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## SECURITIES AND EXCHANGE COMMISSION

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### Company Information

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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)

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-Q

Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended September 30, 2015
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.
5. Philippines  
Province, country or other jurisdiction  
of incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code
7. 593 Antonio Drive, Bagumbayan, Taguig City, Philippines                      1630  
Address of issuer's principal office                      Postal Code
8. +63 2 352-7751  
Issuer's telephone number, including area code
9. Bonifacio Technology Center 2nd Ave. corner 31st Street BGC Taguig City, 1634  
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class Outstanding and Amount of Debt Outstanding	Number of shares of Common Stock
Common Stock, @ P1.00 par value	167,559,097

11. Are any or all of the securities listed on a Stock Exchange?

Yes                                            No                     

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange / Common Stock

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, 2015. These interim financial statements are in compliance with Philippine Accounting Standards (PAS) 34 – Interim Financial Reporting, under the Philippine Financial Reporting Standards (PFRS). In addition, the same accounting policies and methods of computation used in the most recent annual audited financial statements were followed in preparing these statements.

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

#### *Business Overview*

The Company's shares are 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.

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.

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.

#### *Results of Operation*

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

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.

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.

#### *Financial Condition*

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.

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

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.

As of September 30, 2015, the Corporation's assets consist consists only of Cash in the amount of Php96,379.00 and Input VAT of Php692,685.00.

## **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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**Maximilian So Tanenglian**  
President



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**Beryl Fayette Tanenglian Say**  
Treasurer / Director

November 10, 2015

# ***Jackstones, Inc.***

**Unaudited Interim Financial Statements  
September 30, 2015**



**Jackstones, Inc.**

Unaudited Interim Statements of Financial Position  
September 30, 2015  
(With comparative figures as at December 31, 2014)  
(All amounts in Philippine Peso)

	Notes	September 30, 2015 Unaudited	December 31, 2014 Audited
<b><u>ASSETS</u></b>			
<b>Current asset</b>			
Cash		96,379	105,611
Input VAT		692,685	607,944
<b>Total assets</b>		<b>789,064</b>	<b>713,555</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current liabilities</b>			
Trade payables and other liabilities	5	647,959	501,285
Advances from shareholders	6	15,076,124	14,076,124
<b>Total liabilities</b>		<b>15,724,083</b>	<b>14,577,409</b>
<b>Equity</b>			
Share capital, net of treasury shares	7	167,559,097	167,559,097
Share premium	7	113,074,880	113,074,880
Deficit		(295,568,996)	(294,497,831)
<b>Total equity</b>		<b>(14,935,019)</b>	<b>(13,863,854)</b>
<b>Total liabilities and equity</b>		<b>789,064</b>	<b>713,555</b>

The notes in pages 1 to 17 are integral part of these unaudited interim financial statements.

**Jackstones, 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	
		2015	2014	2015	2014
Revenue		-	-	-	-
Costs and expenses	8	(487,524)	(947,252)	(1,071,388)	(3,442,108)
Interest income		223	-	223	-
Loss before income tax		(487,301)	(947,252)	(1,071,165)	(3,442,108)
Income tax expense	9	-	-	-	-
Net loss for the period		(487,301)	(947,252)	(1,071,165)	(3,442,108)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		(487,301)	(947,252)	(1,071,165)	(3,442,108)
Loss per share (basic and diluted)	11	(0.0029)	(0.0057)	(0.0064)	(0.0205)

The notes in pages 1 to 17 are integral part of these unaudited interim financial statements.

**Jackstones, Inc.**

Unaudited Interim Statements of Changes in Equity  
For the nine monthended September 30, 2015 and 2014  
(All amounts in Philippine Peso)

	Share capital						Treasury shares	Deficit	Total equity
	Authorized			Subscribed					
	No. of shares	Amount	No. of shares	Amount	Share premium				
<b>Period ended September 30, 2015</b>									
Balances at January 1, 2015	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 period	-	-	-	-	-	-	(1,071,165)	(1,071,165)	
Other comprehensive income	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	(1,071,165)	(1,071,165)	
<b>Balances at September 30, 2015</b>	<b>170,000,000</b>	<b>170,000,000</b>	<b>167,559,179</b>	<b>167,559,179</b>	<b>113,074,880</b>	<b>(82)</b>	<b>(295,568,996)</b>	<b>(14,935,019)</b>	
<b>Period ended September 30, 2014</b>									
Balances at January 1, 2014	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	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	(3,442,108)	(3,442,108)	
<b>Balances at September 30, 2014</b>	<b>170,000,000</b>	<b>170,000,000</b>	<b>167,559,179</b>	<b>167,559,179</b>	<b>113,074,880</b>	<b>-</b>	<b>(294,465,831)</b>	<b>(13,831,772)</b>	

The notes in pages 1 to 17 are integral part of these unaudited interim financial statements.

**Jackstones, Inc.**

Unaudited Interim Statements of Cash Flows  
For the nine months ended September 30, 2015 and 2014  
(All amounts in Philippine Peso)

	<b>September 30, 2015</b>	<b>September 30, 2014</b>
<b>Cash flows from operating activities</b>		
Net loss for the period	(1,071,165)	(3,442,108)
Changes in working capital		
Input VAT	(84,741)	(102,133)
Trade payables and other liabilities	146,674	(70,714)
Net cash used in operating activities	(1,009,232)	(3,614,955)
<b>Cash flow from investing activities</b>	-	-
<b>Cash flow from financing activities</b>		
Advances from shareholders	1,000,000	3,626,043
Net movement in cash	(9,232)	11,088
Cash at January 1	105,611	94,523
<b>Cash at September 30</b>	<b>96,379</b>	<b>105,611</b>

The notes in pages 1 to 17 are integral part of these unaudited interim financial statements.

## **Jackstones, Inc.**

### Notes to Unaudited Interim Financial Statements

As at and for the nine months ended September 30, 2015

(With comparative figures and notes as at December 31, 2014

and for the nine months ended September 30, 2014)

(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 tradable.

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.

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 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, a group of individual and corporate shareholders entered into 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.

#### 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 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 December 31, 2014, management believes that the Company will be able to continue as a going concern considering the entry of new shareholders in 2014. The Company's long-term business plans are currently under evaluation of the new controlling shareholders.

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.

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.

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

The principal accounting policies applied in the preparation of these 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, 2014 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, the Company has no longer prepared consolidated financial statements effective December 31, 2007.

The Company is monitored as a single operating segment considering the limited transactions for the periods ended September 30, 2015 and 2014.

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, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2015, 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'*, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of PFRS 9 was issued in July 2014. It replaces the guidance in PAS 39 that relates to the classification and measurement of financial instruments. PFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in PAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. PFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under PAS 39. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is yet to assess PFRS 9's full impact. Management does not expect a significant impact on its financial statements considering the nature of financial instruments held by the Company.

There are no new accounting standards or amendments to existing standards effective after January 1, 2015 and onwards that relevant to 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), (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.

### **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.

#### *(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.

## **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 5) and advances from shareholders (Note 6) 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.

**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. 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 September 30, 2015 and December 31, 2014.

**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 Input VAT**

Input VAT is recognized as asset 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.

Input VAT is included in current assets, except when it is expected to be utilized or collected more than 12 months after the end of the reporting period, in which case, these are classified as non-current assets.

## **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 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 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.

#### **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 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.

#### **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.

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.

## **2.12 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.

## **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 at the end of each reporting period.

## **2.14 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.

#### **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 recognized when 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: (i) on the basis of a direct association between the costs incurred and the earning of specific items of income; (ii) on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or (iii) immediately 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 the profit or loss according to their function.

#### **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.

## **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**

Subsequent events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Subsequent 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, 2015 and December 31, 2014, which are due and demandable, are as follows:

	Notes	September 30, 2015	December 31, 2014
Advances from shareholders	6	15,076,124	14,076,124
Trade payables and other liabilities	5	647,959	501,285
		15,724,083	14,577,409

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 it'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.

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 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 9)*

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, 2015, the Company's unrecognized DIT asset amounted to P4,354,715 (December 31, 2014 - P4,033,365). Management assessed that the Company will not generate sufficient taxable profits to realize the DIT assets.

##### *b) Recoverability of Input VAT*

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 and with the tax authority and evaluation of the individual tax credit claim's future recoverability and utilization. Management assessed that the Company's input VAT is recoverable.

##### *c) Contingencies (Note 10)*

The Company is currently involved in a legal proceeding. 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-Trade payables and other liabilities**

Trade payables and other liabilities consist of:

	September 30, 2015	December 31, 2014
Trade payables	501,285	213,240
Accrued expenses and other liabilities	146,674	288,045
	647,959	501,285

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

There are neither guarantees nor assets pledged to secure the Company's liabilities at September 30, 2015 and December 31, 2014.

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

**Note 6 - 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, 2015, a shareholder advanced P1,000,000 (September 30, 2014-P3,626,043) to fund the Company's operating requirements. Outstanding balances with the related parties follow:

	September 30, 2015	December 31, 2014	Terms and conditions
Advances from shareholders	15,076,124	14,076,124	<ul style="list-style-type: none"><li>• Payable in cash with no fixed repayment date</li><li>• Unguaranteed and unsecured</li><li>• Non-interest bearing</li></ul>

The carrying amount of advances from shareholders approximates its fair value due to its short-term maturity.

**Note 7 - Share capital, net of treasury shares**

Details of share capital at September 30, 2015 and December 31, 2014 are as follows:

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

On April 30, 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 the same date, the Company's Board of Director's approved such conversion into equity (under Share premium).

As at September 30, 2015, the Company has 309 (December 31, 2014 - 301)shareholders each holding at least 100 shares of the Company's common shares.

**Note 8 - Costs and expenses**

The components of costs and expenses follow:

	Three months ended		Nine months ended	
	September 30		September 30	
	2015	2014	2015	2014
Professional and consultancy fees	410,000	112,000	710,000	1,911,075
Taxes, licenses and regulatory fees	25,837	835,252	279,037	1,514,923
Miscellaneous	51,687	-	82,351	16,110
	487,524	947,252	1,071,388	3,442,108

**Note 9 - Income tax**

The Company's unrecognized deferred income tax (DIT) asset at September 30, 2015 amounted to P4,354,715 (December 31, 2014 - P4,033,365) which pertains to the Company's net operating loss carryover (NOLCO).

The details of the Company's NOLCO are as follow:

Period	Year of expiration	December 31, 2014	Loss incurred	September 30, 2015
December 31, 2013	2016	9,970,443	-	9,970,443
December 31, 2014	2017	3,474,108	-	3,474,108
September 30, 2015	2018	-	1,071,165	1,071,165
		13,444,551	1,071,165	14,515,716

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.

As provided by the Tax Reform Act of 1997 (the "Act"), NOLCO can be carried over for the three succeeding taxable years immediately following the year such loss was incurred. Thus, NOLCO incurred in 2013 can be carried over as a deduction from taxable income until 2016.

The reconciliation of income tax expense computed at the statutory income tax rate to actual income tax expense shown in profit or loss follow:

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Income tax expense (benefit) at the statutory rate of 30%	(146,190)	(284,176)	(321,350)	(1,032,632)
Tax effect of unrecognized deferred income tax (DIT) asset	146,190	284,176	321,350	1,032,632
Actual income tax expense	-	-	-	-

**Note 10- 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 (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), 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.

#### **Note 11 - Loss per share**

Loss per share was computed as follows:

	Three months ended		Nine months ended	
	September 30		September 30	
	2015	2014	2015	2014
Loss for the period	(487,301)	(947,252)	(1,071,165)	(3,442,108)
Weighted average number of outstanding shares	167,559,097	167,559,179	167,559,079	167,559,179
Loss per share	(0.0029)	(0.0057)	(0.0064)	(0.0205)