

COVER SHEET

2 4 9 8 6

JACKSTONES, INC. FORMERLY  
NEXTSTAGE, INC.

(Company's Full Name)

593 ANTONIO DRIVE  
BAGUMBAYAN TAGUIG  
CITY

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

ANTHONY B. PERALTA  
Contact Person

817-3081  
Company Telephone Number

Month

Day

Fiscal Year

Form Type

Month

Day

Annual Meeting

SEC FORM 17-A

Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

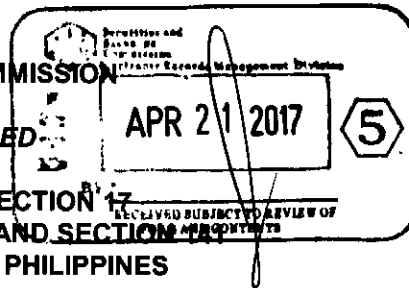
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**SECURITIES AND EXCHANGE COMMISSION**  
**SEC FORM 17-A, AS AMENDED**  
**ANNUAL REPORT PURSUANT TO SECTION 17**  
**OF THE SECURITIES REGULATION CODE AND SECTION 117**  
**OF THE CORPORATION CODE OF THE PHILIPPINES**



1. For the fiscal year ended December 31, 2016
2. SEC Identification Number 24986
3. BIR Tax Identification No. 000-275-073
4. Exact name of issuer as specified in its charter. Jackstones, Inc. (formerly Nextstage, Inc.)
5. Republic of the Philippines  
Province, Country or other jurisdiction of incorporation or organization
6. XXXXXXXXXX (SEC Use Only)  
Industry Classification Code:
7. 593 Antonio Drive, Bagumbayan, Taguig City  
Address of principal office
- 1630  
Postal Code
8. +63 2 2779455  
Issuer's telephone number, including area code
9. Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding</u>
Common Stock, @ P1.00 par value	167,559,097 shares as at December 31, 2016

11. Are any or all of these 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

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes  No

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

Yes  No

13. Aggregate market value of the voting stock held by non-affiliates.

Php108,049,611.37 (29,441,311 shares @ Php3.67 per share as at March 31, 2017).

## PART I-BUSINESS AND GENERAL INFORMATION

### Item 1. Business

The Company was incorporated and registered with the Securities and Exchange Commission (SEC) in 1964 as Pacific Cement Company, Incorporated to engage in the manufacture and trading of cement and related products. In June 2000, the SEC approved the change in the 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. ("NextStage" or the "Company"), a company established to take advantage of the opportunities in the rapidly growing technology sector and the emerging electronic economy. Subsequently, the shareholders of PACEMCO, during a meeting held in the first quarter of 2001, approved the proposed merger of PACEMCO with NextStage. On June 11, 2001, the SEC approved the merger of PACEMCO and its subsidiary NextStage, with PACEMCO as the surviving corporation. Subsequently, SEC also approved the change in name from PACEMCO to NextStage, Inc.

On December 31, 2007, the Company and its majority shareholder Perfect Research Technology Corporation (PRTC) entered into a Memorandum of Agreement wherein the Company transferred its businesses/assets/liabilities in its three subsidiaries – Mondex Philippines, Inc., Infinit-e Asia, Inc. and Technology Support Services, Inc., to PRTC. Pursuant to the said Memorandum of Agreement, the Company ceded control, management, beneficial ownership and administration of the business and assets of its three subsidiaries to PRTC. However, while PRTC has control, management and beneficial ownership and administration of the said subsidiaries, the Company remains the legal owner of the subsidiaries and any liabilities pertaining to the ownership of the shares of stock of the subsidiaries shall remain with the Company.

On January 8, 2014, the Board of Directors approved the change of name to Jackstones, Inc. as well as the increase in authorized share capital to P1 billion divided into one billion shares at P1 par value per share. The Board of Directors also approved the extension of corporate life for another 50 years immediately after the first 50 years from and after the date of incorporation on April 22, 1964 and transfer of principal office to the Bonifacio Technology Center, 2nd Avenue corner 31st Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines. The above resolutions have been ratified by the shareholders on February 7, 2014. The Company's application to effect (1) the change in corporate name, (2) extension of corporate life and (3) change in registered office address has been approved by the SEC on April 16, 2014.

The Company's shares are listed 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, 2013 and the shares are now tradable.

On October 12, 2014, a group of individual and corporate shareholders entered in to a 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. who 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 Philippine SEC.

On March 23, 2015, the Board of Directors approved the transfer of principal office address from Bonifacio Technology Center, 2nd Avenue corner 31st Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines to 593 Antonio Drive, Bagumbayan, Taguig City, Philippines. The above resolution has been ratified by the stockholders on April 30, 2015.

The Company's application to effect the change in registered office address has been approved by the SEC on July 6, 2015.

On 10 March 2017 the Board of Directors approved the increase of the Authorized Capital of Jackstones, Inc. from Php170,000,000.00 to Php500,000,000.00, and has disclosed this matter to the Securities and Exchange Commission (SEC) in a disclosure dated 10 March 2017. It is expected that one of the Principal Shareholders, Ketton Holdings, Inc. will subscribe to at least twenty-five percent (25%) of the increase and, out of said subscription, pay at least 25% of the subscribed portion in cash and/or conversion of advances for future stock subscription. Management is seeking the Stockholders' ratification of this increase during the Annual Meeting to be held on 13 June 2017.

There is no bankruptcy, receivership or similar proceeding involving the Company. Likewise, there is no material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business of the Company.

***Services/Products/Customers/Distribution Method/Suppliers***

Not applicable as Jackstones, Inc. is a holding company.

***Competition***

The Company is still in the process of building its portfolio of businesses to include potential holdings in the fields of information technology, energy and power, agriculture and real estate with primary focus on the ASEAN region. The Company was dormant for a number of years starting 2007 until May 1, 2013 when the Suspension of the Registration and Permit to Sell Securities imposed on the Company was lifted by the SEC. Likewise, the trading of the Company's shares has been suspended since May 16, 2008 and suspension was lifted by the Philippine Stock Exchange ("PSE") last July 9, 2013. As such, the Company as yet has no identifiable principal competitors.

***Transaction with Related Parties***

Parties are considered to be related if one party can, directly, or indirectly, control the other party or significantly influence management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. Related parties may be individuals or corporate entities.

The Company, in the regular conduct of its business, has entered into transactions with its associate and other related parties principally consisting of cash advances for working capital purposes and charges for shared expenses.

Related party transactions are also discussed in the accompanying financial statements of the Company.

***Developmental and Other Activities***

As a holding company, Jackstones, Inc. has no material patents, trademarks, or intellectual property right to its products. The Company complies with all existing government regulations and relevant environmental laws, the costs of which have no material adverse effect on the Company. Jackstones, Inc. has no research and developmental activities.

Starting December 2014, Jackstones, Inc. (JAS) is steadily being transformed 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 expects to benefit from the business and management track record of its new Chairman.

During the 10 March 2017 Special Meeting, the Board of Directors of Jackstones, Inc. approved the proposal by the President of the new business plan to incorporate a wholly owned subsidiary to engage in the business of owning, holding, developing, selling of real property intended for mixed-use real property development projects.

Being a publicly listed holding company in the PSE positioned as a prime mover in ASEAN-focused businesses is a very compelling competitive edge. This widens the reach of the Company and hedges the Company's well-being across the performance of all the ASEAN member economies.

This will potentially make the liquidity of JAS better due to an ASEAN-wide market interest for a Philippine-based holding company.

### **Employees**

The Company has four (4) regular employees as at December 31, 2016 namely - Beryl Fayette T. Say, Adaline Daryl Ong Carranceja, Vandermir Carnegie Tan Say, and Maximilian S. Tanenglian. The record keeping of its transactions is outsourced to a third party consultant.

### **Risk**

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

Prudent liquidity risk management implies maintaining sufficient cash to meet its operating cash requirements. The Company manages liquidity risk by monitoring expected cash flows and seeks funding from its shareholders to meet its operating commitments. Given the status of the Company's operations and plans, there is no perceived liquidity risk.

### **Item 2. Properties**

The Company's assets consist consists only of Cash. Currently, Jackstones, Inc. has no immediate plans to acquire properties.

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

On April 18, 2002, a civil case was filed by Fuller International Inc. ("Fuller") and FLSA Automation A/S ("FLSA") against the Company in its capacity as successor-in-interest of PACEMCO (formerly known as Pacific Cement Company, Inc.) and PACEMPHIL before the Regional Trial Court (RTC) of Makati City Branch 138. In the complaints, Fuller and FLSA allege that PACEMCO has an outstanding obligation to them amounting to US\$247,611.53 and US\$320,821.65, respectively. Although all obligations of PACEMCO were assigned to PACEMPHIL including its outstanding obligations to Fuller and FLSA and despite the written admission of responsibility for payment by PACEMPHIL, Fuller and FLSA claim that the Company should be made liable for whatever debts the latter had incurred to Fuller and FLSA.

On July 10, 2013, the parties entered into a compromise agreement to comprehensively and finally settle all claims and litigation by and against one another. Under the terms of the compromise agreement, PACEMPHIL shall pay US\$415,000 in full and final satisfaction of all outstanding obligations, interests and attorneys fees' claimed by Fuller and FLSA. On August 8, 2013, the case against NextStage and PACEMPHIL was dismissed following full settlement of the compromise amount by PACEMPHIL.

A similar case was filed by ING-BHF Bank Aktiengesellschaft ("ING") against the Company and PACEMPHIL before the Regional Trial Court of Makati Branch 148 on September 3, 2003. 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 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.

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 of the Audited Financial Statements), any claims filed against the Company by ING following the closing date of the sale 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.

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

There were no matters submitted to the vote of security holders during the fourth quarter of the fiscal year covered by this annual report. The Annual Meeting of the Stockholders of Jackstones, Inc. was held on June 20, 2016 and the results thereof were duly submitted to the SEC in the corresponding SEC Form 17-C and disclosed to the PSE.

## **PART II – OPERATIONAL AND FINANCIAL INFORMATION**

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

##### **(a) Market Information**

The Company's common equity is traded in the Philippine Stock Exchange. The trading of the Company's shares has been suspended since May 16, 2008 and suspension was lifted by PSE last July 9, 2013. The high and low sales prices for each period since the lifting of the trading suspension are as follows:

(In Php)	Common Shares	
	High	Low
<b>2013</b>		
First Quarter (Jan 1 to Mar 31)	Not traded	Not traded
Second Quarter (April 1 to June 30)	Not traded	Not traded
Third Quarter (July 26 to Sept 30)	3.04	1.68
Fourth Quarter (Oct 1 to Dec 31)	6.99	1.96
<b>2014</b>		
First Quarter (Jan 1 to Mar 31)	5.99	2.05
Second Quarter (April 1 to June 30)	5.58	2.68
Third Quarter (July 1 to Sept 30)	4.50	3.60
Fourth Quarter (Oct 1 to Dec 31)	5.00	3.33
<b>2015</b>		
First Quarter (Jan 1 to Mar 31)	4.00	2.54
Second Quarter (April 1 to June 30)	3.07	2.24
Third Quarter (July 1 to Sept 30)	2.59	1.98
Fourth Quarter (Oct 1 to Dec 31)	2.50	1.90
<b>2016</b>		
First Quarter (Jan 1 to Mar 31)	3.14	1.88
Second Quarter (April 1 to June 30)	2.79	2.07
Third Quarter (July 1 to Sept 30)	4.00	2.15
Fourth Quarter (Oct 1 to Dec 31)	3.81	3.25

As of the latest practicable trading date on March 31, 2017, the closing price of the Company's shares of stock is Php3.67.

##### **(b) Holders**

As of March 31, 2017, there are Five Hundred Sixty Four (564) holders of common shares of the Company.

Listed below are the top twenty (20) shareholders of the Company as at March 31, 2017:

<b>Name of Shareholder</b>	<b>No. of Shares</b>	<b>Percent of Class</b>
Ketton Holdings Inc.	90,481,927	54.0000%
PCD Nominee Corporation - Filipino	53,749,760	32.0781%
Fernando, David T.	20,824,419	12.4281%
Cruz Jr., Ponciano V.	1,000,000	0.5968%
Composite Marketing Corp.	999,995	0.5968%
Chung, Felix G.	145,895	0.0871%
PCD Nominee Corporation – Non-Filipino	130,011	0.0776%
Santos, Leonel A.	55,274	0.0330%
Galvan, Ma. Paz Alcita	9,000	0.0054%
Cornista, Mario B.	7,599	0.0045%
Yambot, Marion	5,300	0.0032%
Southern Philippines Development Authority	4,200	0.0025%
San Juan, Lydia C.	4,000	0.0024%
Strike, Anthony H.	3,820	0.0023%
Cortes, Inocencio R.	3,284	0.0020%
Yap, Raymundo A.	2,980	0.0018%
Strike, Zenaida M.	2,820	0.0017%
Siruelo Jr., Cezar G.	2,768	0.0017%
Almoguera Jr., Alfredo B.	2,680	0.0016%
Chiongbian, James	2,120	0.0013%

(c) Dividends

No cash dividends were declared on the Company's common shares for the two most recent fiscal years or any interim period.

The Corporation Code prohibits stock corporations from retaining surplus profits in excess of one hundred percent (100%) of their paid-in capital stock, except when justified by definite corporate expansion projects or programs approved by the Board of Directors, or when the corporation is prohibited under any loan agreement with any financial institution or creditor from declaring dividends without its consent, and such consent has not yet been secured, or when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation.

(d) Recent Sales of Unregistered or Exempt Securities

The Company does not have any unregistered securities.

**Item 6. Management Discussion and Analysis**

***Plan of Operation***

The Company has entered a new era with the entry of new owners and their management team. The Company will continue to implement the Business Plan, as disclosed to the SEC and the PSE last year, to maximize its structure as holding company and focus on the ASEAN region and

other Asian involvements, with a view to integration into the ASEAN Economic Community. The Company plans to expand its holdings in Information Technology to include ventures in energy and power-related holdings, agri-business and real estate.

The Company is able to satisfy its cash requirements for the next twelve (12) months, as new shareholders invested an amount of approximately P16,000,000 for future shares subscription to fund the Company's operating requirements.

To address the negative equity of the Company, the Board of Directors, at a meeting held on 10 March 2017, approved the increase of the Authorized Capital of Jackstones, Inc. from Php170,000,000.00 to Php500,000,000.00 as well as the conversion of the existing stockholders' advances and other accounts into share capital. Said matters shall be presented for approval of the stockholders during the Annual Stockholders' Meeting to be held on 13 June 2017.

Further, during the same 10 March 2017 meeting, the Board of Directors of Jackstones, Inc. approved the proposal by the President of the new business plan to incorporate a wholly owned subsidiary to engage in the business of owning, holding, developing, selling of real property intended for mixed-use real property development projects.

There are no expected purchases or sale of plant and significant equipment.

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

Starting December 2014, Jackstones Inc. (JAS) is steadily being transformed into a holding company for projects, property ventures, businesses 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.

Being a publicly listed holding company in the PSE positioned as a prime mover in ASEAN-focused businesses is a very compelling competitive edge. This widens the reach of the Company and hedges the Company's well-being across the performance of all the ASEAN member economies. This also makes the liquidity of JAS better due to an ASEAN-wide market interest for a Philippine-based holding company.

The Company's objectives 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 is 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 for which JAS may issue shares in exchange for owning them.

Aside from the issue of the ING loan to PACEMCO, 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.

There are no known trends or known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way. There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

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.

**Item 7. Financial Statements**

The financial statements are filed as part of this SEC Form 17-A.

**Item 8. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure.**

There have been no disagreements with the Corporation's external auditor on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

**PART III - CONTROL AND COMPENSATION INFORMATION**

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

(a) The incumbent Directors and Executive Officers of the Company are as follows:

Name	Age	Position	Citizenship
Mariano Chua Tanenglian	77	Chairman of the Board	Filipino
Aleta So Tanenglian	68	Vice Chairman	Filipino
Maximilian So Tanenglian	39	President	Filipino
Vandermir Carnegie Tan Say	43	Executive Vice President	Filipino
Jonathan A. Ong Carranceja	45	Vice President	Filipino
Beryl Fayette Tanenglian Say	41	Treasurer	Filipino
Adaline Daryl T. Ong Carranceja	44	Assistant Corporate Secretary	Filipino
Stilwell Tan Sy	68	Independent Director	Filipino
Amando Musni Velasco	67	Independent Director	Filipino
Anthony B. Peralta	56	Corporate Secretary & CIO	Filipino
Ma. Christina Reyes	29	Assistant CIO	Filipino

All Directors shall hold office until a new Board of Directors is elected during the Company's annual shareholders' meeting scheduled on June 13, 2017.

Found to possess the qualifications and none of the disqualifications enumerated in the Company's Amended By-Laws, the incumbent Independent Directors were nominated by the Consultants and Advisors of the Company. Please note that the Nomination Committee of the Company was only established and elected on November 21, 2014.

The business experience of the members of the Board and Executive Officers for the last five (5) years is as follows:

**Mariano Chua Tanenglian**  
 Chairman of the Board  
 April 30, 2015 to present

Mr. Tanenglian is currently the CEO of Wonderoad Corp. and the Chairman of Ketton Holdings, Inc. He obtained his Bachelor of Science in Commerce from the Far Eastern University.

Mr. Tanenglian was a Director and a former Treasurer of Allied Banking Corporation. He was also the Chairman of the Board of Oceanic Holdings (BVI) Ltd., a former Vice Chairman and former Treasurer of Philippines Airlines, Inc., as well as a former Vice

Chairman of MacroAsia Corporation. Mr. Tanenglian was also a former Treasurer of several companies, including Foremost Farms, Inc., Manufacturing Services and Trade Corporation, Dominion Realty and Construction Corporation, Asia Brewery, Inc., Progressive Farms, Inc., Himmel Industries, Inc., Grandspan Development Corporation, Allied Commercial Bank, Fortune Tobacco Corporation, Shareholdings, Inc., The Charter House, Inc., and Lucky Travel Corporation. He was also a Treasurer/Director of Allied Bankers Insurance Corporation, Allied Leasing and Finance Corporation, and Pan-Asia Securities Corporation. Mr. Tanenglian was a former Director of Abacus Distribution System Phils., Inc., Tanduy Distillery, Inc., Asian Alcohol Corporation, Allied Banking Corporation (HK) Ltd., Oceanic Bank, Maranaw Hotels and Resort Corporation, Basic Holdings Corporation, Allied Bank Phils., (UK) PLC and Macroasia Eurest Catering Services, Inc.

**Aleta So Tanenglian**

Vice Chairman

April 30, 2015 to present

Ms. Tanenglian holds a Bachelor's degree in Accountancy. She is the current president of Wonderoad Corp.

**Maximilian So Tanenglian**

President

April 30, 2015 to present

Mr. Tanenglian is the general manager for the Swiftstar group of companies since 2008 to present. The group is involved in the logistics and security industries providing products and services like but not limited to third party logistics services, security system design and supply and business continuity program consultancy.

**Vandermir Carnegie Tan Say**

Executive Vice President

April 30, 2015 to present

Mr. Vandermir Carnegie Tan Say, CFA, MCom (Hons)(Fin), Grad Dip (Bkg & Fin), is currently the President of Wimax Philippines Inc. He is also a Director of Toaster BrainWorks Lab Inc., and Sevenofus Foods Inc. Aside from being a Director and the Executive Vice President of Jackstones, Inc., Mr. Say is also currently the Vice President, Ketton Holdings Inc., was the President of the CFA Society of the Philippines in 2008, and Treasurer of the same society in 2007. Mr. Say is a Chartered Financial Analyst of the CFA Institute and a Director of the BEVA Pte Ltd in Singapore.

Mr. Say was previously the Vice President of Citigroup, an Associate Director of UBS AG, an Analyst for Corporate Finance of UBS Warburg, an Equity Analyst for SBC Warburg Dillon Read, and a Research Assistant for Cualoping Securities Corporation.

He received his Master of Commerce in Finance and graduated with honours from the Melbourne Business School, of The University of Melbourne. He also received a Graduate Diploma in Banking and Finance from Monash University. He attained his Bachelor of Science in Management, Major in Legal Management, from the Ateneo de Manila University and was a Merit Scholar.

**Jonathan A. Ong Carranceja**

Vice President

April 30, 2015 to present

Mr. Ong Carranceja is the current President of SG&D Global Transport Inc., a freight forwarding company. He is also the President of Reach High Dig Deep General Merchandising Corp., a company dealing with industrial products.

Mr. Ong Carranceja was the Former Assistant Manager of Far Eastern Diesel Supply Co. and the Former Asst. Manager of Kirsiphider Co. Inc. He obtained a Bachelor of Arts in Asian Studies.

**Beryl Fayette Tanenglian Say**

Treasurer

April 30, 2015 to present

Aside from being the current President of Toaster Brainworks Lab Inc., Arch. Beryl Fayette Tanenglian Say, EnP, is also a Director and officer of several other companies. She is also currently a Director and the Treasurer of Jackstones Inc., a Director and the Corporate Secretary, Ketton Holdings Inc., a Director and the CFO of Wimax Philippines Inc., and a Director of BEVA Pte Ltd in Singapore.

Arch. Say was the former SAVP Treasury and Finance Officer of Philippine Airlines, she was also the Admin Architect of RR Payumo & Partners Architects. She previously worked with Architect Martha Ong in 1998 to 1999. In 2000, Arch. Say was among the top 3 passers of the Licensure Board Exam for Environmental Planner and in 1999, she was among the top 10 passers of the Architect Licensure Board Exam. She received her Bachelor of Science in Architecture from the University of Santo Tomas.

**Adaline Daryl T. Ong Carranceja**

Assistant Corporate Secretary

April 30, 2015 to present

Ms. Ong Carranceja is the current President of Spyder Creative Works, Inc. – a graphic design company and supplier of social invitation. She is also the current Corporate Secretary of SG&D Global Transport Inc. Ms. Ong Carranceja obtained a Bachelors degree in Fine Arts.

**Stilwell Tan Sy**

Independent Director

April 30, 2015 to present

A copy of the Certification of Qualification of Independent Director was provided during the Annual Shareholders' Meeting on April 30, 2015.

**Amando Musni Velasco**

Independent Director

April 30, 2015 to present

A copy of the Certification of Qualification of Independent Director was provided during the Annual Shareholders' Meeting on April 30, 2015.

**Anthony B. Peralta**

Corporate Secretary & CIO

April 30, 2015 to present

Atty. Peralta is a senior partner in Cochingyan & Peralta Law Offices. His practice areas include Corporate Law, Foreign Investments Law, Securities Regulation, Taxation, E-Commerce and IT Business Process Outsourcing, and Commercial Litigation. He handles joint ventures between foreign and domestic corporations engaged in power generation, fast-food/restaurant services, wholesale retailing, manufacturing, information technology, and transport vehicle production. He received his Bachelor of Laws degree from the University of the Philippines in 1986.

**Ma. Christina S. Reyes**

Assistant CIO

April 30, 2015 to present

Atty. Reyes is an associate with Cochingyan & Peralta Law Offices. She received her Juris Doctor degree from the University of the Philippines College of Law in 2013. She attained her Bachelor of Science degree in Hotel, Restaurant and Institution Management, the University of the Philippines in 2009.

The Company has complied with the provisions of Rule 38 of Amended Implementing Rules of the Securities Regulation Code regarding the Nomination and Election of Independent Directors. The By-Laws of the Company were amended for this purpose on July 12, 2006 by a majority of the members of the Board of Directors and such amendment was approved by the SEC on September 27, 2006.

Nomination of Independent Director/s shall be conducted by the Nomination Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating members together with the acceptance and conformity by the would-be nominees. The Nomination Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s. After the nomination, the Committee shall prepare, sign and post a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under Part IV(A) and (C) of Annex "C" of Rule 12 of the Securities Regulations Code, which list, shall be made available to the Securities and Exchange Commission and to all shareholders through the filing and distribution of the Information Statement, in accordance with Rule 20 of the Securities Regulation Code, or in such other reports the Company is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director/s. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual Proprietary Membership's meeting.

In case of resignation, disqualification or cessation of independent directorship and only after notice has been made with the SEC within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Committee otherwise, said vacancies shall be filled by the stockholders in a regular or special meeting called for that purpose. An independent director so elected to fill a vacancy shall serve only for the unexpected term of his predecessor in office.

**(b) Significant Employees**

The company is not highly dependent on any individual who is not an executive officer. The Corporation has four (4) regular employees as of December 31, 2015. The record keeping of its transactions is outsourced to a third party consultant.

**(c) Family Relationships**

Mariano Chua Tanenglian is married to Aleta So Tanenglian; and the father of Beryl Fayette Tanenglian Say, Maximilian So Tanenglian, and Adaline Daryl T. Ong Carranceja.

Maximilian So Tanenglian, Beryl Fayette Tanenglian Say and Adaline Daryl T. Ong Carranceja are siblings.

Beryl Fayette Tanenglian Say is married to Vandermir Carnegie Tan Say.

Adaline Daryl T. Ong Carranceja is married to Jonathan A. Ong Carranceja.

There are no other family relationships known to the registrant other than those that have been disclosed above.

**(d) Involvement in Certain Legal Proceedings**

There is nothing to disclose with respect to material pending legal proceedings.

None of the directors or the executive officers has, during the last five years and to date, been subject to any of the following:

- (a) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- (b) Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (c) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- (d) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

**Item 10. Executive Compensation**

The By-laws of the Corporation was amended by the Board of Directors on Jackstones, Inc. during a special meeting on March 23, 2015 to state that a per diem of Two Thousand Pesos (Php2,000.00) be granted to each director for their attendance in a regular or special board meeting. Such amendment was approved and ratified by the Shareholder on April 30, 2015 during the Annual Meeting of the Corporation.

The amended By-laws of the Company was approved by the SEC on July 06, 2015.

Subject to the per diem described above, the following Projected Summary Compensation for the coming year is provided:

**SUMMARY COMPENSATION TABLE**

*Annual Compensation*

(a) Name and Principal Position	(b) Year	(c) Salary (P)	(d) Bonus (P)	(e) Other Annual Compensation (P)
Mariano Chua Tanenglian	2017	-	-	8,000
Aleta So Tanenglian	2017	-	-	8,000
Maximilian So Tanenglian	2017	-	-	8,000
Vandermir Carnegie Tan Say	2017	-	-	8,000
Jonathan A. Ong Carranceja	2017	-	-	8,000
Beryl Fayette Tanenglian Say	2017	-	-	8,000
Adaline Daryl T. Ong Carranceja	2017	-	-	8,000
Stilwell Tan Sy	2017	-	-	8,000
Amando Musni Velasco	2017	-	-	8,000

Note that the compensation table is only an estimate of the possible amounts each director will receive for the coming fiscal year, and takes into account the frequency of meetings held during the previous two (2) fiscal year (2015 and 2016), averaging about four (4) meetings per year.

**Employment Contracts and Termination of Employment and Change-in-Control Arrangements**

The Company has no existing arrangements or special employment contracts with any of its executive officers.

**Warrants and Options**

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

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

Security ownership of certain record and beneficial owners (more than 5% of voting securities) as of March 31, 2017 is as follows:

Title of Class	Name and Address of Record Owner/ Relationship with Issuer	Name of Beneficial Owner/ Relationship with Record Owner	Citizen ship	No. of Shares	Percent of Class
Common	Ketton Holdings inc.  <i>Bagumbayan, Taguig City</i>	Ketton Holdings Inc. is a domestic corporation incorporated on October 09, 2014.	Filipino	90,481,927	54.00%
Common	PCD Nominee Corporation  <i>G/F Makati Stock Exchange Bldg. 6767 Ayala Avenue, Makati City</i>	PCD Nominee Corporation, a wholly-owned subsidiary of the Philippine Depository and Trust Corporation (PDTC), is the registered owner in the books of the Corporation's stock transfer agent. The beneficial owners entitled to the same are PDTC's participants, who hold the shares either in their own behalf or on behalf of their clients. The following PDTC participants hold more than 5% of the Corporation's voting securities:	Filipino	53,749,760	32.07%
Common	David T. Fernando  <i>14 Paraguay Street, Loyola Grand Villas, Quezon City</i>  Individual Shareholder	David T. Fernando died on September 2009. The shares are now with the Estate of David Fernando. A proxy was issued to his daughter Catherina Fernando to vote the shares thereof in the Company.	Filipino	20,824,419	12.43%

**Security Ownership of Management as of March 31, 2017:**

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Mariano Chua Tanenglian	10,053,540/indirect	Filipino	5.99%
Common	Aleta So Tanenglian	8,377,950/indirect	Filipino	4.99%
Common	Maximilian So Tanenglian	1,675,590/indirect	Filipino	0.99%
Common	Vandermir Carnegie Tan Say	1,675,590/indirect	Filipino	0.99%

Common	Jonathan A. Ong Carranceja	1,675,590/indirect	Filipino	0.99%
Common	Beryl Fayette Tanenglian Say	1,675,590/indirect	Filipino	0.99%
Common	Adaline Daryl T. Ong Carranceja	1,675,590/indirect	Filipino	0.99%
Common	Stilwell Tan Sy	1,000/direct	Filipino	0.00%
Common	Amando Musni Velasco	1,000/direct	Filipino	0.00%

***Voting Trust Holders of 5% or more***

There are no voting trust holders of 5% or more of the common shares

***Changes in Control***

On October 12, 2014, eleven (11) shareholders of Jackstones, Inc., namely Star Alliance Securities Corporation Group, JJ Samuel A. Soriano, Saturnino G. Belen, Maria Herminia C. Soriano, Geoffrey Brian Lim, Ma. Joanna Lim Wee, Maria Michelle Michiko C. Soriano, Jose Miguel Lorenzo C. Soriano, Jose Ignatius Mikael C. Soriano, Maria Mischa Therese C. Soriano, and Brian Vincent L. Belen ("Sellers"), and Ketton Holdings Inc., Mariano C. Tanenglian, Aleta So Tanenglian, Maximilian So Tanenglian, Jonathan Ongcarranceja, Adaline Ongcarranceja, Beryl Fayette Tanenglian Say, Vandermir Carnegie T. Say ("Buyers"), entered into a Memorandum of Agreement where the Buyers agreed to purchase a total of 117,291,367 shares of stock in Jackstones, Inc. from the 11 shareholders of the corporation for a consideration of (two pesos and twenty six and 79/100 centavos) P2.2679 per share after a Mandatory Tender Offer (MTO) is conducted following the prescribed rules.

Pursuant to such Memorandum of Agreement, control of Jackstones, Inc. will effectively be transmitted to the Buyers owning a total of 117,291,367 shares of stock representing approximately 70% of the total issued and outstanding shares of Jackstones, Inc. once the transfer of the shares is carried out based on the MOA after the MTO period is concluded.

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

There are no transactions with or involving the Corporation or any of its subsidiaries in which a director, executive officer, or stockholder owns ten percent (10%) or more of total outstanding shares and members of their immediate family had or is to have a direct or indirect material interest during the last two (2) years. Kindly note that the Suspension of the Registration and Permit to Sell Securities imposed on the Corporation was only lifted by the Securities and Exchange Commission (SEC) on May 31, 2013.

***Transactions with Promoters***

There are no transactions with promoters within the past five (5) years.

**PART IV – CORPORATE GOVERNANCE**

**Item 13 CORPORATE GOVERNANCE REPORT**

Please refer to the 2016 Annual Corporate Governance Report (SEC Form-ACGR) of Jackstones, Inc.'s, which shall be filed with the SEC in compliance with SEC Memorandum Circular No. 20, series of 2016.

**PART V - EXHIBITS AND SCHEDULES**

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

***Exhibits***

The 2016 Audited Financial Statements as at December 31, 2016 including the notes and scheduled prepared by the external auditors.

***Reports on SEC Form 17-C***

The Corporation reported the following matters and filed the following reports by using SEC Form 17-C subsequent to the filing of the 2015 Annual Report:

Date	Particulars
June 21, 2016	Disclosure of the result of the Annual Shareholders Meeting and Organizational Board of Directors Meeting of Jackstones, Inc.
March 10, 2017	<p>At the Special Meeting of the Board of Directors of Jackstones, Inc. (the "Company") held on March 10, 2017, the following matters were resolved:</p> <ol style="list-style-type: none"> <li>a. Confirming that the annual stockholders' meeting for 2017, as per the amended By-laws of the Corporation, is scheduled on June 13, 2017;</li> <li>b. Setting May 11, 2017 as the record date for shareholders entitled to notice to attend and to vote at the Annual Meeting of the Stockholders on June 13, 2017;</li> <li>c. Subject to the approval of the stockholders and the submission of the audited financial statements for 2016, conversion of the total advances from Ketton Holdings, Inc. of Php18,578,124.00 to deposits for future stock subscription;</li> <li>d. Subject to the approval of the stockholders, amendment of the Seventh Article of the Articles of Incorporation increasing the authorized capital stock from Php170,000,000.00 divided into 170,000,000 shares with a par value of Php1.00 per share to Php500,000,000.00 divided into 500,000,000 shares with a par value of Php1.00 per share; and</li> <li>e. Establishment of a wholly-owned property development company to allow the Corporation to venture into real estate development.</li> </ol>
April 06, 2017	<p>At the Special Meeting of the Board of Directors of Jackstones, Inc. (the "Company") held on April 06, 2017, the Board approved the 2016 Audited Financial Statements for release and submission to the relevant government agencies. Further, the Board agreed to present the approved 2016 Audited Financial Statements to the stockholders during the Annual Meeting on June 13, 2017. The Corporate Secretary was likewise directed to cause the sending out of the 2016 Audited Financial Statements to all stockholders entitled to notice and to vote during the said Annual Meeting.</p>
April 07, 2017	<p>At the Special Meeting of the Board of Directors of Jackstones, Inc. (the "Company") held on April 07, 2017, the Board recognized the need to comply with the provisions of the Data Privacy Act and its Implementing Rules and Regulations in its dealings with all concerned sectors in matters involving personal data.</p> <p>To jumpstart the said compliance, the Board will send a notice to the Philippine Dealing System Holdings Corp. &amp; Subsidiaries (PDTSC) of the exclusive list of authorized persons who may request for the list of PCD Nominee Corp. shareholders in Jackstones, Inc. from them. The said list, by definition in the Data Privacy Act, is confidential in nature and should only be accessed and handled by duly authorized persons.</p>



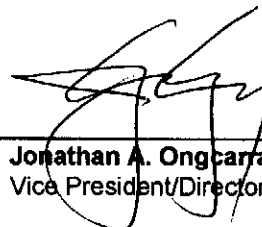
**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on APR 19 2017.

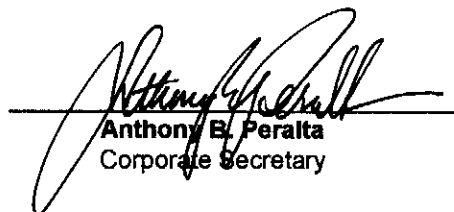
By:



**Maximilian So Tanenglian**  
Chairman and President



**Jonathan A. Ongcarranceja**  
Vice President/Director



**Anthony B. Peralta**  
Corporate Secretary

APR 19 2017

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_, affiant exhibited to me their respective identification details:

Maximilian So Tanenglian

TIN No. 199-391-805

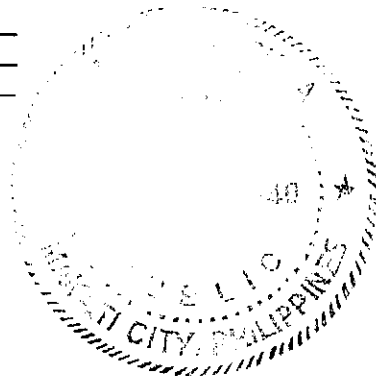
Jonathan Ongcarranceja

TIN No. 902-539-838

Anthony B. Peralta

TIN No. 107-447-390

Doc. No. 90  
Page No. 19  
Book No. 3  
Series of 2017.



**CHANTAL C. QUINS**  
Notary Public - Makati City  
Until 31 December 2017

Corporation & Partnership Services  
Twelfth Floor, Corporate Center  
139 Valero Street, Alibon Village, Makati City  
PTR No. 511, January 11, 2017/Makati City  
IBP No. 1058411/January 6, 2017/PLM  
Roll No. 64640

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

	J	A	C	K	S	T	O	N	E	S	,	I	N	C	.	F	O	R	M	E	R	L	Y				
	N	E	X	T	S	T	A	G	E	,	I	N	C	.													

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

	S	A	3		A	N	T	O	N	I	O	D	R	I	V	E											
	B	A	b	U	M	B	A	T	A	N	T	A	L	U	I	G	C	I	T	Y							

Form Type

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Department requiring the report

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Secondary License Type, If Applicable

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### COMPANY INFORMATION

Company's Email Address

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Company's Telephone Number/s

817-3081
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Mobile Number

--

No. of Stockholders

--

Annual Meeting  
Month/Day

--

Fiscal Year  
Month/Day

--

### CONTACT PERSON INFORMATION

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

Name of Contact Person

Atty. Ma. Christian Reyes
---------------------------

Email Address

christianreyes@cohinmyanpalta.com
-----------------------------------

Telephone Number/s

817-3081
----------

Mobile Number

--

Contact Person's Address

12/F 139, Corporate Center, DA Valero St., Subido Village, Marikina City
--

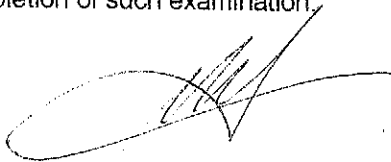
Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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

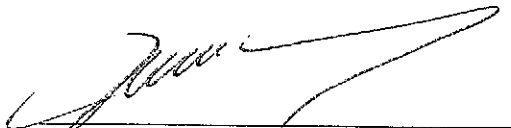
The management of Jackstones, Inc. (the "Company") is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2016 and 2015, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the shareholders.

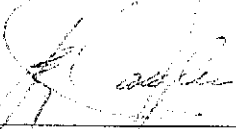
Isla Lipana & Co., the independent auditors, appointed by the shareholders has examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the shareholders, has expressed its opinion on the fairness of presentation upon completion of such examination.



**MAXIMILIAN SO TANENGLIAN**  
President



**MARIANO CHUA TANENGLIAN**  
Chairman



**BERYL FAYETTE T. SAY**  
Treasurer

Date:

**SUBSCRIBED AND SWORN** to before me this APR 11 2017, affiant exhibited to me their respective identification details:

Mariano Chuan Tanenglian  
Maximilian So Tanenglian  
Beryl Fayette T. Say

TIN No. 101-914-805  
TIN No. 199-391-805  
TIN No. 199-391-251

Doc. No. 244  
Page No. 50  
Book No. III  
Series of 2017.

  
ATTY. THOMAS J. DE CASTRO  
Notary Public for Makati City

Appt. No. M-159 until December 31, 2017  
7th Floor Citibank Center Paseo de Roxas Mc.  
IBP No. 1057289, 1/5/2017 Makati Chapter  
PTR No. 5913949, 1/5/2017 Makati City  
Roll No. 57068

MCLE Compliance No. V-0013955 valid 04/15/16 to 04/14/2017

105 Alibon Drive, Taguig-Mayaon, Taguig City, 1700

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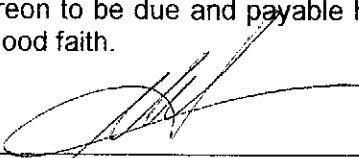
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR ANNUAL INCOME TAX RETURN**

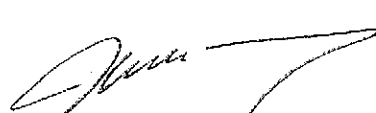
The management of Jackstones, Inc. is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2016. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the management affirms that the attached audited financial statements for the year ended December 31, 2016 and the accompanying Annual Income Tax Return are in accordance with the books and records of Jackstones, Inc. complete and correct in all material respects.

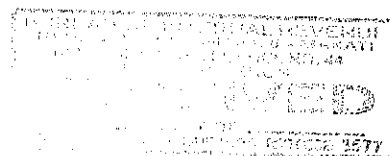
Management likewise affirms that:

- a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances; and
- c) Jackstones, Inc. has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

  
\_\_\_\_\_  
**MAXIMILIAN SO TANENGLIAN**  
President

  
\_\_\_\_\_  
**MARIANO CHUA TANENGLIAN**  
Chairman

  
\_\_\_\_\_  
**BERYL FAYETTE T. SAY**  
Treasurer



APR 1 2017

Date: \_\_\_\_\_

# JACKSTONES, INC.

505 Antonio M. Diok, Bagumbayan, Taguig (Tel. 6630)

Isla Lipana & Co., PwC member firm  
29th Floor, Philamlife Tower  
8767 Paseo de Roxas  
1226 Makati City

April 6, 2017

Dear Sirs:

## **A. Management's Representation on the Basic Financial Statements**

This representation letter is provided in connection with your audit of the financial statements of Jackstones, Inc. (the "Company") as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with Philippine Financial Reporting Standards (PFRS).

Certain representations in this letter are described as being limited to those matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

The financial statements were authorized for issue by the Company's Board of Directors on April 6, 2017.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, for the preparation of the financial statements in accordance with PFRS; in particular the financial statements are fairly presented in accordance therewith.

Philippine Financial Reporting Standards (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 Securities and Exchange Commission.

2. All transactions have been recorded in the accounting records and are reflected in the financial statements.
3. Significant assumptions used by us in making accounting estimates, including those surrounding measurement at fair value, are reasonable.

4. Regarding the critical accounting estimates, assumptions and judgments that were recognized and disclosed in the financial statements, we confirm the following:
  - We used appropriate measurement processes, including related assumptions and models, in determining the accounting estimate in the context of PFRS.
  - Measurement processes are consistently applied from year to year.
  - The assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Company, where relevant to the accounting estimates and disclosures.
  - Disclosures related to accounting estimates are complete and appropriate under PFRS.
  - Where it is impracticable to disclose the extent of the possible effects of an estimate or assumption or another source of estimation uncertainty at the end of the reporting period, we disclosed that it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumptions or estimates made could require a material adjustment to the carrying amount of the asset or liability affected.
  - No subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements.
5. All events subsequent to the date of the financial statements and for which PFRS require adjustment or disclosure have been adjusted or disclosed.
6. The financial statements are free of material misstatements, including omissions, and out of period adjustments. There are no uncorrected misstatements as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016.
7. There had been no restatements or reclassifications made to correct a material misstatement in the prior period financial statements that affect the comparative information.
8. The financial statements disclose all matters of which we are aware that are relevant to the Company's ability to continue as a going concern, including all significant conditions and events, mitigating factors and the Company's plans. The Company also has the intent and ability to take actions necessary to continue as a going concern. We confirm the following plans for future action to ensure that the Company will continue as a going concern:

*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 sufficient cash flows to meet its obligations, to develop sustainable business strategies and undertake measures to attain long-term financial stability. On March 10, 2017, the Company's Board of Directors approved the increase in authorized share capital of the Company to P500 million divided into 500 million shares at P1 par value per share and the conversion of total advances from shareholders amounting to P18,578,124 to deposits for future shares subscription to address the negative equity of the Company. Proceeds from additional investments will be used to establish a wholly-owned property development subsidiary to allow the Company to venture into real estate development. The above resolutions are still subject to ratification by the shareholders in their annual meeting scheduled on June 13, 2017.*

***Fraud and non-compliance with laws and regulations***

The term fraud refers to an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage. Fraud also includes misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Misstatements resulting from fraudulent financial reporting involve intentional misstatements or omissions of amounts or disclosures in financial statements to deceive financial statements users.

9. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
10. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
11. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
12. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Company's financial statements communicated by employees, former employees, analysts, regulators or others.
13. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

***Related party transactions***

14. We have disclosed to you the identity of the Company's related parties and all the related party relationships and transactions of which we are aware.
15. Related party relationships and transactions including purchases, transfers, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of PFRS.
16. All related party transactions do not involve undisclosed side agreements.

***Litigation and claims***

17. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and such matters have been appropriately accounted for and disclosed in accordance with PFRS.

***Information Provided***

18. We have provided you with:



- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as financial records, data, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit;
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and
- All minutes of the meetings of stockholders, directors, and audit or other committees of directors. The most recent meeting held was on April 06, 2017 by the BOD to approve the release and issuance of the Company's financial statements as at and for the years ended December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016.

19. We have communicated to you all deficiencies in internal control of which we are aware.

***Additional written representations about the financial statements***

20. The selection and application of accounting policies are appropriate.
21. The following have been recognised, measured, presented or disclosed in accordance with PFRS:
- Plans or intentions that may affect the carrying value or classification of assets and liabilities;
  - Liabilities, both actual and contingent;
  - Title to, or control over assets, liens or encumbrances on assets, and assets pledged as collateral; and
  - Aspects of laws, regulations and contractual agreements that may affect the financial statements, including non-compliance.
22. We completed the process of evaluating the impact that will result from the adoption of standards, amendments to existing standards and interpretations. Such impact is disclosed in Note 12.
23. All cash and deposit accounts and all other properties and assets of the Company are included in the financial statements. There are no arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line[s] of credit, collateral posted or similar arrangements have been properly disclosed in the financial statements.
24. We consistently applied our policy regarding classification of cash.
25. Presentation and disclosure of the fair value measurements of material assets and liabilities are in accordance with PFRS. The amounts disclosed represent our best estimate of fair value of assets and liabilities required to be disclosed by these standards. The measurement methods and significant assumptions used in determining fair value have been applied on a consistent basis, are reasonable and are reflective of our intent and ability to carry out specific courses of action on behalf of the Company where relevant to the fair value measurement or disclosures.
26. All liabilities of the Company of which we are aware are included in the financial statements at the balance sheet dates. There are no other liabilities or gain or loss contingencies that are required to be accrued or disclosed by PAS 1, Presentation of Financial Statements, and PAS 37, Provisions, Contingent Liabilities and Contingent Assets, and no unasserted claims or assessments that our legal counsel has advised us are probable of assertion and required to be disclosed in accordance with those Standards.

- 
27. There are no:
- Guarantees, whether written or oral, under which the Company is contingently liable.
  - Losses arising from sale and purchase commitments.
  - Agreements and options to buy back assets previously sold
28. The Company has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
29. The Company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
30. The Company has requested its legal advisors to provide you with all required information and has requested them to disclose to you any matters you may request in this respect.
31. We have appropriately reconciled our books and records (e.g., general ledger accounts) underlying the financial statements to their related supporting information (e.g., sub ledger or third-party data). All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements, as necessary. There were no material unreconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another account balance. There were no material general ledger suspense account items written off to a balance sheet account, which should have been written off to an income statement account and vice versa.
32. The expenses included in the 2016 income tax returns are deductible under the provisions of the Tax Code. Such information agrees with the books of accounts or can be traced therefrom. Provision for income taxes and income tax payable are fairly stated, and are computed based on PAS 12, Income Taxes.
33. To the best of our knowledge and belief, no events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

***B. Management's Representation on the Supplementary Information required by the Bureau of Internal Revenue (BIR)***

The supplementary information in Note 13 to the financial statements is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

We acknowledge our responsibility for the fair presentation in all material respects, in relation to the basic financial statements taken as a whole, and confirm the completeness of the supplementary information as required by BIR Revenue Regulation (RR) Nos. 15-2010.

There are no outstanding tax assessments with final assessment notices (FAN), including outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR.

**C. Management's Representation on the Additional Components required by the Securities and Exchange Commission (SEC)**

The supplementary information shown in the following additional components of the financial statements, as required by the Securities Regulation Code (SRC) Rule 68, Part I, Section 4, is presented for purposes of filing with the SEC and is not a required part of the basic financial statements:

1. Schedule of Philippine Financial Reporting Standards effective as at December 31, 2016
2. Reconciliation of Retained Earnings Available for Dividend Declaration.

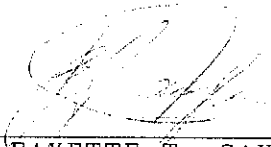
Likewise, the Supplementary Schedules A, B, C, D, E, F, G, H and I, as required by the SRC Rule 68, Part II, Section 6, are presented for purposes of filing with the SEC and are not a required part of the basic financial statements.

We acknowledge our responsibility for the preparation of this supplementary information in accordance with the related provisions of the SRC Rule 68 and confirm the completeness thereof.

\* \* \* \* \*

Yours very truly,

  
\_\_\_\_\_  
MAXIMILIAN SO TANENGLIAN  
Chairman of the Board and President

  
\_\_\_\_\_  
BERYL FAYETTE T. SAY  
Treasurer

# JACKSTONES, INC.

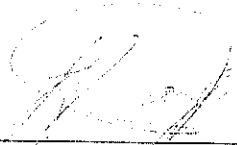
130 Avenida Delval, San Juan, Puerto Rico 00909

## Jackstones, Inc. Subsequent events checklist\*

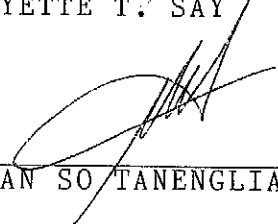
Question	Yes/No/NA **	Management Discussion
1 Was PwC already furnished with the latest available interim financial information?	Yes	
2 The unaudited interim financial information obtained in 1 above has been prepared on a basis substantially consistent with that of the year-end statements.	Yes	
3 There are no significant transactions or new agreements that have been entered into during the intervening period.	Yes	
4 There has been no reversal of significant transactions entered into and recorded prior to the balance sheet date.	Yes	
5 There is no material misstatement as a result of any potential "window dressing" items noted in 4 above.	Yes	
6 There are no changes in the status of material judgmental items (accounting estimates) from balance sheet date until the date of this report.	Yes	
7 There have been no significant changes in management's assumptions underlying the items discussed in 6 above.	Yes	
8 There have been no new significant commitments, borrowings or guarantees entered into in the intervening period, which may require disclosure.	Yes	
9 There have been no actual sales of significant assets or plans for sales of significant assets in the intervening period.	Yes	
10 There have been no definite plans approved by the Company's Board of Directors that would significantly impact the Company's operations for the next twelve months.	Yes	
11 The Company has not entered into any acquisition, merger, or disposition agreements in the intervening period.	Yes	
12 There are no significant assets of the Company that have been destroyed by fire, flood, earthquake, etc.	Yes	
13 There have been no significant developments with respect to significant risk and contingencies areas.	Yes	
14 There are no unusual accounting adjustments which	Yes	

Question	Yes/No/NA **	Management Discussion
have been recorded during the intervening period.		
15 There have been no adverse trends that have developed in the intervening period that will significantly impact the financial status of the Company.	Yes	
16 All externally reported information concerning the Company during the intervening period did not disclose any events that may have financial reporting implications.	Yes	
17 Does the Company's annual operating plan for calendar 2016 consider the effects of the current economic environment?	Yes	

\* Coverage - referring only to those that have occurred subsequent to December 31, 2016 until April 6, 2017.  
 \*\* NO response requires further discussion.



BERYL FAYETTE T. SAY  
 Treasurer



MAXIMILIAN SO TANENGLIAN  
 President

## Jackstones, Inc.

Financial Statements with Supplementary  
Schedules for the Securities and Exchange Commission  
December 31, 2016

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## **FIRST SECTION**

**COPY FOR THE  
BUREAU OF INTERNAL REVENUE**







**Independent Auditor's Report**

To the Board of Directors and Shareholders of  
**Jackstones, Inc.**  
593 Antonio Drive, Bagumbayan  
Taguig City, Philippines

***Our Opinion***

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

*What we have audited*

The financial statements of the Company comprise:

- the statements of financial position as at December 31, 2016 and 2015;
- the statements of total comprehensive income for each of the three years in the period ended December 31, 2016;
- the statements of changes in equity for each of the three years in the period ended December 31, 2016;
- the statements of cash flows for each of the three years in the period ended December 31, 2016; and
- the notes to the financial statements, which include a summary of significant accounting policies.

***Basis for Opinion***

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Jackstones, Inc.  
Page 2

**Material Uncertainty Relating to Going Concern**

We draw attention to Note 1 to the financial statements which indicates that 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 sufficient cash flows to meet its obligations, to develop sustainable business strategies and undertake measures to attain long-term financial stability. On March 10, 2017, the Company's Board of Directors approved the increase in authorized share capital of the Company to P500 million divided into 500 million shares at P1 par value per share and the conversion of total advances from shareholders amounting to P18,578,124 to deposits for future shares subscription to address the negative equity of the Company. Proceeds from additional investments will be used to establish a wholly-owned property development subsidiary to allow the Company to venture into real estate development. We have performed procedures to validate the Company's plan. The above events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

**Our Audit Approach**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements; In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

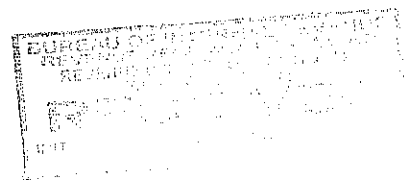
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Relating to Going Concern section, we have determined that there are no key audit matters to communicate in our report.

1 APR 2017







Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Jackstones, Inc.  
Page 4

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

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

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

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



Independent Auditor's Report  
To the Board of Directors and Shareholders of  
Jackstones, Inc.  
Page 5

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

**Report on the Bureau of Internal Revenue Requirement**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 13 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Nelson Charsegun L. Aquino.

**Isla Lipana & Co.**

**Nelson Charsegun L. Aquino**

Partner

CPA Cert. No. 0102077

P.T.R. No. 0011078, issued on January 6, 2016, Makati City

SEC A.N. (individual) as general auditors 1589-A, Category A; effective until September 29, 2019

SEC A.N. (firm) as general auditors 0009-FR-4; Category A; effective until July 15, 2018

TIN 211-507-088

BIR A.N. 08-000745-123-2013, issued on January 26, 2016; effective until January 25, 2019

BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City  
April 6, 2017



1 APR 2017



Isla Lipana & Co.

Statement Required by Section 8-A, Revenue Regulation No. V-1

To the Board of Directors and Shareholders of  
**Jackstones, Inc.**  
593 Antonio Drive, Bagumbayan  
Taguig City, Philippines

None of the partners of the firm have any financial interest in Jackstones, Inc. or any family relationships with its president, manager, or principal shareholders.

The supplementary information on taxes and licenses is presented in Note 13 to the financial statements.

**Isla Lipana & Co.**

**Nelson Charsegun L. Aquino**

Partner

CPA Cert. No. 0102077

P.T.R. No. 0011078, issued on January 6, 2016, Makati City

SEC A.N. (individual) as general auditors 1589-A, Category A; effective until September 29, 2019

SEC A.N. (firm) as general auditors 0009-FR-4; Category A; effective until July 15, 2018

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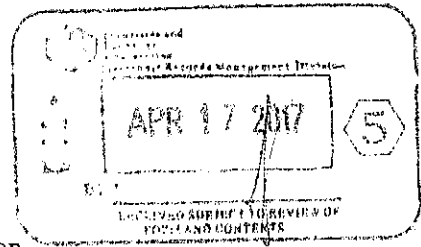
Makati City

April 6, 2017

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**Jackstones, Inc.**

Statements of Financial Position  
December 31, 2016 and 2015  
(All amounts in Philippine Peso)

	Notes	2016	2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	2	563,981	1,012,887
Input value-added tax (VAT)	10	886,894	704,538
<b>Total assets</b>		<b>1,450,875</b>	<b>1,717,425</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade payables and other liabilities	3	1,172,647	1,063,992
Advances from shareholders	4	18,578,124	16,076,124
<b>Total liabilities</b>		<b>19,750,771</b>	<b>17,140,116</b>
<b>Equity</b>			
Share capital, net of treasury shares	5	167,559,097	167,559,097
Share premium	5	113,074,880	113,074,880
Deficit		(298,933,873)	(296,056,668)
<b>Total equity</b>		<b>(18,299,896)</b>	<b>(15,422,691)</b>
<b>Total liabilities and equity</b>		<b>1,450,875</b>	<b>1,717,425</b>

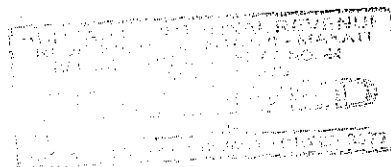
The notes on pages 1 to 18 are integral part of these financial statements.

**Jackstones, Inc.**

**Statements of Total Comprehensive Income**  
For each of the three years in the period ended December 31, 2016  
(All amounts in Philippine Peso)

	<b>Notes</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Revenue		-	-	-
Administrative expenses	6	(2,878,096)	(1,559,362)	(3,474,108)
Interest income	2	891	525	-
Loss before income tax		(2,877,205)	(1,558,837)	(3,474,108)
Income tax expense	7	-	-	-
Loss for the period		(2,877,205)	(1,558,837)	(3,474,108)
Other comprehensive income		-	-	-
Total comprehensive loss for the period		(2,877,205)	(1,558,837)	(3,474,108)
Loss per share (basic and diluted)	9	(0.0172)	(0.0093)	(0.0207)

The notes on pages 1 to 18 are integral part of these financial statements.



APR 1 2017



**Jackstones, Inc.**

**Statements of Changes in Equity**  
 For each of the three years in the period ended December 31, 2016  
 (All amounts in Philippine Peso)

	Share capital (Note 5)					Treasury shares (Note 5)	Deficit	Total equity
	Authorized	Subscribed	Share premium (Note 5)	Amount	No. of shares			
	No. of shares	Amount	No. of shares	Amount				
<b>Balances at January 1, 2014</b>	170,000,000	170,000,000	167,559,179	167,559,179	113,074,880	-	(291,023,723)	(10,389,664)
<b>Comprehensive income</b>								
Loss for the year	-	-	-	-	-	-	(3,474,108)	(3,474,108)
Other comprehensive income	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(3,474,108)	(3,474,108)
<b>Transactions with owner</b>								
Repurchase of shares	-	-	-	-	-	(82)	-	(82)
<b>Balances at December 31, 2014</b>	170,000,000	170,000,000	167,559,179	167,559,179	113,074,880	(82)	(294,497,831)	(13,863,854)
<b>Comprehensive income</b>								
Loss for the year	-	-	-	-	-	-	(1,558,837)	(1,558,837)
Other comprehensive income	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(1,558,837)	(1,558,837)
<b>Balances at December 31, 2015</b>	170,000,000	170,000,000	167,559,179	167,559,179	113,074,880	(82)	(296,056,668)	(15,422,691)
<b>Comprehensive income</b>								
Loss for the year	-	-	-	-	-	-	(2,877,205)	(2,877,205)
Other comprehensive income	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(2,877,205)	(2,877,205)
<b>Balances at December 31, 2016</b>	170,000,000	170,000,000	167,559,179	167,559,179	113,074,880	(82)	(298,933,873)	(18,299,896)

The notes on pages 1 to 18 are integral part of these financial statements.

**Jackstones, Inc.**

Statements of Cash Flows  
For each of the three years in the period ended December 31, 2016  
(All amounts in Philippine Peso)

	<b>Notes</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>				
Loss for the period		(2,877,205)	(1,558,837)	(3,474,108)
Adjustment for:				
Interest income	2	(891)	(525)	-
Operating loss before changes in working capital		(2,878,096)	(1,559,362)	(3,474,108)
Changes in working capital				
Input VAT		(182,356)	(96,594)	(150,132)
Trade payables and other liabilities	3	108,655	562,707	(40,714)
Cash used in operations		(2,951,797)	(1,093,249)	(3,664,954)
Interest received	2	891	525	-
Net cash used in operating activities		(2,950,906)	(1,092,724)	(3,664,954)
<b>Cash flow from investing activities</b>				
<b>Cash flow from financing activities</b>				
Advances from shareholders	4	2,502,000	2,000,000	3,676,042
<b>Net movement in cash</b>		(448,906)	907,276	11,088
<b>Cash at January 1</b>		1,012,887	105,611	94,523
<b>Cash at December 31</b>	2	563,981	1,012,887	105,611

The notes on pages 1 to 18 are integral part of these financial statements.

## **Jackstones, Inc.**

### Notes to Financial Statements

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

(All amounts are shown in Philippine Peso, unless otherwise stated)

#### **Note 1 - General information**

Jackstones, Inc. 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. 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 Company to Ketton Holdings, Inc., a domestic corporation registered in the Philippine SEC, who became the parent company and ultimate controlling party, owning 54% equity interest of Jackstones, Inc.

On March 23, 2015, the Board of Directors 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 stockholders on April 30, 2015 and approved by the SEC on July 6, 2015.

The Company has 4 regular employees as at December 31, 2016 and 2015.

#### **Status 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 sufficient cash flows to meet its obligations, to develop sustainable business strategies and undertake measures to attain long-term financial stability. On March 10, 2017, the Company's Board of Directors approved the increase in authorized share capital of the Company to P500 million divided into 500 million shares at P1 par value per share and the conversion of total advances from shareholders amounting to P18,578,124 to deposits for future shares subscription to address the negative equity of the Company. Proceeds from additional investments will be used to establish a wholly-owned property development subsidiary to allow the Company to venture into real estate development. The above resolutions are still subject to ratification by the shareholders in their annual meeting scheduled on June 13, 2017.

**Note 2 - Cash**

Cash at December 31 consist of:

	2016	2015
Cash in bank	563,981	992,276
Cash on hand	-	20,611
	563,981	1,012,887

Cash in bank earns interest at the respective bank deposit rate. Interest income earned from bank deposits during the year amounted to P891 (2015 - P525; 2014 - nil).

**Note 3 - Trade payables and other liabilities**

Trade payables and other liabilities at December 31 consist of:

	2016	2015
Trade payables	771,679	501,285
Accrued expenses and other liabilities	400,968	562,707
	1,172,647	1,063,992

Accrued expenses and other liabilities mainly pertain to accrued payroll and professional fees for legal, audit and stock transfer services rendered for the Company.

There are neither guarantees nor assets pledged to secure the Company's liabilities at December 31, 2016 and 2015.

The carrying amounts of trade payables and other liabilities approximate their fair values due to their short-term maturities.

**Note 4 - Related party transactions**

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

	Transactions			Outstanding balance		Terms and conditions
	2016	2015	2014	2016	2015	
<i>Advances from shareholders</i>	2,502,000	2,000,000	3,676,042	18,578,124	16,076,124	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.

	Transactions			Outstanding balance		Terms and conditions
	2016	2015	2014	2016	2015	
<i>Key management compensation</i>						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 year ended December 31, 2016.
<i>Salaries and other short term benefits (Note 6)</i>	1,045,476	454,269	-	238,683	228,868	

In the normal course of the business, the Company 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.

As discussed in Note 1, the Company's Board of Directors approved on March 10, 2017, the conversion of total advances from shareholders to deposits for future shares subscription. The above resolution is still subject to ratification by the shareholders in their annual meeting scheduled on June 13, 2017.

**Note 5 - Share capital, net of treasury shares; share premium**

*Share capital, net of treasury shares*

Details of share capital at December 31, 2016 and 2015 are as follows:

	Shares	Amount
Common shares at P1 par value per share		
Authorized share capital	170,000,000	170,000,000
Share capital issued	167,559,179	167,559,179
Treasury shares	(82)	(82)
Share capital issued and outstanding	167,559,097	167,559,097

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

Number of shares registered	170,000,000
Issued/offer price	2.30
Date of approval	October 27, 1967

As at December 31, 2016 and 2015, the Company has 309 shareholders each holding at least 100 shares of the Company's common shares.

### Share premium

In 2013, as part of the Company's equity restructuring and to improve and strengthen the financial condition of the Company without affecting the present ownership, the Board of Directors approved the conversion of the 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 Company's Board of Director's approved such conversion into equity (under Share premium).

### **Note 6 - Administrative expenses**

The components of administrative expenses for the years ended December 31 are as follows:

	Note	2016	2015	2014
Professional and consultancy fees		1,314,765	812,401	1,545,629
Salaries and other employee benefits	4	1,045,476	454,269	-
Taxes, licenses and regulatory fees		296,822	268,035	1,912,460
Miscellaneous		221,033	24,657	16,019
		2,878,096	1,559,362	3,474,108

In 2014, taxes, licenses and regulatory fees mainly represent documentary stamp tax and penalty fees on the sale of investment in shares of stock and payment to certain regulators for amendment of articles of incorporation and by-laws.

In 2016 and 2015, taxes, licenses and regulatory fees mainly represent SEC registration fees, business permit and other local taxes.

### **Note 7 - Income tax**

The Company's unrecognized deferred income tax (DIT) asset at December 31, 2016 amounted to P2,258,627 (2015 - P4,501,174) which pertains to the Company's accumulated net operating loss carryover (NOLCO).

The details of the Company's NOLCO as at December 31, 2016 and 2015 are as follow:

Year loss was incurred	Year of expiration	2015	Additions during the year	Expired during the year	2016
2013	2016	9,970,443	-	(9,970,443)	-
2014	2017	3,474,108	-	-	3,474,108
2015	2018	1,559,362	-	-	1,559,362
2016	2019	-	2,495,286	-	2,495,286
		15,003,913	2,495,286	(9,970,443)	7,528,756
Tax rate		30%	30%	30%	30%
		4,501,174	748,586	(2,991,133)	2,258,627

Realization of the future tax benefits related to the DIT asset is dependent on many factors, including the Company's ability to generate taxable income. Management has considered these factors in reaching a conclusion not to recognize any DIT asset in the statements of financial position.

The reconciliation between income tax expense at the statutory rate and the actual income tax expense presented in the statement of total comprehensive income for the years ended December 31 follows:

	2016	2015	2014
Loss before income tax at 30% rate	863,161	467,651	1,042,232
Adjustments for:			
Interest income subject to final tax	267	158	-
Non-deductible expenses	(114,842)	-	-
Unrecognized tax benefit on NOLCO	(748,586)	(467,809)	(1,042,232)
	-	-	-

*Critical judgment- 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 Company will not generate sufficient future taxable profits to realize the DIT assets.

**Note 8 - Contingencies; Pending litigations**

On September 3, 2003, a civil case was filed by ING-BHF Bank Aktiengesellschaft (“ING”) against the 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 Company by ING following the closing date of the sale 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.

Critical accounting estimate - Contingencies

The Company 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 counsels handling the Company's defense in these matters and is based upon the probability of potential results. The Company's management currently believes that these proceedings will not have a material effect on the 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 9 - Loss per share**

Loss per share was computed as follows:

	2016	2015	2014
Loss for the period	(2,877,205)	(1,558,837)	(3,474,108)
Weighted average number of outstanding shares	167,559,097	167,559,097	167,559,097
Loss per share	(0.0172)	(0.0093)	(0.0207)

**Note 10 - Critical accounting estimates, assumptions and judgments**

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

a) *Recoverability of input VAT*

In determining the recoverable amount of input VAT, management considers the probability of future transactions that will be available against which the input VAT can be utilized, including adequacy of and compliance with the required documentation for anticipated tax audits in case the Company opted to file for refund with the tax authorities in the future. The Company performs an evaluation of the input VAT claims filed with the Bureau of Internal Revenue (BIR) on a continuous basis throughout the period. Management uses judgment based on the best available facts and circumstances, including but not limited to, the adequacy of documentation, timely filing of application with the tax authority and evaluation of the individual tax credit claim's future recoverability and utilization. As of reporting date, management believes that it will be able to recover these input VAT on the following basis:

- Input VAT carried in the VAT returns does not expire and can be used against future output VAT obligations. As disclosed in Note 1, the management is finalizing its long term plans, including revenue generating activities 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; and
- The Company has the option to apply for a tax refund or credit certificate on unused input VAT within a period of two (2) years.



b) *Deferred income taxes (Note 7)*

c) *Contingencies (Note 8)*

## **Note 11 - Financial risk and capital management**

### **11.1 Financial risk management**

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

#### *Credit risk*

Credit risk is defined as possible losses due to default of counterparties.

The Company's financial assets which are exposed to credit risk relates mainly to its cash in bank with maximum credit risk exposure at December 31, 2016 amounting to 563,981 (2015 - P992,276), which is equal to the carrying amount as shown in Note 2.

The Company has policies that limit the amount of credit exposure with financial institutions. Cash in bank is deposited with well-capitalized financial institution and reputable commercial bank with strong financial standing.

#### *Liquidity risk*

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

The Company's financial liabilities at December 31, which are due and demandable, are as follows:

	2016	2015
Advances from shareholders	18,578,124	16,076,124
Trade payables and other liabilities	1,162,843	1,063,992
	19,740,967	17,140,116

As at December 31, 2016, trade payables and other liabilities presented above exclude amounts payable to BIR amounting to P9,804 (2015 - nil). Liquidity risk is not significant given the limited amount of financial liabilities payable to third parties.

### **11.2 Capital management**

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

In order to maintain or adjust the capital structure, the Company may issue new shares. Total capital being managed by the Company as at December 31 2016 and 2015 consists of:

	Note	
Share capital, net of treasury shares	5	167,559,097
Share premium	5	113,074,880
		280,633,977

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

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 Company has complied with the minimum public float as of reporting date.

#### **Note 12 - Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. The accounting policies have been consistently applied in these financial statements.

##### **12.1 Basis of preparation**

The financial statements of the Company 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 financial statements have been prepared under the historical cost convention.

The Company is monitored as a single operating segment considering the limited transactions for each of the three years in the period ended December 31, 2016.

The preparation of 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 Company's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 10.

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

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

There are no new standards, amendments and interpretations to existing standards which are effective for the financial year beginning January 1, 2016, which have a significant impact or relevant to the Company's financial statements.

*(b) New standards, amendments and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2016, and have not been applied in preparing these financial statements. The following standard is relevant to the Company:

- *IFRS 9, Financial instruments*, addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. Following the changes approved by the IASB in July 2014, the Company no longer expects any impact from the new classification, measurement and derecognition rules on the Company's financial assets and financial liabilities. The new hedging rules align hedge accounting more closely with the group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation. The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. Management is not expecting that the Company's financial statements will be significantly affected when IFRS 9 is adopted.

There are no other standards, amendments or interpretations that are effective beginning after January 1, 2016 that are relevant to the Company.

## **12.2 Financial assets**

### **12.2.1 Classification**

The Company classifies its financial assets in the following categories: (i) financial assets at fair value through profit or loss, (ii) loans and receivables, (iii) held-to-maturity financial assets, and (iv) available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Company did not hold financial assets under the categories (i), (iii) and (iv).

As to category (ii), the Company's loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. These are included in current assets, except for maturities greater than 12 months after the reporting date which are included as part of non-current assets. Loans and receivables at December 31, 2016 and 2015 only pertain to cash.

### **12.2.2 Recognition, measurement and derecognition**

#### *(a) Recognition*

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

*(b) Measurement*

Financial assets are initially recognized at fair value plus transaction costs. Loans and receivables are subsequently measured at amortized cost using the effective interest rate method.

*(c) Derecognition*

Financial assets are derecognized when the right to receive cash flows have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

### **12.2.3 Impairment**

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

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the debtor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Company, for economic or legal reasons relating to the debtor's financial difficulty, grants to the debtor a concession that the Company would not otherwise consider;
- It becomes probable that the debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio

For loans and receivables category, the Company first assesses whether an objective evidence of impairment exists individually for receivables that are individually significant, and collectively for receivables that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses those for impairment. Receivables that are individually assessed for impairment and for which impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the profit or loss within operating expenses. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the profit or loss within operating expenses. Reversals of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivables at the end of the reporting period. Subsequent recoveries of amounts previously written-off are credited against operating expenses in the profit or loss.

### **12.3 Financial liabilities**

#### **12.3.1 Classification**

The Company 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 Company does not have any of financial liabilities at fair value through profit or loss.

The Company's financial liabilities comprise of trade payables and other liabilities (Note 3) and advances from shareholders (Note 4) 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 Company has an unconditional right to defer settlement for at least 12 months after the reporting date which are classified as non-current liabilities.

#### **12.3.2 Recognition, measurement and derecognition**

##### *(a) Recognition*

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

##### *(b) Measurement*

The Company'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.

##### *(c) 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.

### **12.4 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the 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 Company or the counterparty.

The Company 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 December 31, 2016 and 2015.

## **12.5 Determination of fair value**

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 Company 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 in Level 1 is the most representative price within the bid-ask spread.

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.

As at December 31, 2016 and 2015, the Company has no assets and liabilities measured at fair value.

## **12.6 Cash**

Cash includes cash on hand and deposits held at call with banks. These are carried in the statement of financial position at face amount or nominal amount, which approximates its amortized cost using the effective interest rate method. Deposits held at call with banks earn interest at prevailing bank deposit rate.

## **12.7 Input VAT**

Input VAT is recognized as a current asset at face or nominal amounts and carried over to the extent that it is probable that the benefit will flow to the Company. These are derecognized when actually utilized, collected or disallowed by tax authority.

## **12.8 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses, if any, are recognized as other expenses in the profit or loss. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## **12.9 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 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 Company reassesses at each reporting date the need to recognize a previously unrecognized DIT asset.

## **12.10 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 Company 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.

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.

## **12.11 Provisions**

Provisions are recognized when the Company 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.

## **12.12 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 Company in excess of par value of its shares is credited to share premium which forms part of the non-distributable reserve of the Company and can be used only for purposes specified under corporate legislation.

### *Share issuance cost*

Share issuance costs incurred for the listing and offering process of the Company 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 Company's Board of Directors.

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

### *Treasury shares*

Where the Company 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, included in equity.

#### **12.13 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 Company has no dilutive potential ordinary shares during and the end of each reporting period.

#### **12.14 Dividend distribution**

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Board of Directors.

#### **12.15 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the ordinary course of business. The Company recognizes revenue only if it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably. The following are the specific revenue recognition policies of the Company:

##### *a) Interest income*

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

##### *b) Other income*

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

#### **12.16 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.

#### **12.17 Foreign currency transactions and translation**

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

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

#### **12.18 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.

#### **12.19 Subsequent events**

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

**Note 13 - Supplementary information required by the Bureau of Internal Revenue (BIR)**

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

The following information is presented for purposes of filing with the BIR and is not required part of the basic financial statements.

*i. Output VAT*

The Company has no transactions that are subject to output VAT for the year ended December 31, 2016.

*ii. Input VAT*

Beginning balance	704,538
Add: Current year's domestic purchases	
Services lodged under cost and expenses	161,219
Total input VAT included under other current assets	865,757

The difference between the amount presented above and the amount disclosed in the statement of financial position pertains to deferred input VAT amounting to P21,137.

*iii. All other local and national taxes*

All other local and national taxes paid for the year ended December 31, 2016 which pertains to local business permits and taxes amounted to P41,322 is presented within taxes, licenses and regulatory fees in administrative expenses (Note 6). The remaining P255,500 pertains to license and regulatory fees paid to SEC.

*iv. Importations*

The Company did not have any purchases of imported goods subject to custom duties and tariff fees for the year ended December 31, 2016.

*v. Excise tax*

The Company is not engaged in the manufacture or production of certain specified goods or articles subject to excise tax for domestic sale or consumption or for any other disposition.

*vi. Documentary stamp tax*

The Company did not pay any documentary stamp tax for the year ended December 31, 2016.

vii. *Withholding taxes*

	Paid	Accrued	Total
Withholding taxes on compensation	90,779	9,776	100,555
Expanded withholding taxes	19,091	28	19,119
	109,870	9,804	119,674

Accrued withholding taxes are presented within accrued expenses and other liabilities (Note 3).

viii. *Tax assessments*

The Company did not receive any final notice of assessment from the BIR for the year ended December 31, 2016.

ix. *Tax cases*

The Company does not have any outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside of the BIR as at December 31, 2016.