



111142014001833



## SECURITIES AND EXCHANGE COMMISSION

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### Company Information

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**SEC Registration No.** 0000024986  
**Company Name** JACKSTONES INC.  
**Industry Classification**  
**Company Type** Stock Corporation

### Document Information

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COVER SHEET

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JACKSTONES, INC. FORMERLY

NEXTSTAGE, INC.

(Company's Full Name)

BONIFACIO TECHNOLOGY

CENTER 2ND AVE. CORNER

31 STREET BGC 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-Q

Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

File Number

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Document I.D.

Document I.D.

Cashier

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12. Indicate by check mark whether the registrant:

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

Yes  No

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

Yes  No

## PART 1. FINANCIAL INFORMATION

### Item 1 Financial Statements

Attached are the consolidated financial statements of Jackstones, Inc. ("the Corporation") for the period ending September 30, 2014. These interim financial statements are in compliance with Philippine Financial Reporting Standards. In addition, the same accounting policies and methods of computation used in the most recent annual audited financial statements were followed in preparing these statements.

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

#### *Business Overview*

On December 31, 2007, the Corporation and its majority shareholder Perfect Research Technology Corporation (PRTC) entered into a Memorandum of Agreement wherein the Corporation transferred its businesses/assets/liabilities in its four subsidiaries – Mondex Philippines, Inc., Infnit-e Asia, Inc., Technology Support Services, Inc. and Mondex Protector Philippines, Inc., to PRTC. Pursuant to the said Memorandum of Agreement, the Corporation ceded control, management, beneficial ownership and administration of the business and assets of its four subsidiaries to PRTC. While PRTC has control, management and beneficial ownership and administration of the said subsidiaries, the Corporation 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 Corporation.

All four subsidiaries have been dormant since 2007, are in deficit position and do not carry asset in their respective books. On April 29, 2014, the shares of stock of the four subsidiaries owned by the Corporation were sold to Databridge Asia Inc. On August 4, 2014, Databridge Asia Inc. received the Certificates Authorizing Registration (CAR) and Tax Clearance Certificates issued by the Bureau of Internal Revenue on 15 July 2014 certifying that the capital gains tax and documentary stamps tax due from the transfers of shares pertaining to the four subsidiaries from the Corporation to Databridge Asia Inc. have been paid

To improve and strengthen the financial condition of the Corporation without affecting the present ownership, the Board approved the conversion of the Corporation'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.

Starting March 2013, the Corporation is being revitalized into a holding corporation for projects, ventures, businesses and assets primarily in the ASEAN, Japan and neighboring Asian countries without industry-specific limitations. The Corporation has a very compelling competitive edge being a publicly listed holding company positioned as a prime mover in ASEAN-focused businesses. This widens the reach of the Corporation and hedges the Corporation's well-being across the performance of all the ASEAN member economies. This also makes the liquidity of the Corporation better due to an ASEAN-wide market interest for a Philippine-based holding company.

#### *Financial Condition*

The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Corporation may adjust the amount of dividends paid to shareholders, return capital to shareholders, obtain borrowings from banks, and issue new shares or sell assets to reduce debt. Total capital being managed by the Corporation is its total equity as shown in the attached statement of financial position.

The suspension of the Corporation's Registration of and Permit to Sell Securities imposed by the SEC in 2009 was only lifted last May 31, 2013. The trading of the Corporation's shares was suspended since May 16, 2008 and suspension was only lifted by the PSE last July 9, 2013. As such,

no discussion may be disclosed as to the results of operations for the last three (3) fiscal years, as well as to any key performance indicators applied by the Corporation for the last two (2) fiscal years.

There are no 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 Corporation.

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 Corporation'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 Corporation, 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 Corporation with unconsolidated entities or other persons created during the reporting period. Likewise, there are no material commitments for capital expenditures.

As of June 30, 2014, the Corporation's assets consist only of Cash in the amount of Php105,611.00 and Input VAT of Php559,945.00.

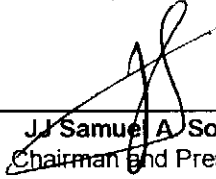
## **PART II. OTHER INFORMATION**

There are no disclosures not disclosed under SEC Form 17-C.

## SIGNATURES

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

**JACKSTONES, INC.**



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**JJ Samuel A Soriano**  
Chairman and President



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**Maria Catherina Fernando**  
Treasurer / Director

November 14, 2014

***Jackstones, Inc.***  
***(formerly known as***  
***Nextstage, Inc.)***

**Unaudited Interim Financial Statements**  
**September 30, 2014**



**Jackstones, Inc.**  
(formerly known as Nextstage, Inc.)

Unaudited Interim Statements of Financial Position  
September 30, 2014  
(With comparative figures as at December 31, 2013)  
(All amounts in Philippine Peso)

	Notes	September 30, 2014 Unaudited	December 31, 2013 Audited
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash		105,611	94,523
Input VAT		559,945	457,812
<b>Total assets</b>		<b>665,556</b>	<b>552,335</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current liabilities</b>			
Trade payables and other liabilities	6	471,285	541,999
Advances from shareholders	7	14,026,043	10,400,000
<b>Total liabilities</b>		<b>14,497,328</b>	<b>10,941,999</b>
<b>Equity</b>			
Share capital	8	167,559,179	167,559,179
Share premium	7	113,074,880	113,074,880
Deficit		(294,465,831)	(291,023,723)
<b>Total equity</b>		<b>(13,831,772)</b>	<b>(10,389,664)</b>
<b>Total liabilities and equity</b>		<b>665,556</b>	<b>552,335</b>

The notes included are an integral part of these unaudited interim financial statements.

**Jackstones, Inc.**  
(formerly known as Nextstage, Inc.)

Unaudited Interim Statements of Total Comprehensive Income  
For each of the two years in the quarter ended September 30  
(All amounts in Philippine Peso)

	Notes	Three months ended September 30		Nine months ended September 30	
		2014	2013	2014	2013
Revenue		-	-	-	-
Costs and expenses	9	(947,252)	(1,172,997)	(3,442,108)	(9,759,729)
Loss before income tax		(947,252)	(1,172,997)	(3,442,108)	(9,759,729)
Provision for income tax		-	-	-	-
Net loss for the period		(947,252)	(1,172,997)	(3,442,108)	(9,759,729)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		(947,252)	(1,172,997)	(3,442,108)	(9,759,729)
Loss per share (basic and diluted)	12	(0.0057)	(0.0070)	(0.0205)	(0.0582)

The notes included are an integral part of these unaudited interim financial statements.

**Jackstones, Inc.**  
(formerly known as Nextstage, Inc.)

Unaudited Interim Statements of Changes in Equity  
For the nine months ended September 30, 2014 and 2013  
(All amounts in Philippine Peso)

	Share capital				Share premium	Deficit	Total equity
	Authorized		Subscribed				
	No. of shares	Amount	No. of shares	Amount			
<b>Period ended September 30, 2014</b>							
<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 period	-	-	-	-	-	(3,442,108)	(3,442,108)
Other comprehensive income	-	-	-	-	-	-	-
<b>Balances at September 30, 2014</b>	170,000,000	170,000,000	167,559,179	167,559,179	113,074,880	(294,465,831)	(13,831,772)
<b>Period ended September 30, 2013</b>							
<b>Balances at January 1, 2013</b>	170,000,000	170,000,000	167,559,179	167,559,179	-	(281,053,280)	(113,494,101)
<b>Comprehensive income</b>							
Loss for the period	-	-	-	-	-	(9,759,729)	(9,759,729)
Conversion of related party liabilities to share premium	-	-	-	-	113,074,880	-	113,074,880
Other comprehensive income	-	-	-	-	-	-	-
<b>Balances at September 30, 2013</b>	170,000,000	170,000,000	167,559,179	167,559,179	113,074,880	(9,759,729)	103,315,151
<b>Balances at September 30, 2013</b>	170,000,000	170,000,000	167,559,179	167,559,179	113,074,880	(291,023,723)	(10,389,664)

The notes included are an integral part of these unaudited interim financial statements.

**Jackstones, Inc.**  
(formerly known as Nextstage, Inc.)

Unaudited Interim Statements of Cash Flows  
For the ninemonthsended September30, 2014 and 2013  
(All amounts in Philippine Peso)

	September 30, 2014	September 30, 2013
	Unaudited	Unaudited
<b>Cash flows from operating activities</b>		
Net loss for the period	(3,442,108)	(9,759,729)
Changes in working capital		
Input VAT	(102,133)	(432,526)
Trade payables and other liabilities	(70,714)	-
Advances from shareholders	3,626,043	10,150,000
Net cash from (used in) operating activities	11,088	(42,255)
<b>Cash flow from investing activities</b>	-	-
<b>Cash flow from financing activities</b>	-	-
<b>Net movement in cash</b>	11,088	(42,255)
<b>Cash at January 1</b>	94,523	48,849
<b>Cash at September 30</b>	105,611	6,594

The notes included are an integral part of these unaudited interim financial statements.

**Jackstones, Inc.**

(formerly known as Nextstage, Inc.)

**Notes to Unaudited Interim Financial Statements**

As at and for the nine months ended September 30, 2014

(With comparative figures and notes as at December 31, 2013

and for the nine months ended September 30, 2013)

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

**Note 1 - General information**

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.

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 tradeable.

As at December 31, 2012, Perfect Research Technology Corporation (PRTC), registered and domiciled in the Philippines and is the parent company and the ultimate controlling party, owns 67.74% equity interest in the Company.

On December 27, 2013, the 67.74% equity interest of PRTC was sold to a group of individual shareholders.

The Company has its registered office address, which is also its principal place of business at 3<sup>rd</sup> Floor Bonifacio Technology Center, 31<sup>st</sup> St. corner 2<sup>nd</sup> Ave. Bonifacio Global City, Taguig City, Metro Manila, Philippines.

The Company has no regular employee as at September 30, 2014. The record keeping of its transactions is outsourced to a third party consultant.

**Quasi-reorganization and increase in authorized share capital**

On May 28, 2004, the Board of Directors approved a resolution for the application of P32,049,701 share premium against the Company's deficit of P74,282,135 as at December 31, 2003. The application was approved by the SEC in June 2004.

In 2004, the major shareholders advanced P13.1 million to fund the Company's cash flow requirements. The shareholders opted to transfer P35 million out of their outstanding advances into deposit for future share subscriptions.

In 2005, the Company acquired Technology Support Services Inc. ("TSSI") by issuing 113.5 million shares to PRTC, previous shareholder of TSSI, in exchange for 100% of the shares of stock of TSSI. As a result of this transaction, the equity interest of the original shareholders of the Company has been diluted from 100% to 32.26%.

In connection with this acquisition, the SEC approved NextStage's increase in authorized share capital to P170 million divided into 170 million shares at P1 par value per share from P100 million divided into 100 million shares at P1 par value per share on August 24, 2005.

#### Status of operations

In 2005, the Company acquired 100% of the shares of stock of TSSI. TSSI is a company established to engage in the business of providing technology support services and solutions for wireless, mobile and internet gaming providers. TSSI has developed application of Internet and Mobile Intermediation Platform (IMIP) to provide such support services.

The acquisition of TSSI was foreseen as a strategic move on the part of the Company to expand the Group's technology services portfolio, which include smart card payments and health care industry solutions. TSSI's business is aligned with global technology business developments such as Business Process Outsourcing (BPO), Applications Service Providers (ASP) and Managed Service Providers (MSP).

In 2007, TSSI's service offerings with key prospective customers did not materialize and the Group continued to incur significant losses from its operations mainly arising from depreciation charges. On December 31, 2007, the Company entered into a Memorandum of Agreement with PRTC whereby the latter will take full control and management of the Company's subsidiaries (Note 5). Under the agreement, the Company shall remain as the legal owner of the shares of stock of the subsidiaries but shall cede control, management, beneficial ownership and administration of the business (including assets and liabilities) of subsidiaries to PRTC.

Starting January 1, 2008, following the transfer of control of the subsidiaries to PRTC, the Company has gone into a state of dormancy, awaiting further management plans. The Company's ability to operate on a going concern basis is dependent upon its ability to generate immediate additional capital infusion and sufficient cash flows to meet its obligations, to develop sustainable business strategies and undertake measures to attain long-term financial stability. Despite the Company's capital position at September 30, 2014, management believes that the Company will be able to continue as a going concern considering the business plans discussed below.

Starting March 2013, NextStage is being revitalized into a holding company for projects, ventures, businesses and assets primarily in the ASEAN, Japan and neighboring Asian countries without industry-specific limitations.

Being a publicly listed holding company in the Philippine Stock Exchange (PSE), the Company's position 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 potential liquidity of the Company better due to an ASEAN-wide market interest for a Philippine-based holding company.

In March 2013, the Company's management has started discussions 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 has begun to identify target projects, ventures, businesses and assets that can be included in the holdings of the company for which NextStage may issue shares in exchange for owning them.

On April 30, 2013, the Company's Board of Directors approved the conversion of its related party liabilities into equity (under Share premium) (Note 7).

During the Board of Directors meeting held last January 8, 2014, it was approved that the Company will continue to work on projects to undertake as a holding company in line with the direction of being a holding company for ASEAN related businesses. The Board of Directors also 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 the change in corporate name, extension of corporate life and change in registered office address has been approved by the SEC on April 16, 2014.

On October 12, 2014, eleven (11) shareholders owning a total of 117,291,367 shares of stock representing approximately 70% of the issued and outstanding shares of the Company entered to a Memorandum of Agreement with a group led by Ketton Holdings (buyers) to sell their shares for a consideration of P2.2679 per share after the Mandatory Tender Offer period is concluded.

## **Note 2 - Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these interim financial statements are set out below. The accounting policies used in the most recent annual financial statements as at and for the year ended December 31, 2013 have been consistently applied in these interim financial statements.

### **2.1 Basis of preparation**

The interim financial statements of the Company have been prepared in accordance with Philippine Accounting Standards (PAS) 34 - Interim Financial Reporting, under the 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)/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.

Following the transfer of control of the subsidiaries to PRTC (Note 5), the Company has no longer prepared consolidated financial statements effective December 31, 2007.

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 4.

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

### *New standards, amendments and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

- *PFRS 9, Financial Instruments.* This new standard addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of PAS 39, Financial Instruments: Recognition and Measurement that relate to the classification and measurement of financial instruments, and hedge accounting. PFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the PAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, part of the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. PFRS also details the changes in requirements to hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. The mandatory effective date of PFRS 9 which is for annual periods beginning January 1, 2015 has been deferred and left open pending the finalization of the impairment classification and measurement requirements. The Company assessed that the full impact of PFRS 9 will not be significant and intends to adopt PFRS 9 on January 1, 2015. The Company will also consider the impact of the remaining phases of PFRS 9 when issued.

There are no new accounting standards or amendments to existing standards effective after January 1, 2014 and onwards that have a material impact on the financial statements of the Company.

### **2.2 Financial assets**

#### **2.2.1 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) and (iii).

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.



As to category (iv), the Company's available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are measured at fair value and are included in non-current assets unless management intends to dispose of the investment within 12 months from reporting date. The Company's available-for-sale financial assets comprise of investments in shares of stock (Note 5).

### **2.2.2 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. Available-for-sale financial assets are subsequently measured at fair value. Changes in the fair value of securities classified as available-for-sale are recognized in other comprehensive income. They are measured at fair value, except for investments in equity securities that do not have a quoted market price in an active market and that are measured at cost in accordance with PAS 39 because their fair value cannot be measured reliably.

#### *(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.

### **2.2.3 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.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its costs is an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss is removed from equity and recognized in profit or loss. Impairment losses recognized in profit or loss on equity instruments are not reversed through the profit or loss.

## **2.3 Financial liabilities**

### **2.3.1 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 6), due to related parties (Note 7) and advances from shareholders (Note 7) which are carried at amortized cost using the effective interest rate method. These are included in current liabilities, except for maturities greater than 12 months after the reporting date or when the Company has an unconditional right to defer settlement for at least 12 months after the reporting date which are classified as non-current liabilities.

### **2.3.2 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. When an existing financial liability is replaced by another financial liability from the same creditor with substantially different terms, or the terms of an existing liability are substantially modified, such modification is treated as a derecognition of the original financial liability and a recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in profit or loss within finance costs.

## **2.4 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.

## **2.5 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.

## **2.6 Cash**

Cash includes cash on hand and in banks. These are carried in the statement of financial position at face or nominal amount.

## **2.7 Receivables**

Receivables are recognized initially at fair value, normally equal to its invoice amount. These are subsequently measured at amortized cost using the effective interest rate method and presented in the statement of financial position net of allowance for impairment, if any.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that receivables are impaired. This assessment is performed on an individual and collective basis. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in profit or loss within costs and expenses. When a receivable remains uncollectible, after the Company has exerted all legal remedies, it is written-off against the allowance account for receivables.

## **2.8 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.

## **2.9 Current and deferred income tax**

The income tax expense for the period 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 where there is an intention to settle the balances on a net basis.

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

## **2.10 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 derecognized when it is extinguished, that is, when the obligation specified in a contract is discharged or cancelled, or when the obligation expires.

## **2.11 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.

## **2.12 Share capital and share premium**

Ordinary or common shares which do not have redemption features are classified as equity. Share capital is measured at par value. Proceeds in excess of the par value of shares issued or additional capital contribution without corresponding issuance of shares are credited to share premium. Incremental costs directly attributable to the issue of new shares are shown in the equity as a deduction from the proceeds, net of tax.

Where the Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), 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, is included in equity.

## **2.13 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.

## **2.14 Dividend distribution; retained earnings**

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.

Retained earnings represent the accumulated profit or loss as a result of the operations of the Company less any dividends declared.

## **2.15 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.

## **2.16 Costs and expenses**

Costs and expenses are charged to profit or loss in the period these are incurred. These are presented in the profit or loss by function of expense.

## **2.17 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 within other income (expenses).

## **2.18 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.

## **2.19 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 3 - Financial risk and capital management**

### **3.1 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.

#### *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 September 30, 2014 and December 31, 2013, which are due and demandable, are as follow:

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September 30, 2014    December 31, 2013

Advances from shareholders	14,026,043	10,400,000
Trade payables and other liabilities	471,285	541,999
	14,497,328	10,941,999

As discussed in Note 7, 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 share subscriptions at December 31, 2012 aggregating to P113,074,880 to additional paid in capital on April 30, 2013.

Liquidity risk is not significant given the limited amount of financial liabilities payable to third parties.

### 3.2 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 is its total equity as shown in the statement of financial position.

The Company is 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 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 balance sheet date.

#### **Note 4 - 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) Deferred income taxes (Note 10)*

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.

At September 30, 2014, the Company's unrecognized DIT asset amounted to P4,023,765 (December 31, 2013 - P2,991,133). Management assessed that the Company will not generate sufficient taxable profits to realize the DIT assets.



b) *Contingencies (Note 11)*

The Company is currently involved in various 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. It is possible, however, that future results of operations could be materially affected depending on the actual outcome of the proceedings.

**Note 5-Available-for-sale financial assets**

The Company's available-for-sale financial assets at December 31, 2013 consist of investment in shares of stock of the following:

	Country of organization	Percent of ownership	Acquisition cost
Mondex Philippines, Inc. (MXP)	Philippines	90%	140,054,708
Technology Support Services, Inc. (TSSI)	Philippines	100%	113,507,831
Infinet-E Asia, Inc. (Infinet-E)	Philippines	100%	24,610,000
Mondex Protector Philippines, Inc. (MPPI)	Philippines	100%	5,519,933
			<u>283,692,472</u>

Prior to December 31, 2007, the foregoing entities are considered as subsidiaries of the Company. These entities have incurred recurring losses in previous years which resulted in capital deficiencies. Accordingly, these investments have been fully impaired as of December 31, 2007.

On December 31, 2007, as discussed in Note 1, the Company entered into a Memorandum of Agreement with PRTC whereby the latter will take full control and management of the Company's subsidiaries. Under the agreement, the Company shall remain as the legal owner of the shares of stock of the subsidiaries but shall cede control, management, beneficial ownership and administration of the business (including assets and liabilities) of these subsidiaries to PRTC.

As a result of the contractual arrangement with PRTC, the investments in subsidiaries were derecognized and reclassified as available-for-sale financial assets. The shares of stock do not have a quoted market price in an active market and are measured at cost in accordance with PAS 39. The fair value of these investments cannot be reliably measured as the probabilities of various estimates within the range cannot be reasonably assessed and used in estimating fair value.

Nonetheless, the above entities have been dormant since 2007, are in deficit position and do not carry any asset in their books, hence, the value is deemed fully impaired as of reporting dates.

On March 24, 2014, the Company's Board of Directors approved the sale of investments in shares of stock of Mondex Philippines Inc., Technology Support Services Inc., Infinet-E Asia Inc. and Mondex Protector Philippines Inc. for nil consideration. The sale was finalized on April 29, 2014. The shareholder's approved and ratified the above sale on April 30, 2014.

**Note 6-Trade payables and other liabilities**

Trade payables and other liabilities consist of:

	September 30, 2014	December 31, 2013
Trade payables	283,954	283,954
Accrued expenses and other liabilities	187,331	258,045
	471,285	541,999

Accrued professional fees pertain to professional fees for legal and audit services rendered for the Company.

There are neither guarantees nor assets pledged to secure the Company's liabilities at September 30, 2014 and December 31, 2013.

The carrying amounts of trade payables and other liabilities approximate their fair values.

**Note 7 - Related party transactions**

In the normal course of the business, the Company receives advances from the shareholders for working capital purposes as well as charges for shared expenses. For the nine months ended September 30, 2014, a shareholder advanced P3,626,043 (2013 - P10,150,000) to fund the Company's operating requirements. The outstanding advances from shareholders at September 30, 2014 amounted to P14,026,043 (December 31, 2013 - P10,400,000). These are non-interest-bearing, unsecured, unguaranteed and with no fixed repayment date.

To improve and strengthen the financial condition of the Company without affecting the present ownership, the parent company 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 8 - Share capital**

Details of share capital at September 30, 2014 and December 31, 2013 are as follows:

	Shares	Amount
Common shares at P1 par value per share		
Authorized	170,000,000	170,000,000
Issued	167,559,179	167,559,179

As at September 30, 2014, the Company has 305 (December 31, 2013 - 304) shareholders each holding at least 100 shares of the Company's common shares.

### **Note 9 - Costs and expenses**

The components of costs and expenses follow:

	<b>Three months ended September 30</b>		<b>Nine months ended September 30</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Taxes, licenses and regulatory fees	112,000	183,036	1,911,075	8,368,391
Professional and consultancy fees	835,252	989,961	1,514,923	1,373,890
Miscellaneous	-	-	16,110	17,448
	<b>947,252</b>	<b>1,172,997</b>	<b>3,442,108</b>	<b>9,759,729</b>

Taxes, licenses and regulatory fees mainly represent payment to certain regulators for the ordinary operations of the Company. In 2013, the Company paid penalty fees to regulators to lift the trading suspension.

### **Note 10 - Income tax**

The Company's unrecognized deferred income tax (DIT) asset at September 30, 2014 amounted to P4,023,765 (December 31, 2013 - P2,991,133) which pertains to the Company's net operating loss carryover and will expire in 2017 and 2016, respectively.

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.

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

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 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. 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. The outstanding obligation at September 30, 2014 amounted to EUR855,445.

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.

**Note 12 - Loss per share**

Loss per share was computed as follows:

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
Loss for the period	(947,252)	(1,172,997)	(3,442,108)	(9,759,729)
Weighted average number of outstanding shares	167,559,179	167,559,179	167,559,179	167,559,179
Loss per share	(0.0057)	(0.0070)	(0.0205)	(0.0582)