

# COVER SHEET

A 2 0 0 1 1 7 5 9 5

S.E.C. Registration Number

T O U C H   S O L U T I O N S ,   I N C .

(Company's Full Name)

U N I T   9 0 1   J A F E R   P L A C E ,

1 9   E I S E N H O W E R   S T R E E T

G R E E N H I L L S ,   S A N   J U A N

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

c/o Atty. Kristina Irene C. Dy

Contact Person

c/o 888-0999

Company Telephone Number

1 2

*Month*

3 1

*Day*

Fiscal Year

**SEC Form 17-Q**

FORM TYPE

**Third Monday  
of May**

*Month*

*Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

-----  
To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

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 30 June 2013
2. Commission identification number A2000117595 3. BIR Tax Identification No 214-815-715

TOUCH SOLUTIONS, INC.

4. Exact name of issuer as specified in its charter

METRO MANILA PHILIPPINES

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code:  (SEC Use Only)

901 JAFER PLACE, 19 EISENHOWER STREE, GREENHILLS, SAN JUAN 1504

7. Address of issuer's principal office Postal Code

(632) 712-0431

8. Issuer's telephone number, including area code

NOT APPLICABLE

9. Former name, former address and former fiscal year, if changed since last report

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

Title of each Class

Number of shares of common  
stock outstanding and  
of debt outstanding  
68,235,005

COMMON

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

Yes [ / ] No [ ]

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

PHILIPPINE STOCK EXCHANGE COMMON SHARES

12. Indicate by check mark whether the registrant:

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

Yes [ / ] No [ ]

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

Yes [ / ] No [ ]

## **PART I – FINANCIAL INFORMATION**

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

The following financial statements are submitted as part of this report

- a) Unaudited Statement of Financial Position as of June 30, 2013 and Audited Statement of Financial Position as of December 31, 2012;
- b) Unaudited Statements of Comprehensive Income for the six months ended June 30, 2013 and 2012 and for the three months ended June 30, 2013 and 2012;
- c) Unaudited Statements of Changes in Equity for the six months ended June 30, 2013 and June 30, 2012; and
- d) Unaudited Statements of Cash Flows for the six months ended June 30, 2013 and June 30, 2012.

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

#### **Comparable Discussion on Material Changes in Results of Operations for the Six Months' Period Ended June 30, 2013 vs. June 30, 2012**

For the six months period ended June 30, 2013, the Company's net loss amounted to P14.9 million while the net loss for the same period in 2012 posted an amount of P4.2 million. This resulted to an increase of P10.7 million in net loss which primarily came from the P16.1 million impairment loss on computer software recorded in 2013 and the stoppage of the Company's operations in April 2013.

#### ***Revenues***

The Company generated a total of P13.3 million in revenues for the six months period ended June 30, 2013 which is P29.7 million or 69% lower than the amount reported from the same period last year. The decline was due to the cessation of the Company's operations starting April 2013, therefore, no revenue was generated for the second quarter of the current year. Additionally in April 2013, the Company disposed of its whole ownership interest in SSI, hence, SSI was deconsolidated starting April 2013.

#### ***Cost of Sales and Services***

For the second quarter of 2013, the Company incurred additional P0.3 million for the cost of its sales and services. This brought the total cost of sales and services incurred for the six months period ended June 30, 2013 to P9.3 million showing a decline from last period's balance of P25.6 million.



### ***Other Operating Expenses***

Most of the Company's other operating expenses have shown a decline due to the closure of the Company's operations and the deconsolidation of SSI starting April 2013. Moreover, the decrease in Marketing expenses by P2.7 million or 94% is attributed to the expenses directly related to the initial public offering of the Company. The decrease in Research and Development (R&D) account, on the other hand, by P2.8 million or 100% since no expenses for R&D was incurred by the Company during the first half of 2013. Professional fees increase by 18% due to the additional consultants hired by the Company. Miscellaneous expenses, on the other hand, increase by P0.4 million or 206% due to the Company's sponsored programs that the Company has implemented for the first half of the year.

### ***Other Income (Charges)***

Other income (charges) account shows a P13.6 million balance for the first half of 2013 which came from the P16.1 million impairment loss on computer software recorded by the Company. Also include in this account is the share in SSI's net income from January 1, 2013 up to the date of disposal amounting to P2.3 million.

### **Comparable Discussion on Material Changes in Financial Condition - June 30, 2013 vs. December 31, 2012**

The Company's total assets as of June 30, 2013 amounted to P122.5 million, which shows a decline by P75.9 million or 38% from last year's balance of P198.5 million. Additionally, total liabilities also diminished by P62.2 million or 95%. Most of these changes were the result of the sale of substantially all of the Company's assets and liabilities to SSI. Moreover, the Company also disposed of its interest in SSI, hence, SSI was deconsolidated starting April 2013. The movement in the Company's equity came from the net loss recorded for the period amounting to P14.9 million and prior period adjustment of P1.1 million.

### **Discussion and Analysis of Material Events and Uncertainties Known to Management**

As of June 30, 2013, except for what has been noted in the preceding part, there were no material events or uncertainties known to management that has a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

1. Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;
2. Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short term or long term liquidity;
3. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
4. Significant elements of income or loss that did not arise from the Company's continuing operations;
5. Seasonal aspects that had a material impact on the Company's results of operations;
6. Material changes in the financial statements of the Company for the periods ended December 31, 2012 to June 30, 2013, except those mentioned above;
7. Any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation; and,

8. Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period.

### Key Performance Indicators

The top five (5) key performance indicators of the Company are shown below.

Indicator	Formula	June 30, 2013	June 30, 2012
Gross profit margin	Gross profit/Net sales	31%	41%
Operating margin	Operating profit/Net sales	-9%	-12%
Earnings before interest, depreciation and amortization (EBITDA)	Revenue – Expenses (excluding tax, interest, depreciation and amortization)	(P14,050,813)	(P 2,311,645)
Return on sales	Net income/Net sales	-112%	-10%
Return on equity	Net income/Equity	-12%	-4%

### Financial Soundness Indicators

The following key financial indicators signify the Company's financial soundness as of the comparative reporting dates.

Indicator	Formula	June 30, 2013 (Unaudited)	Dec 31, 2012 (Audited)
Current ratio	Current assets/Current liabilities	38.92:1.00	2.43:1.00
Quick ratio	Cash+Marketable securities+Trade receivables Current liabilities	38.33:1.00	1.75:1.00
Debt-to-equity ratio	Total liabilities/Total equity	0.03:1.00	0.49:1.00
Asset-to-equity ratio	Total assets/Total equity	1.03:1.00	1.49:1.00
Debt ratio	Total liabilities/Total assets	0.03:1.00	0.33:1.00
Book value per share	Total equity-preferred equity/Total outstanding shares	P1.93/share	P2.16/share
Return on sales	Net income/Net sales	-111.84%	-1.71%
Gross profit margin	Gross profit/Net sales	30.51%	38.9%
Operating margin	Operating profit/Net sales	-9.47%	-3.31%
Total asset turnover	Net sales/Total assets	0.11 times	0.13 times
Return on equity	Net income/Total equity	-12.49%	-0.42%
Return on asset	Net income/Total assets	-12.17%	-0.14%

## PART II – OTHER INFORMATION

### Other Required Disclosures

As of June 30, 2013, except for what has been noted in the preceding part, there were no material events or uncertainties known to management that has a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

1. The attached interim financial reports were prepared in accordance with accounting standards generally accepted in the Philippines. The accounting policies and methods of computation followed in these interim financial statements are the same compared with the audited financial statements for the period ended December 31, 2012;
2. Except as reported in the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD & A"), there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim period;
3. There were no material changes in estimates of amounts reported in prior periods that have material effects in the current interim period;
4. Except as disclosed in the MD & A, there were no other issuance, repurchases and repayments of debt and equity securities;
5. Except as disclosed in the MD & A, there were no changes in the composition of the Company during the interim period such as business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructuring, and discontinued operations;
6. There exist no material contingencies and other material events or transactions affecting the current interim period; and,
7. There were no dividends declared and disbursed as of June 30, 2013.



**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.

**TOUCH SOLUTIONS, INC.**

  
**GABRIEL A. DEE**  
Director/Corporate Secretary  
14 August 2013



**TOUCH SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012**  
*(Amounts in Philippine Pesos)*  
**(UNAUDITED)**

**1. CORPORATE INFORMATION AND DECONSOLIDATION OF A SUBSIDIARY**

***1.1 Corporate Information***

Touch Solutions, Inc. (the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 26, 2001. It started commercial operations in January 2002 to engage primarily, among others, in establishing and operating information technology services and products. On March 1, 2013, the Company's Board of Directors (BOD) approved the change in its primary purpose to that of a holding Company.

62% of the Company's common shares are listed at the Philippine Stock Exchange.

On June 13, 2013, the Company became 70% owned by Shiok Success International Ltd. (SSIL), a corporation organized and existing under the laws of British Virgin Islands, upon the transfer of the majority stockholders of their respective shares to SSIL. SSIL is wholly owned by Capilion Corporation Pte.Ltd., which was incorporated in Singapore.

The Company's registered address is Unit 901 Jafer Place Building, 19 Eisenhower St., Greenhills, San Juan City.

***1.2 Deconsolidation of a Subsidiary***

The Company holds 100% ownership in Sagesoft Solutions, Inc. (SSI) as of March 31, 2013. SSI is presently engaged in establishing and operating information technology services and products. In April 2013, the Company disposed of its ownership interest in SSI which resulted in the reversal of the accumulated share in net loss of SSI amounting to P2,253,415. The Company's share in SSI's net income from January 1, 2013 up to the date of disposal amounting to P2,163,508 is presented as Share in Net Profit of Deconsolidated Subsidiary as part of Other Income (Charges) account in the 2013 statement of comprehensive income.

The interim financial statements as of and for the six months ended June 30, 2013 do not include SSI's assets, liabilities and net assets as a result of the deconsolidation.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *2.1 Basis of Preparation of Interim Financial Statements*

These interim financial statements are for the six months ended June 30, 2013 and 2012. They have been prepared in accordance with PAS 34, *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with PFRS, and should be read in conjunction with the financial statements of the Company for the year ended December 31, 2012.

The interim financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council from the pronouncements issued by the International Accounting Standards Board.

The interim financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense.

These interim financial statements are presented in Philippine pesos, the Company's functional currency, and all values represent absolute amounts except when otherwise indicated.

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

The significant accounting policies used in these interim financial information are consistent with those applied in the Company's annual financial statements as at and for the year ended December 31, 2012, except for the application of the following standards as of January 1, 2013:

- (i) PAS 1 (Amendment), *Financial Statements Presentation – Presentation of Items of Other Comprehensive Income*. The amendment requires an entity to Company items presented in other comprehensive income into those that, in accordance with other PFRS: (a) will not be reclassified subsequently to profit or loss, and, (b) will be reclassified subsequently to profit or loss when specific conditions are met. The amendment did not have significant impact on the Company's interim financial statements as it does not have other items of comprehensive income.
- (ii) PAS 19 (Revised), *Employee Benefits*. The revision made a number of changes as part of the improvements throughout the standard. The main changes relate to defined benefit plans as follows:
  - eliminates the corridor approach under the existing guidance of PAS 19 and requires an entity to recognize all gains and losses arising in the reporting period;
  - streamlines the presentation of changes in plan assets and liabilities resulting in the disaggregation of changes into three main components of service costs, net interest on net defined benefit obligation or asset, and remeasurement; and,
  - enhances disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.



The Company has not recognized the effect of PAS 19 (Revised) in its interim financial statements as at and for the six months ended June 30, 2013 due to immateriality.

- (iii) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*. The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set-off in accordance with PAS 32, *Financial Instruments: Presentation*. The amendment also requires disclosure of information about recognized financial instruments subject to enforceable master netting arrangements or similar agreements, even if they are not set-off in the statement of financial position, including those which do not meet some or all of the offsetting criteria under PAS 32, and amounts related to a financial collateral. These disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with recognized financial assets and financial liabilities on the entity's financial position. The amendment did not have a significant impact on the Company's interim financial statements.
- (iv) PFRS 13, *Fair Value Measurement*. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The new standard did not have significant impact on the Company's financial statements.
- (v) 2009-2011 Annual Improvements to PFRS. Annual Improvements to PFRS (2009-2011 Cycle) made minor amendments to a number of PFRS, which are effective for annual period beginning on or after January 1, 2013. Among those improvements, the following amendments are relevant to the Company but did not have a material impact on the Company's interim financial statements:
- (a) PAS 1 (Amendment), *Presentation of Financial Statements – Clarification of the Requirements for Comparative Information*. The amendment clarifies the requirements for presenting comparative information for the following:

- Requirements for opening statement of financial position

If an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period (i.e., opening statement of financial position), it shall present such third statement of financial position.

Other than disclosure of certain specified information in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- Requirements for additional comparative information beyond minimum requirements

If an entity presented comparative information in the financial statements beyond the minimum comparative information requirements, the additional financial statements information should be presented in accordance with PFRS including disclosure of comparative information in the related notes for that additional information. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of financial statements.

- (b) PAS 32 (Amendment), *Financial Instruments – Presentation – Tax Effect of Distributions to Holders of Equity Instruments*. The amendment clarifies that the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with PAS 12. Accordingly, income tax relating to distributions to holders of an equity instrument is recognized in profit or loss while income tax related to the transaction costs of an equity transaction is recognized in equity.

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Company's interim financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

#### *3.1 Critical Management Judgments in Applying Accounting Policies*

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the interim financial statements:

- (a) *Distinction between Operating and Finance Leases*

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

- (b) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies.



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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

*(a) Impairment of Trade and Other Receivables*

Allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Company's relationship with the counterparties, average age of accounts, collection experience and historical loss experience.

Based on management's assessment, no impairment losses are required to be recognized on trade and other receivables in 2013 and 2012.

*(b) Estimating Useful Lives of Property and Equipment*

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Based on management's assessment in 2013 and 2012, there is no significant change in estimated useful lives of property and equipment during those periods. Actual results, however, may vary due to changes in estimates brought about by changes in these factors mentioned above.

*(c) Determining Realizable Amount of Deferred Tax Assets*

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

*(d) Impairment of Non-financial Assets*

Management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Based on management's evaluation, the Company's computer software as of June 30, 2013 amounting to P16.1 million is impaired, hence appropriate impairment loss is recorded. There are no other impairment losses recognized on property and equipment and other non-financial assets based on management's evaluation as of June 30, 2013 and December 31, 2012.



#### 4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The Company's risk management is coordinated with its BOD and focuses on actively securing the Company's short-to-medium term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Company does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described below.

##### 4.1 Foreign Currency Sensitivity

Most of the Company's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise mainly from the Company's importation of licenses, which are denominated in foreign currency.

To mitigate the Company's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

As of June 30, 2013, the Company has no foreign currency-denominated financial assets or liabilities. As of December 31, 2012, the Company's foreign currency-denominated financial assets and liabilities, translated into Philippine peso at the closing rate are as follows:

	<u>United States Dollar</u>	<u>Japanese Yen</u>
Financial assets	P 1,227,621	P 62,018
Financial liabilities	( 4,999,957)	-
	<u>P 3,772,336</u>	<u>P 62,018</u>

The sensitivity of the Company's profit before tax with regard to the Company's financial assets and the U.S. dollar/Japanese – Philippine peso exchange rate assumes a +/- 5% change for the year ended December 31, 2012. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. The sensitivity analysis is based on the Company's foreign currency financial instruments held at the end of each reporting period, with effect estimated from the beginning of the year.

If the Philippine peso had strengthened against the U.S. dollar and Japanese yen, with all other variables held constant, profit before tax in 2012 would have decreased by P23,066. Conversely, if the Philippine peso had been weakened by the same percentage, profit before tax in 2012 would have been higher by the same amount.

Exposures to foreign exchange rates vary during the year depending on the volume of foreign currency buy and sell transactions. Nonetheless, the analysis above is considered to be representative of the Company's foreign currency risk.

#### 4.2 Interest Rate Sensitivity

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. The Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The Company's exposure to fair value and cash flow interest rate risks is reduced to its minimal level since the Company has no financial assets and financial liabilities reported at fair value, and financial assets and liabilities with floating interest rates.

#### 4.3 Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments, for example granting loans and receivables to customers and placing deposits with banks.

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by Company, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position as of June 30, 2013 and December 31, 2012, as summarized below.

	<u>June 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
Cash and cash equivalents	P 117,560,877	P 69,134,610
Short-term investments	-	40,000,000
Trade and other receivables	3,120,000	48,630,682
Refundable deposits (presented as part of Other Current Assets)	<u>-</u>	<u>516,404</u>
	<u><b>P 120,680,877</b></u>	<u><b>P 158,194,606</b></u>

The above represent the carrying values of financial assets categorized as loans and receivable as of June 30, 2013 and December 31, 2012.

None of the Company's financial assets are secured by collateral or other credit enhancements, except for cash in banks as described in the succeeding page.

The Company's management considers that all the above financial assets that are not impaired or past due for each reporting dates are of good credit quality.

(a) *Cash and Cash Equivalents*

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term investments which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

(b) *Trade and Other Receivables*

In respect of trade and other receivables, the Company is not exposed to any significant credit risk exposure to any single counterparty or any Company of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates, management consider the credit quality of trade receivables that are not past due or impaired to be good.

Some of the unimpaired trade receivables are past due as at the end of the reporting period. As of June 30, 2013, the Company has no past due or impaired trade receivables. The trade receivables that are past due but not impaired as of December 31, 2012 are as follows:

Not more than 3 months	P	12,841,924
More than 3 months but not more than 6 months		<u>10,863,867</u>
	P	<u>23,705,791</u>

As of December 31, 2012, impaired trade and other receivables amounts to P5,731,124.

#### **4.4 Liquidity Risk**

The Company manages its liquidity needs by carefully monitoring scheduled payments for financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 3-day projection.

The Company maintains cash to meet its liquidity requirements for up to 3-day period. Excess cash are invested in short-term placements.

As at June 30, 2013, the Company's financial liabilities amounting to P3,148,106 have contractual maturities within six months. As at December 31, 2012, the Company's financial liabilities amounting to P64,278,404 have contractual maturities within six to twelve months.



**5. SIGNIFICANT BOD RESOLUTIONS**

On June 19, 2013, the Company's BOD approved various amendments to the Articles of Incorporation and By-laws of the Company, including change in corporate name, change in principal office address and increase in authorized capital stock. Such amendments are subject to stockholders' approval on the Company's special stockholders' meeting.

***5.1 Change in Corporate Name***

The Company's corporate name is to be changed to TrillionStars Holdings, Inc.

***5.2 Change in Principal Office Address***

The Company's registered address is to be changed to 10<sup>th</sup> Floor, Liberty Center, 104 H.V. dela Costa Street, Salcedo Village, Makati City from Unit 901 Jafer Place Building, 19 Eisenhower Street, Greenhills, San Juan City.

***5.3 Increase in Authorized Capital Stock***

The Company's authorized capital stock is to be increased from P100.0 million divided into 100.0 million shares with par value of P1.00 per share to up to P20.0 billion divided into 20.0 billion shares with par value of P1.00 per share.

TOUCH SOLUTIONS, INC.  
 Aging of Receivables  
 June 30, 2013

Type of Receivables:	<30 days	31-60 days	61-90 days	91-180 days	>180 days	Total
Trade Receivables	-	3,120,000	-	-	-	3,120,000
	-	<u>3,120,000</u>	-	-	-	<u>3,120,000</u>



TOUCH SOLUTIONS, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2013  
(With Comparative Figures for December 31, 2012)  
(Amounts in Philippine Pesos)

	<u>June 30, 2013 (Unaudited) (See Note 1)</u>	<u>December 31, 2012 (Audited)</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	P 117,560,878	P 69,134,610
Short-term investments	-	40,000,000
Trade and other receivables	3,120,000	43,400,681
Other current assets	<u>1,847,580</u>	<u>3,472,943</u>
Total Current Assets	<u>122,528,458</u>	<u>156,008,234</u>
<b>NON-CURRENT ASSETS</b>		
Property and equipment - net	-	5,931,656
Computer software - net	-	28,126,212
Goodwill	-	6,752,926
Deferred tax asset	-	732,074
Other non-current assets	<u>-</u>	<u>924,500</u>
Total Non-current Assets	<u>-</u>	<u>42,467,368</u>
<b>TOTAL ASSETS</b>	<b><u>P 122,528,458</u></b>	<b><u>P 198,475,602</u></b>
<b><u>LIABILITIES AND EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	P 3,148,106	P 64,278,404
<b>NON-CURRENT LIABILITY</b>		
Retirement benefit obligation	-	1,059,735
Deferred tax liability	<u>-</u>	<u>9,568</u>
Total Non-current liabilities	<u>-</u>	<u>1,069,303</u>
Total Liabilities	<u>3,148,106</u>	<u>65,347,707</u>
<b>EQUITY</b>		
Capital stock	61,750,005	61,750,005
Additional paid-in capital	99,789,060	99,789,060
Deficit	<u>( 42,158,713 )</u>	<u>( 28,411,170 )</u>
Total Equity	<u>119,380,352</u>	<u>133,127,895</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>P 122,528,458</u></b>	<b><u>P 198,475,602</u></b>

*See Notes to Financial Statements.*

TOUCH SOLUTIONS, INC.  
 STATEMENTS OF COMPREHENSIVE INCOME  
 FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012  
 AND FOR THE THREE MONTHS ENDED JUNE 30, 2013 AND 2012  
 (Amounts in Philippine Pesos)  
 (UNAUDITED)

	Six Months Ended June 30,		Three Months Ended June 30,	
	2013	2012	2013	2012
REVENUES	P 13,333,771	P 43,042,520	p -	P 17,359,853
COST OF SALES AND SERVICES	<u>9,265,962</u>	<u>25,578,743</u>	<u>255,773</u>	<u>9,629,292</u>
GROSS PROFIT (LOSS)	<u>4,067,809</u>	<u>17,463,777</u>	<u>( 255,773 )</u>	<u>7,730,561</u>
OTHER OPERATING EXPENSES				
Salaries and employee benefits	1,890,275	9,012,299	150,201	5,466,074
Professional fees	613,041	518,585	60,000	436,459
Depreciation and amortization	552,292	1,497,132	-	988,746
Rentals	501,964	1,088,260	-	551,730
Outside services	403,788	396,824	-	50,002
Light, water and communication	201,280	1,318,096	-	685,420
Marketing	180,700	2,904,751	-	134,267
Seminars, meetings and trainings	148,844	653,050	-	332,272
Taxes and licenses	87,624	135,603	-	9,781
Transportation and travel	69,728	1,032,952	-	418,777
Representation	60,424	62,656	-	41,519
Office supplies	34,352	940,008	-	704,231
Repairs and maintenance	3,654	91,113	-	51,637
Research and development	-	2,790,400	-	500,000
Miscellaneous	582,930	190,689	56,810	153,107
	<u>5,330,896</u>	<u>22,632,418</u>	<u>267,011</u>	<u>10,524,022</u>
OPERATING LOSS	<u>( 1,263,087 )</u>	<u>( 5,168,641 )</u>	<u>( 522,784 )</u>	<u>( 2,793,461 )</u>
OTHER INCOME (CHARGES) - Net	<u>( 13,561,687 )</u>	<u>1,359,864</u>	<u>( 15,909,241 )</u>	<u>876,085</u>
LOSS BEFORE TAX	<u>( 14,824,774 )</u>	<u>( 3,808,777 )</u>	<u>( 16,432,025 )</u>	<u>( 1,917,376 )</u>
TAX EXPENSE (INCOME)	<u>87,153</u>	<u>379,893</u>	<u>( 75,457 )</u>	<u>161,184</u>
NET LOSS	<u>( 14,911,927 )</u>	<u>( 4,188,670 )</u>	<u>( 16,356,568 )</u>	<u>( 2,078,560 )</u>
OTHER COMPREHENSIVE INCOME (LOSS)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS	<u>( P 14,911,927 )</u>	<u>( P 4,188,670 )</u>	<u>( P 16,356,568 )</u>	<u>( P 2,078,560 )</u>
Basic and Diluted Earnings Per Share	<u>( P 0.24 )</u>	<u>( P 0.08 )</u>	<u>( P 0.26 )</u>	<u>( P 0.04 )</u>

*See Notes to Financial Statements.*

TOUCH SOLUTIONS, INC.  
 STATEMENTS OF CHANGES IN EQUITY  
 FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012  
 (Amounts in Philippine Pesos)  
 (UNAUDITED)

	Note	2013	2012
<b>CAPITAL STOCK - P1 par value</b>			
Authorized - 100,000,000 shares			
Issued and outstanding		<b>P 61,750,005</b>	P 55,750,005
<b>ADDITIONAL PAID-IN CAPITAL</b>		<b>99,789,060</b>	73,869,060
<b>DEFICIT</b>			
Balance at beginning of period		( 28,411,170 )	( 24,525,542 )
Accumulated share in net loss of SSI	1	2,253,415	-
Prior-period adjustment		( 1,089,031 )	-
Net loss for the period		( 14,911,927 )	( 4,188,670 )
Balance at end of period		( 42,158,713 )	( 28,714,212 )
<b>TOTAL EQUITY</b>		<b>P 119,380,352</b>	P 100,904,853

*See Notes to Financial Statements.*

**TOUCH SOLUTIONS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012**  
*(Amounts in Philippine Pesos)*  
**(UNAUDITED)**

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax	( P 14,824,774 )	( P 3,808,777 )
Adjustments for:		
Impairment loss	16,085,234	-
Depreciation and amortization	773,961	1,497,132
Interest income	( 329,789 )	( 947,573 )
Loss (gain) on sale of property and equipment	( 7,676 )	3,380
Unrealized foreign currency gain	-	( 154,224 )
Operating profit (loss) before working capital changes	1,696,956	( 3,410,062 )
Decrease (increase) in trade and other receivables	( 22,815,365 )	10,676,789
Decrease (increase) in other current assets	55,395	( 899,357 )
Increase (decrease) in trade and other payables	50,860,880	( 18,087,278 )
Cash used in operations	29,797,866	( 11,719,908 )
Interest received	329,789	947,573
Cash paid for income taxes	( 226,037 )	( 948,467 )
Net Cash Used in Operating Activities	29,901,618	( 11,720,802 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from assignment of assets and liabilities	12,796,245	-
Proceeds from sale of property and equipment	4,187,352	24,612
Proceeds from disposal of investment in subsidiary	3,288,000	-
Acquisitions of property and equipment	( 1,746,947 )	( 870,670 )
Net Cash From (Used in) Investing Activities	18,524,650	( 846,058 )
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	48,426,268	( 12,566,860 )
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	69,134,610	108,059,417
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>P 117,560,878</b>	<b>P 95,492,557</b>

**Supplementary Information:**

In May 2013, the restriction on the proceeds from the Company's initial public offering was lifted with the SEC. This resulted in the reclassification of Short-term Investments amounting to P40.0 million to Cash and Cash Equivalents account.

*See Notes to Financial Statements.*