all the SEC requirements for the deposit for future stock subscription to be considered as equity:

- (a) The unissued authorized capital stock is insufficient.
- (b) The BOD and Shareholders of the Parent Company approved the increase in authorized capital stock.
- (c) An application has been filed with the SEC on August 11, 2017.

The SEC approved the Parent Company's increase in authorized capital stock on February 7, 2018.



### *Subscription Receivable*

Shares subscribed will be issued once the entire subscription has been fully paid. The movement in the subscribed shares and the resulting subscription receivable are as follow:

	Share capital subscribed		Share	Total
	No. of shares	Amount	premium	amount
Total subscription	82,500,000	82,500,000	123,750,000	206,250,000
Subscribed and paid, gross of share issuance costs	(20,625,000)	(20,625,000)	(30,937,500)	(51,562,500)
Subscription receivable	61,875,000	61,875,000	92,812,500	154,687,500

### **Note 9 - Administrative expenses**

The components of administrative expenses for the period ended June 30, are as follows:

	Notes	Three months ended		Six months ended	
		2019	2018	2019	2018
Professional and consultancy fees		888,000	168,000	1,176,000	585,558
Salaries and other employee benefits	7	463,891	318,194	876,249	570,003
Representation expense		125,200	146,158	125,200	151,767
Director's fee		40,000	32,000	58,000	50,000
Transportation expense		35,010	33,462	167,054	-
Office supplies		27,288	33,539	33,942	34,871
Taxes, licenses and regulatory fees		5,209	16,524	352,654	1,130,290
Depreciation expense	5	4,901	3,709	9,802	5,597
Meeting expenses		-	-	358,730	-
Printing expenses		-	-	206,978	-
Training and seminar		-	-	27,893	-
Miscellaneous		7,944	25,021	18,602	76,570
		1,597,443	776,607	3,411,104	2,567,783

For the three months ended June 30, 2019 and 2018, taxes, licenses and regulatory fees mainly represent SEC registration fees, business permit and other local taxes.

### **Note 10 – Income Tax**

The components of income tax expense as shown on profit or loss as at June 30, 2019 is as follows:

	June 30, 2019	December 31, 2018
Current income tax expense	-	-
DIT benefit	-	353,339
DIT expense	-	(18,308)
	-	335,031

#### *DIT asset*

DIT asset as at June 30, 2019 presented in the statement of financial position represents the tax effect of the net operating loss-carryover (NOLCO) incurred by JPI during the year 2018 with the following details:

Year incurred	Year of expiration	
2018	2021	1,177,798
Tax effect at 30%		353,339

The realization of the future tax benefit related to the deferred tax asset is dependent on JPI's ability to generate future taxable income during the periods the temporary differences reverse. Management has considered these factors in reaching a conclusion to recognize DIT asset in the statement of financial position at June 30, 2019.

#### *DIT liability*

The DIT liability and expense amounting to P18,308 as at June 30, 2019 represents the tax effect of the unrealized foreign exchange gain recognized by the Parent Company during the year 2018, amounting to P61,025.

#### *Critical judgement – Deferred income taxes*

PFRS requires the recognition of deferred income tax (DIT) assets to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized.

Determining the realizability of DIT assets requires the estimation of profits expected to be generated from operations.

Management assessed that the Parent Company will not generate sufficient future taxable profits to realize the DIT assets.

#### **Note 11 - Contingencies; Pending litigations**

On September 3, 2003, a civil case was filed by ING-BHF Bank Aktiengesellschaft ("ING") against the Parent Company and PACEMPHIL before the Regional Trial Court of Makati Branch 148. The Plaintiff alleges that NextStage, Inc. as successor-in-interest of PACEMCO, owes them EUR1,812,687 with interest as well as payment for damages, attorney's fees and expenses of litigation.

On February 22, 2011, ING and PACEMPHIL entered into a compromise agreement wherein the latter agreed to settle EUR2,320,445 in 23 installments payable until September 30, 2016. As at September 30, 2014, PACEMPHIL has complied with the terms of the compromise agreement and has remitted all installments due in accordance with the agreed schedule.

On December 14, 2014, the RTC of Surigao City Branch 30 issued a Commencement Order in relation to PACEMPHIL's Petition for Corporate Rehabilitation with Prayer for Suspension of Payments. In accordance with the Commencement Order, the RTC of Surigao City Branch issued an order for the suspension of all actions and proceedings in court or otherwise for the enforcement of all claims against PACEMPHIL until the rehabilitation plan has been approved by the creditors and the RTC of Surigao City under Republic Act 10142. On December 11, 2015, the RTC of Surigao City Branch has issued an Order confirming and approving the Revised Rehabilitation Plan submitted by the Rehabilitation Receiver of PACEMPHIL. The Order further directs the Rehabilitation

Receiver to pay the creditors as listed in the Revised Registry of Claims on the best efforts basis and to do all things necessary to fully implement the Revised Rehabilitation Plan.

Given that all obligations of the legacy company have been transferred to PACEMPHIL as part of various reorganizations discussed in Note 1, the liability arising from this litigation are for the account of PACEMPHIL. Furthermore, in accordance with the Memorandum of Agreement between Ketton Holdings, Inc. and the previous shareholders (Note 1), any claims filed against the Parent Company by ING following the closing date of the sale shall be for the account of the previous shareholders.

In a letter dated June 27, 2017, one of the previous shareholders informed the management of the Parent Company that by virtue of a Sale and Purchase Agreement dated June 14, 2017 and the Assignment Agreement dated June 20, 2017 executed by and between the previous shareholders and MHB-Bank AG, the former has acquired the PACEMPHIL loan from the latter, which has acquired said loan from the original creditor, ING. The Parent Company was informed that ING, by virtue of a Master Agreement, effectively assigned and transferred several loan obligations, including the PACEMPHIL loan, to MHB-Bank AG.

Pursuant to such acquisition of the loan by the previous shareholder, an Affidavit of Desistance was executed on June 23, 2017 releasing the Parent Company from any liability arising from the Court of Appeals Case No. CA-GR CV No. 89642 entitled "ING-BHF Bank Aktiengesellschaft vs. Pacific Cement Philippines, Inc. and NextStage, Inc." The previous shareholder likewise previously executed an Indemnity Agreement dated April 29, 2015 holding the Parent Company free and harmless from any claims arising from Court of Appeals Case No. CA-GR CV No. 89642.

Accordingly, management believes that the Group's financial position and results of operations will not be significantly affected from the ultimate disposition of outstanding legal cases and claims.

Critical accounting estimate - Contingencies

The Group is currently involved in legal proceedings. Estimates of the probable costs for the resolution of these claims, if any, has been developed in consultation with internal and external legal counsels handling the Group's defense in these matters and is based upon the probability of potential results. The Group's management currently believes that these proceedings will not have a material effect on the consolidated financial statements considering terms of contracts and agreements with previous shareholders as discussed above. It is possible, however, that future results of operations could be materially affected depending on the actual outcome of the proceedings.

**Note 12 - Loss per share**

Loss per share for the period ended June 30 was computed as follows:

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Loss for the period	(1,802,769)	(772,821)	(3,185,763)	(2,562,760)
Weighted average number of outstanding shares	250,059,097	118,154,549	250,059,097	118,154,549
Loss per share	(0.0072)	(0.0065)	(0.0127)	(0.0217)

Weighted average number of outstanding shares is computed as follows:

	Shares	Fraction	Average
No. of shares, January 1, 2018	167,559,097	6/12	83,779,548
Subscription, February 7, 2018	82,500,000	5/12	41,250,000
			118,154,549

There were no potential dilutive shares in June 2019 and 2018.

**Note 13 – Foreign currency denominated monetary asset**

The Company's foreign currency denominated asset as at June 30, 2019 and 2018 pertains to its cash in bank and short-term cash investment.

*As at June 30, 2019*

	US Dollar	Exchange rate as At June 30, 2019	Peso Equivalent
Cash in bank	106,198	51.36	5,454,333
Cash equivalent	101,232	51.36	5,199,275
	207,430		10,653,608

*As at December 31, 2018*

	US Dollar	Exchange rate as at December 31, 2018	Peso Equivalent
Cash in bank	2,644	52.58	139,022
Cash equivalent	354,683	52.58	18,649,232
	357,327		18,788,254

**Note 14 - Critical accounting estimates, assumptions and judgment**

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Group believes the following represent a summary of these significant estimates, assumptions and judgments and their related impact and associated risks in the consolidated financial statements:

- *Provision for losses on land held for development and sale (Note 4)*
- *Provision for impairment of amount due from related parties (Note 7)*
- *Contingencies (Note 11)*

## **Note 15 - Financial risk and capital management**

### **15.1 Financial risk management**

The Group's overall risks management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

#### *Foreign exchange risk*

The Group is exposed to foreign exchange risk primarily with respect to its cash and cash equivalents maintained in U.S. Dollar. The Group's financial position and results of operations are affected by the movement in the U.S. Dollar to Philippine Peso exchange rate. Foreign exchange risk arises when recognized assets denominated in a currency that is not the entity's functional currency.

Transactions denominated in foreign currencies and related exchange rates are monitored by management in order to minimize risk based on Company's policies.

The Company's foreign denominated financial assets as at June 30, 2019 and December 31, 2018 are as follows:

	2019	2018
Cash and cash equivalent	US\$207,430	US\$357,327
Closing rate of U.S. Dollar to Php Peso	51.36	52.58
Philippine Peso equivalent	10,653,605	18,674,264

The following table demonstrates the sensitivity to a reasonably possible change in U.S. Dollar currency rates against the Philippine Peso with all variables held constant, of the Company's pre-tax profit for the period ended June 30, 2019 and 2018:

	2019	2018
U.S. Dollar strengthened/ weakened	+/- 2.86%	+/- 4.360%
Effect on pre-tax profit and equivalent	+/- 547,938	+/- 457,023

The sensitivity rates used represent the rates of change between the foreign currency at June 30, 2019 and 2018 and the foreign currency exchange rates determined 30 days from the reporting period, by which management is expected to realize the Company's financial assets.

#### *Credit risk*

Credit risk refers to the risk that a counterparty will cause a financial loss to the Group by failing to discharge an obligation. Significant changes in the economy that may represent a concentration in the Group's business, could result to losses that are different from those provided for at reporting date.

Credit risk arises from cash deposits with banks and financial institutions, as well as credit exposure on amount due from related parties. The fair values of these financial assets approximate their net carrying amounts.

The Group has the following financial assets as at June 30, 2019 and 2018 where the expected credit loss model has been applied:

Class of financial assets	At gross amounts	Expected credit losses	Net carrying amount	Internal credit rating	Basis for recognition of expected credit loss (ECL)
<b>June 30, 2019</b>					
Cash and cash equivalents*	17,442,091	-	17,442,091	Performing	12-month ECL
Due from related parties	10,543,006	-	10,543,006	Performing	12-month ECL
<b>Total</b>	<b>27,985,097</b>	<b>-</b>	<b>27,985,097</b>		

\*Excluding cash on hand amounting to P2,000

Class of financial assets	At gross amounts	Expected credit losses	Net carrying amount	Internal credit rating	Basis for recognition of expected credit loss (ECL)
<b>December 31, 2018</b>					
Cash and cash equivalents*	28,850,943	-	28,850,943	Performing	12-month ECL
Due from related parties	24,332,200	-	24,332,200	Performing	12-month ECL
<b>Total</b>	<b>53,183,143</b>	<b>-</b>	<b>53,183,143</b>		

\*Excluding cash on hand amounting to P3,719

#### *Cash and cash equivalents*

To minimize credit risk exposure from cash in banks, the Group maintains cash deposits in reputable banks. The Group assesses that cash and cash equivalents have low credit risk considering the bank's external credit ratings.

The Group maintains all of its cash deposits in thrift and commercial banks with strong credit ratings to minimize exposure to credit risk. Amounts deposited in these banks as at June 30, 2019 and December 31, 2018, are as follows:

	2019	2018
Commercial bank	6,316,033	474,223
Thrift bank	5,199,275	18,788,247
Universal bank	5,926,783	9,588,473
	<b>17,442,091</b>	<b>28,850,943</b>

The remaining balance of cash and cash equivalents as at June 30, 2019 amounting to P2,000 (December 31, 2018 - P2,000) represent cash on hand, which is not exposed to credit risk (Note 2).

#### *Due from related parties*

Due from related parties provided for the working capital requirements of related parties which are collectible on demand. Based on assessment of qualitative and quantitative factors that are indicative of the risk of default, including but not limited to, availability of accessible highly liquid asset and internal and external funding of related parties, Company has assessed that the outstanding balances are exposed low credit risk based on the assumption that repayment of balance outstanding are demanded at the reporting date. Expected credit losses on these balances have therefore been assessed to be insignificant.

#### *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash to meet its operating cash requirements. The Group manages liquidity risk by monitoring expected cash flows and seeks funding from its shareholders to meet its operating commitments.

The Group's financial liabilities as at June 30, 2019 and 2018, which are due and demandable, are as follows:

	Notes	June 30, 2019	June 30, 2018
Trade payables and other liabilities	6	1,387,113	889,004
Advances from shareholders	7	46,277,769	48,387,769
		47,664,882	49,276,773

As at June 30, 2019, trade payables and other liabilities presented above exclude amounts payable to regulatory agency amounting to P373,113 (2018- P154,397). Liquidity risk is not significant given the limited amount of financial liabilities payable to third parties.

## 15.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to implement business plans to make the Group profitable in the future.

In order to maintain or adjust the capital structure, the Group may issue new shares. Total capital being managed by the Group as at June 30, 2019 and December 31, 2018 consists of:

	Note	2019	2018
Share capital, net of treasury shares	8	188,184,097	188,184,097
Share premium	8	143,334,770	143,334,770
Deficit		(309,102,755)	(305,916,992)
		22,416,112	25,601,875

The Group has identified target projects, ventures, businesses and assets that can be included in the holdings of the Group for which the Group may issue shares in exchange for owning them.

As discussed in Notes 1 and 8, the Parent Company obtained approval from the SEC on February 7, 2018 for the Parent Company's increase in authorized capital stock amounting to P330,000,000. This enables the Group to generate further capital infusion from its shareholders to support its business plans.

As part of the reforms of the Philippine Stock Exchange (PSE) to expand capital market and improve transparency among listed firms, PSE has required listed entities to maintain a minimum of ten percent (10%) of their issued and outstanding shares, exclusive of any treasury shares, to be held by the public.

The Parent Company has complied with the minimum public float as at June 30, 2019 and 2018.

## **Note 16 - Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **16.1 Basis of preparation**

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

These consolidated financial statements have been prepared under the historical cost convention.

The Group is monitored as a single operating segment considering the limited transactions for period ended June 30, 2019.

The preparation of consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 14.

### **Changes in accounting policies and disclosures**

#### *(a) New and amended standards adopted by the Group*

The Group has applied the following amendment for the first time for the financial year beginning January 1, 2018:

- *PFRS 9, Financial instruments*

PFRS 9 replaced the provisions of PAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of PFRS 9 from January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the consolidated financial statements. The new accounting policies are set out in Note 16.3. In accordance with the transitional provision in PFRS 9, comparative figures have not been restated.

The effects on adoption of PFRS 9 are as follows:

- (a) The Group's financial assets, consisting of cash and cash equivalents and due from related parties, meet the conditions for financial assets at amortized cost classification. The Group's financial liabilities consisting of trade payables and other liabilities and advances from shareholders continue to be carried at amortized cost.
- (b) The Group's financial assets were tested for impairment using expected credit loss impairment model. The impairment methodology for each of the classes of financial assets under PFRS 9 are disclosed in Note 16.3.



There are no other standards, amendments or interpretations that are effective beginning after January 1, 2018 that are relevant to the Group.

## **16.2 Consolidation**

### *Subsidiary*

Subsidiary is an entity (including structured entity) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than half of the voting rights. A subsidiary is fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for business combinations that result in the acquisition of a subsidiary by the Group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized is recorded as goodwill.

Inter-company transactions, balances and unrealized gains on transactions between the Parent Company and its subsidiary are eliminated in full. Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to have control, any retained interest in the subsidiary is re-measured to its fair value at the date when control is lost, with the change in carrying amount generally recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the Group surrenders control to a related party within the Group it ultimately belongs, the difference between the consideration received and the fair value of the subsidiary at divestment date, is recognized as other charges to equity.

## **16.3 Financial assets**

### Classification

The Group classifies its financial assets in the following measurement categories:

- (a) those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- (b) those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

The Group did not hold financial assets under category (a) during and as at June 30, 2019 and December 31, 2018.

#### Recognition and subsequent measurement

The Group recognizes a financial asset in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Regular-way purchases and sales of financial assets are recognized on trade date - the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequently, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method.

#### Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Impairment losses are presented within operating expenses in the statement of total comprehensive income.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset

#### *Measurement of ECLs*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

### *Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the counterparty;
- a breach of contract such as a default; or
- it is probable that the borrower will enter bankruptcy or other financial reorganization.

### Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

### Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Any gain or loss arising on derecognition is recognized directly in the statement of total comprehensive income and presented in other gains/(losses).

## **16.4 Financial liabilities**

### Classification

The Group classifies its financial liabilities as: (i) financial liabilities at fair value through profit or loss and (ii) other financial liabilities measured at amortized cost. The Group does not have any of financial liabilities at fair value through profit or loss.

The Group's financial liabilities comprise of trade payables and other liabilities (Note 6) and advances from shareholders (Note 7) which are carried at amortized cost using the effective interest rate method. These are included in current liabilities, except for maturities greater than 12 months after the reporting date or when the Group has an unconditional right to defer settlement for at least 12 months after the reporting date which are classified as non-current liabilities.

### Recognition

Other financial liabilities at amortized cost are recognized in the consolidated statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

### Measurement

The Group's financial liabilities are initially measured at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest rate method.

### Derecognition

Financial liabilities are derecognized when it is extinguished, that is, when the obligation specified in a contract is discharged or cancelled, or when the obligation expires.

### **16.5 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

The Group did not enter into any legally enforceable master netting agreements or other similar arrangements that would require offsetting of financial assets and liabilities as at June 30, 2019 and 2018.

### **16.6 Fair value measurement**

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

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. 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. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

For non-financial assets, the Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the Group will not fulfill an obligation.

As at June 30, 2019 and 2018 the Group has no assets and liabilities measured at fair value.

#### **16.7 Cash and cash equivalent**

Cash includes cash on hand and deposits held at call with banks. Cash equivalent is a short-term, highly liquid investment that is readily convertible to known amounts of cash with original maturity of three (3) months or less from the date of placement and is subject to an insignificant risk of changes in value.

See Note 16.3 for relevant accounting policies for classification, recognition, measurement and derecognition of cash and cash equivalent.

#### **16.8 Land held for development and sale**

Land held for development and sale, rather than to be held for rental, for capital appreciation, or for use in operations, are classified as real estate inventories and measured at the lower of cost and net realizable value.

Cost includes land cost, owner-supplied construction materials and supplies, amounts paid to contractors for construction, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and borrowing costs during the construction period, and other costs incurred in bringing the properties to their present condition.

Net realizable value is the estimated selling price in the ordinary course of business less costs to complete and the estimated costs of sale.

The amount of any write-down of real estate inventories to net realizable value and all losses related to inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, are recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

#### **16.9 Prepayments and other current assets**

Prepayments are expenses paid in cash and recorded as assets before they are used or consumed, as the service or benefit will be received in the future. Prepayments expire and are recognized as expense either with the passage of time or through use or consumption.

Other current assets in the form of advances to employees and advances to suppliers are recognized initially at fair value and subsequently measured at amortized cost, which normally equals its nominal amount, less provision for impairment, if any.

Prepayments and other current assets are included in current assets, except when the related goods or services are expected to be received and rendered more than 12 months after the end of the reporting period, in which case, these are classified as non-current assets.

Prepayments are derecognized in the consolidated statement of financial position either with the passage of time through use or consumption.

#### **16.10 Input VAT**

Input VAT represent taxes imposed on the Group for the acquisition of goods and services. These are stated at face value less any provision for impairment and are utilized when there is a legally enforceable right to offset the recognized amounts against output VAT obligations and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Input VAT are included in current assets, except when utilization and claims against output VAT are expected to be more than twelve (12) months after the reporting date, in which these are classified as non-current assets.

#### **16.11 Property and equipment**

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items, which comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Capital expenditures related to a project which are partially received or incurred are classified as construction in-progress and are stated at historical cost. These are not reclassified to the other property, and equipment accounts and depreciated until such time that the relevant assets are substantially completed and ready for intended use.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives (in years), as follows:

	No. of years
Office equipment	5 years
Furniture and fixture	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost and their related accumulated depreciation are removed from the accounts. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized under other operating income (expense) in the consolidated statement of total comprehensive income.

### **16.12 Impairment of non-financial assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use requires entities to make estimates of future cash flows to be derived from the particular asset, and discount them using a pre-tax market rate that reflects current assessments of the time value of money and the risk specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately as other operating income in the statement of total comprehensive income.

### **16.13 Current and deferred income tax**

The income tax expense for the period normally comprises current and deferred tax. Income tax expense is recognized in profit or loss within income tax (expense) credit, 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.

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

Deferred income tax (DIT) is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. DIT is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects either accounting nor taxable profit or loss. DIT is determined using tax rates and laws enacted or substantively enacted at the reporting date and are expected to apply when the related DIT asset is realized or DIT liability is settled.

DIT assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. DIT liabilities are recognized in full for all taxable temporary differences, except to the extent that the DIT liability arises from the initial recognition of goodwill.

DIT expense or credit is recognized for the changes in DIT assets and liabilities during the period. Income tax expense includes income tax as currently payable and those deferred because of temporary differences in the financial and tax reporting bases of assets and liabilities.

DIT assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when DIT assets and liabilities relate to income taxes levied by the same taxation authority and where there is an intention to settle the balances on a net basis.

DIT assets are derecognized when it is utilized or when it is no longer probable that future taxable profit can be utilized from the temporary deductible differences. DIT liabilities are derecognized when the temporary taxable differences have been settled.

The Group reassesses at each reporting date the need to recognize a previously unrecognized DIT asset.

#### **16.14 Trade payables and other liabilities**

Trade payables and other liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business. These are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established or when the corresponding assets and expenses are recognized. Trade payables and other liabilities are recognized initially at fair value and subsequently measured at amortized cost using effective interest method. These are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables and other liabilities are derecognized when it is extinguished, that is, when the obligation specified in a contract is discharged or cancelled, or when the obligation expires.

#### **16.15 Borrowings and borrowing costs**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) are capitalized as part of the cost of that asset. Borrowing costs, not directly attributed to a qualifying asset, are recognized and charged to profit or loss in the year in which they are incurred.

Borrowings are derecognized when the obligation is settled, paid or discharged.

#### **16.16 Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required upon settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money 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. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and derecognized from the statement of financial position.



### **16.17 Contingencies**

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

### **16.18 Equity**

#### *Share capital*

Ordinary shares are stated at par value and are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

#### *Share premium*

Any amount received by the Group in excess of par value of its shares is credited to share premium which forms part of the non-distributable reserve of the Group and can be used only for purposes specified under corporate legislation.

#### *Subscriptions receivable*

Subscriptions receivable pertains to the unpaid subscription price by the shareholder.

#### *Share issuance cost*

Share issuance costs incurred for the listing and offering process of the Group are recognized as deduction to share premium in accordance with PIC - Question and Answer (PIC - Q&A) 2011-04.

#### *Retained earnings (deficit)*

Retained earnings (deficit) include current and prior years' results, net of transactions with shareholders and dividends declared, if any.

Appropriated retained earnings pertain to the portion of the accumulated profit from operations which are restricted or reserved for a specific purpose, such as capital expenditures for expansion projects, and approved by the Group's Board of Directors.

Unappropriated retained earnings pertain to the unrestricted portion of the accumulated profit from operations of the Group which are available for dividend declaration.

#### *Treasury shares*

Where the Group purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects are included in equity.

### *Deposit for future stock subscription*

Deposit for future stock subscriptions refers to the payment made by shareholders of the Group on subscription to the increase in the authorized capital which cannot be directly credited to capital stock issued pending registration with the SEC of the amendment to the Articles of Incorporation increasing capital stock. Under the SEC Financial Reporting Bulletin No. 6 as revised in 2017, an entity should not consider a deposit for future subscription as an equity instrument unless all of the following elements are present:

- (a) There is a lack or insufficiency of authorized unissued shares of stock to cover the deposit;
- (b) The entity's BOD and shareholders have approved an increase in capital stock to cover the shares corresponding to the amount of the deposit; and
- (c) An application for the approval of the increase in capital stock has been presented for filing or filed with the SEC.

If any or all of the foregoing elements are not present, the transaction should be recognized as a liability.

After the registration and approval of the increase in capital stock by the SEC last February 7, 2018, the amount was reclassified under share capital account and share premium account.

### **16.19 Earnings per share**

Basic earnings (loss) per share is computed by dividing profit (loss) for the year attributable to the shareholders by the weighted average number of shares outstanding during the year.

The diluted earnings (loss) per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares, if any. The Group has no dilutive potential ordinary shares during and at the end of each reporting period.

### **16.20 Dividend distribution**

Dividend distribution to the Group's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's BOD.

### **16.21 Income recognition**

The Group has applied PFRS 15 but deemed that the adoption did not materially affect the income recognition policy based on the Group's business model. The following are the specific income recognition policies of the Group:

#### *a) Dividend income*

Dividend income is recognized when the right to receive payment is established.

#### *b) Interest income*

Interest income is recognized when it is determined that such income will accrue to the Group and is presented net of final tax withheld by the banks.

#### *c) Other income*

All other income is recognized as earned or when the right to receive payment is established.

## **16.22 Costs and expenses**

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset, or an increase in a liability has arisen, that can be measured reliably.

Costs and expenses are recognized:

- (a) on the basis of a direct association between the costs incurred and the earning of specific items of income;
- (b) on the basis of systematic and rational allocation procedures (i.e. when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined); or
- (c) immediately (i.e. when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position).

Costs and expenses are presented in profit or loss according to their function.

## **16.23 Employee benefits**

### *Short-term benefits*

Provision is made for benefits accruing to employees in respect of wages and salaries when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within twelve (12) months are measured using their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within twelve (12) months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

### *Retirement benefit obligation*

The Group has yet to adopt a formal retirement plan for the benefit of its qualified employees. Under Republic Act (RA) 7641, otherwise known as the Retirement Pay Law, in the absence of a retirement plan or agreement providing for retirement benefits of employees in the private sector, an employee upon reaching the age of 60 years or more, but not beyond 65 years, who has served at least 5 years in a company, may retire and shall be entitled to retirement pay equivalent to at least 1/2 month salary for every year of service, a fraction of at least 6 months being considered as 1 whole year. The Group computed for the retirement benefit obligation in accordance with the minimum requirements of RA 7641 but considered not material for recording and disclosure.

### *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

## **16.24 Foreign currency transactions and translation**

### *(a) Functional and presentation currency*

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are prepared in Philippine Peso, which is the Group’s functional and presentation currency.

### *(b) Transactions and balances*

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

## **16.25 Related party relationships and transactions**

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

## **16.26 Segment Reporting**

For purposes of management reporting, the Group’s operating businesses are organized and managed separately on a per company basis. The Group’s reportable segments are consistent with how the management internally disaggregates financial information for the purpose of making internal operating decisions and evaluating performance.

Operating segments are components of the Group: (a) that engage in business activities from which these may earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the Group); (b) whose operating results are regularly reviewed by the Group’s senior management, its chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

## **16.27 Subsequent events**

Post year-end events that provide additional information about the Group’s position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.