COVER SHEET

AS095008557

SEC Registration Number

IPM HOLDINGS INC. AND SUBSIDIARY

(Company's Full Name)

PENTHOUSE THE TAIPAN PLACE F. ORTIGAS JR. ROAD ORTIGAS CENTER PASIG CITY

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

Contact Person	Company Telephone Number
Atty. Ana Katigbak	8424-2550 to 59/8817-6791

Fiscal Year (Month / Day)	FORM TYPE	Annual Meeting (Month / Day)
12 / 31	SEC Form 17-Q **September 30, 2023**	4th Wed of May

Secondary License Type, If Applicable

Dept Requiring this Doc	Amended Articles Number / Section
CFD	

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARERLY 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, 2023**

2. SEC Identification Number: AS095-008557

3. BIR Tax Identification Number: 004-636-077

4. **IPM HOLDINGS, INC.**
   Exact name of issuer as specified in its charter

5. Pasig City, Philippines
   Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

7. Penthouse, The Taipan Place, F. Ortigas Jr. Road, Ortigas Center, Pasig City
   Address of issuer's principal office Postal Code: 1605

8. (632) 8424-2550 to 59/8817-6791
   Issuer's telephone number, including area code

9. n/a
   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 Amount of Debt Outstanding
Common Stock	690,000,000 shares

11. Are any or all of Corporation's Securities Listed with the Philippine Stock Exchange?

    Yes (√) No ( )

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 of Section 11 of the RSA Rule 11 (a)-1 thereunder, and Section 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[x] No [ ]

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

    Yes[x] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations; Plan of Operations

PLAN OF OPERATIONS

The Group, with a vision of providing quality environmental and waste management services nationwide, is currently spearheading activities aimed to enable municipalities, cities, and provinces to establish integrated waste management systems that are compliant with the requirements of Republic Act 9003, the Ecological Solid Waste Management Act of 2000.

With the technical competency and available solutions, BEST in partnership with local government units on a Public-Private Partnership (PPP) framework, has pioneered in building, developing, and operating state-of-the-art facilities to properly address waste management needs thereby reducing pollution and preventing further destruction of our natural resources.

On September 25, 2019, BEST entered into a Joint Venture with the City Government of Passi, Iloilo for the establishment, operation and maintenances of the Passi City Integrated Waste Management Facility, the first PPP project awarded to the BEST. The facility was opened in 2021.

As of September, 2023, the BEST is actively engaged in advanced stages of development for the realization of its additional PPP projects, which will place BEST at the forefront of the waste management industry all over the Philippines.

In addition, considering the ongoing focus and drive for compliance with proper waste management in the private and commercial sectors, the Company plans to further expand its operations in private waste collection and disposal within Metro Manila and its environs.

With the Group's aspiration to transform the waste value chain by creating and implementing innovative and data-driven programs with organizations sharing the same goal of maximizing resource recovery and circularity, BEST launched My Basurero App – a waste collection hailing app that provides sustainable logistics solutions to individuals or organizations wanting to maximize waste diversion and implement proper waste disposal.

BEST believes in the importance of education on the grassroots level, to fully realize behavioral change, and solve the looming waste problem in the country. The Trash to Cashback Program is an incentivized segregation at source program aiming to convert individuals to eco-champions using environmental points, product incentives, gamification and challenges. The Trash to Cashback Program is powered by bXTRA Philippines, the first cloud-based customer loyalty program provider. In line with the Extended Producer Responsibility Act of 2022 (RA 11898), the Trash to Cashback Program became the platform for multi-stakeholder participation from local government units, FMCGs, waste management solutions providers, recycling partners, and MSMEs.

Tindahan Extra Mile ™: Balik PET Bottle Program (TEM) is a 3-year collaboration between Coca-cola Philippines, BEST, and Philippine Association of Sari-sari Stores and Carinderia Owners. TEM is a World Without Waste program partnership, powered by the Trash to Cashback System, paving the way for households to collect and recycle PET bottles and other recyclables through micro-retail stores empowerment.

The World-Wide Fund for Nature (WWF) started a three-year project entitled 'Clean Ports, Clean Oceans: Improving Port Waste Management in the Philippines' funded by the Grieg Foundation. The project focuses on three ports in the Philippines, namely the Manila North Port, Port of Batangas, and Port of Cagayan de Oro. WWF-Philippines is working closely with BEST in Port of Cagayan de Oro to undertake a proof of concept of Trash to Cashback Program to improve port waste management.

With these new projects, BEST aims for behavior modification and sustainability, by taking traditional methods and infusing modern systems and technologies to change the way people view waste and waste management.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis of the financial position and results of operations of the Parent Company and its subsidiary (the "Group") should be read in conjunction with the attached interim consolidated financial statements as of September 30, 2023.

Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 2022

Income

Total consolidated revenues for the nine-month period ending September 30, 2023 amounted to Php146.55 million, down by Php108.50 million from the Php255.04 million posted in the same period of 2022. The material changes are as follows:

- Service Income amounted to Php130.13 million, which is Php90.97 million lower than the Php221.11 million posted in the same period of 2022. This is mainly due to the decrease in income of the Company's joint venture from hauling and waste collection because the contract ended in January 2023.

- Rental Income amounted to Php2.71 million, which is Php1.64 million lower than the Php4.35 million posted in the same period of 2022. This is mainly attributable to the decrease in rental income from equipment and trucks, which are now being used for the Company's own hauling activities.

- Other Income amounted to Php12.68 million as compared to nil posted in the same period of 2022. This is mainly attributable to the gain on sale of fixed assets.

- Interest Income amounted to Php1.02 million, which is Php0.09 million higher than the Php0.93 million posted in the same period of 2022.

Expenses

Total consolidated expenses for the first nine months of 2023 amounted to Php122.38 million, down by Php80.45 million from the Php202.83 million posted in the same period of 2022. The material changes are as follows:

- Cost of services amounted to Ph94.23 million, which is Php82.28 million lower than the Php176.48 million posted in the same period of 2022. This is mainly attributable to the decrease in sub-contract costs of the joint venture to undertake the works and services for hauling and waste collection activities because the contract ended in January 2023.

- General and administrative expenses amounted to Php24.16 million, which decreased by Php1.47 million as compared to Php22.69 million posted in the same period of 2022. This is mainly attributable to the decrease in professional fees.

- Interest expense amounted to Php3.99 million, which is Php0.34 million higher than the Php3.65 million in posted in the same period of 2022. This is mainly due to the higher interest expense on bank loans.

Net Income

The nine-month period ending September 30, 2023 resulted in a net income of Php20.78 million, a decrease of Php25.12 million from the Php45.91 million posted in the same period of 2022. This is mainly due to the decrease in income of the joint venture from hauling and waste collection because the contract ended in January 2023.

Liquidity and Capital Resources

For the first nine months of 2023, net cash provided by operating activities amounted to Php30.07 million, which increased by Php21.83 million as compared to Php14.24 million posted in the same period of 2022. This is mainly due to the decrease in receivables and trade and other payables.

Net cash provided by investing activities amounted to Php78.33 million in the first nine months of 2023, which increased by Php82.02 million as compared to net cash used in investing activities amounted to Php3.69 million posted in the same period of 2022. Cash provided by investing activities consisted mainly of acquisition of property and equipment of Php18.88 million, proceeds from sale of fixed asset of Php83.00 million, other noncurrent assets of Php1.79 million and net of dividends received from an associate of Php16.00 million.

Net cash used in financing activities amounted to Php88.99 million in the first nine months of 2023, which decreased by Php83.34 million as compared to Php5.65 million in the same period of 2022. These amounts represent full payment of bank loans and interest.

Third Quarter Ended September 30, 2023 Compared to Third Quarter Ended September 30, 2022

Income

Total consolidated revenues for the third quarter ending September 2023 amounted to Php57.78 million, down by Php45.77 million from the Php103.55 million posted in the same period of 2022. The material changes are as follows:

- Service Income amounted to Php44.03 million, which is Php28.94 million lower than the Php72.97 million posted in the same period of 2022. This is mainly due to the decrease in income of the Company's joint venture from hauling and waste collection because the contract ended in January 2023.

- Rental Income amounted to Php0.77 million, which is Php0.83 million lower than the Php1.59 million posted in the same period of 2022. This is mainly attributable to the decrease in rental income from equipment and trucks which are now being used for the Company's own hauling activities.

- Other income amounted to Php12.68 million as compared to nil posted in the same period of 2022. This is mainly due to the gain on sale of fixed assets.

- Interest income amounted to Php0.30 million, which is 10% lower than the Php0.33 million posted in the same period of 2022, attributable to the decrease in earnings from bank deposits.

Expenses

Total consolidated expenses for the third quarter ending September 30, 2023 amounted to Php40.17 million, which decreased by Php30.66 million from the Php70.83 million posted in the same period of 2022. The material changes are as follows:

- Cost of services amounted to Php28.66 million, which is Php31.76 million lower than the Php60.42 million in the same period of 2022. This is mainly attributable to the decrease in sub-contract costs of the joint venture to undertake the works and services for hauling and waste collection activities because the contract ended in January 2023.

- General and administrative expenses amounted to Php10.98 million, which is 20% higher than the Php9.19 million in the same period of 2022. This is mainly attributable to the increase in salaries and wages and rental of office space.

- Interest expense amounted to Php0.52 million, which is Php0.70 million lower than the Php1.22 million in the same period of 2022.

Net Income

The third quarter of 2023 resulted in a net income of Php16.09 million, which is Php15.47 million lower than the Php31.56 million posted in the same period of 2022. This is mainly due to the decrease in income of the joint venture from hauling and waste collection because the contract ended in January 2023.

Liquidity and Capital Resources

For the third quarter of 2023, net cash provided by operating activities amounted to Php17.80 million, which increased by Php15.37 million as compared to Php2.43 million posted in the same period 2022. This is mainly attributable to the decrease in receivables and other current assets.

Net cash provided by investing activities amounted to Php85.10 million in the third quarter of 2023, which increased by Php83.72 million as compared to Php1.38 million in the same period of 2022. Cash provided by investing activities consisted mainly of acquisition of property and equipment of Php5.93 million, proceeds from sale of fixed asset of Php83.00 million and net of dividends received from an associate of Php8.00 million.

Net cash used in financing activities amounted to Php83.52 million in the third quarter of 2023, which decreased by Php81.30 million as compared to Php2.22 million in the same period of 2022. These amounts represent full payment of bank loans and interest.

Financial Position as of September 30, 2023 Compared to Financial Position as of December 31, 2022

Statements of financial position data	**September 30, 2023**	December 31, 2022	**% Inc/(Dec)**
Total Current Assets	**1,009,361,697**	991,692,636	1.78%
Total Assets	**1,498,194,759**	1,568,716,835	(4.50%)
Total Current Liabilities	**130,529,308**	220,534,463	(40.81%)
Total Liabilities	**163,161,256**	254,466,411	(35.88%)
Total Stockholders' Equity	**1,335,033,503**	1,314,250,424	1.58%

The Company's consolidated total assets slightly decreased by 4.50%, from Php1,568.72 million as of December 31, 2022 to Php1,498.19 million as of September 30, 2023.

- Cash and cash equivalents increased by 99.57%, from Php25.53 million as of December 31, 2022 to Php50.95 million as of September 30, 2023. The increase was mainly due to the collections of outstanding receivables.

- Current portion of trade and other receivables decreased by 2.83%, from Php927.03 million as of December 31, 2022 to Php900.78 million as of September 30, 2023 due to the collection of long outstanding receivables.

- Other current assets increased by 47%, from Php39.13 million as of December 31, 2022 to Php57.64 million as of September 30, 2023 due to the increase in input VAT and prepaid expenses.

- Noncurrent assets decreased by 15.28%, from Php577.02 million as of December 31, 2022 to Php488.83 million as of September 30, 2023 due to the disposal of fixed asset.

Total consolidated liabilities decreased by 35.88%, from Php254.47 million as of December 31, 2022 to Php163.16 million as of September 30, 2023. The decrease was mainly due to the full settlement of bank loans and interest.

Total stockholders' equity slightly increased by 1.58%, from Php1,314.25 million as of December 31, 2022 to Php1,335.03 million as of September 30, 2023, reflecting the income for the first nine months of 2023.

Current ratio increased from 4.50x as of December 31, 2022 to 7.73x as of September 30, 2023; net working capital increased to Php878.83 million as of September 30, 2023 versus the Php771.16 million as of December 31, 2022.

Key Performance Indicators

The company's key performance indicators are as follows:

KPI	Calculation	September 30, 2023	December 31, 2022
Current Ratio (1)	Current Assets/Current Liabilities	**7.73x**	4.50x
Quick Ratio (2)	Current Assets-Inventory-Prepaid Expenses /Current Liabilities	**7.29x**	4.32x
Debt to Equity Ratio (3)	Liabilities/ Stockholders' Equity	**0.12x**	0.19x
Book Value per share (4)	Total Assets –Total Liabilities/ Outstanding Shares	**1.93**	1.90
Income per Share (5)	Net Income/Weighted Average Number of Shares Outstanding	**0.03**	0.06

		September 30, 2023	December 31, 2022
(1)	Current Ratio	**1,009,361,697/130,529,308**	991,692,636/220,534,463
(2)	Quick Ratio	**951,724,946/130,529,308**	952,558,025/220,534,463
(3)	Debt to Equity	**163,161,256/1,335,033,503**	254,466,411/1,314,250,424
(4)	Book Value/Share	**1,335,033,503/690,000,000**	1,314,250,424/690,000,000
(5)	Income per Share	**20,783,079/690,000,000**	41,549,798/690,000,000

The Current Ratio is the general measure of a company's liquidity. It represents the ratio of all current assets to all current liabilities. It is also known as the "Working Capital Ratio" because working capital is the excess of current assets over current liabilities.

The Quick Ratio is another measure of a company's liquidity. It is used to measure a company's ability to pay its liabilities using assets that are cash or very liquid.

The Debt-to-Equity Ratio is a measure of leverage, or the relative amount of funds provided by lenders and owners. This measures the amount of debt being used by the Company.

Book Value per Share is a measure of stockholders' equity. It represents the difference between total assets and total liabilities then divide that total by the number of common shares outstanding.

Income per Share is computed by dividing the net income by the weighted average number of common shares outstanding.

Other Matters

a) There were no known trends, demands, commitments, events or uncertainties that had or will have a material impact on the Company's liquidity other than those discussed in the Plan of Operation, Item 2-Management's Discussion and Plan of Operations.

b) There were no known events that triggered direct or contingent financial obligation that is material to the Company including any default or acceleration of an obligation.

c) There were no material off-balance sheet transaction, arrangements, obligations (including contingent obligations) and other relationship of the company with unconsolidated entities or other persons created during the reporting period.

d) There were no material commitments for capital expenditures.

e) There were no other known trends, events, or uncertainties that have had or that are reasonably expected to have a material impact on net sales or income other than what was mentioned in the Plan of Operation, Item 2 – Management's Discussion and Analysis;

f) There were no significant elements of income or loss that did not arise from the Company's continuing operations.

g) There were no seasonal aspects that had material effect on the financial condition or results of operation.

PART II – OTHER INFORMATION

The issuer may, at its option, report under this item any information not previously reported in a report on SEC 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

Not Applicable

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.

Issuer : IPM HOLDINGS, INC.

ISABELITA P. MERCADO
Chairman and Chief Executive Officer
Date: November 13, 2023

FRANCIS NEIL P. MERCADO
Treasurer and Chief Financial Officer
Date: November 13, 2023

IPM HOLDINGS, INC. AND SUBSIDIARY
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2023	December 31, 2022
	Unaudited	Audited
ASSETS		
Current Assets		
Cash (Note 4)	**₱50,946,911**	₱25,528,045
Current portion of receivables (Notes 5 and 15)	**900,778,035**	927,029,980
Other current assets (Note 6)	**57,636,751**	39,134,611
Total Current Assets	**₱1,009,361,697**	₱991,692,636
Noncurrent Assets		
Noncurrent portion of receivables (Notes 5 and 15)	**41,636,060**	40,750,820
Deposits (Note 8)	**1,988,034**	1,988,034
Investments in an associate and a joint venture (Note 7)	**169,388,410**	185,388,410
Property and equipment (Note 10)	**210,835,212**	211,400,882
Investment property (Note 9)	**30,525,678**	101,881,105
Deferred tax assets (Note 20)	**10,680,910**	13,622,746
Other noncurrent assets (Note 11)	**23,778,758**	21,992,202
Total Noncurrent Assets	**488,833,062**	577,024,199
	₱1,498,194,759	₱1,568,716,835
LIABILITIES AND EQUITY		
Current Liabilities		
Loan payable (Note 13)	**₱-**	₱85,000,000
Income tax payable	**2,231,711**	2,222,895
Trade and other payables (Note 12)	**128,297,597**	133,311,568
Total Current Liabilities	**130,529,308**	220,534,463
Noncurrent Liabilities		
Asset rehabilitation obligation (ARO-liability) (Note 22)	**31,275,298**	31,275,298
Net pension liability (Note 19)	**1,356,650**	2,656,650
Total Noncurrent Liabilities	**32,631,948**	33,931,948
Total Liabilities	**163,161,256**	254,466,411
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 14)	**690,000,000**	690,000,000
Retained earnings (Note 14)	**527,164,146**	512,161,114
Other reserves (Notes 1 and 19)	**(298,697,437)**	(298,697,437)
	918,466,709	903,463,677
Noncontrolling interests (Note 2)	**416,566,794**	410,786,747
Total Equity	**1,335,033,503**	1,314,250,424
	₱1,498,194,759	₱1,568,716,835

See accompanying Notes to Consolidated Financial Statements.

IPM HOLDINGS, INC. AND SUBSIDIARY
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Quarters Ended September	
	2023	2022
REVENUE AND OTHER INCOME		
Service income (Notes 15, 16 and 22)	**₱44,031,708**	₱72,970,757
Rental income (Notes 9, 15 and 22)	**768,327**	1,594,666
Equity in net earnings of an associate and a joint venture	**-**	28,644,885
Other income	**12,680,000**	-
Interest income (Notes 4, 8 and 15)	**302,193**	336,489
	57,782,228	103,546,797
EXPENSES AND OTHER CHARGES		
Cost of services (Note 17)	**28,662,575**	60,421,128
General and administrative expenses (Note 18)	**10,983,749**	9,187,145
Interest expense (Notes 13 and 22)	**518,750**	1,221,021
	40,165,074	70,829,294
INCOME BEFORE INCOME TAX	**17,617,155**	32,717,503
PROVISION FOR INCOME TAX (Note 20)	**1,528,972**	1,157,641
NET INCOME	**16,088,182**	31,559,862
OTHER COMPREHENSIVE INCOME	**-**	
TOTAL COMPREHENSIVE INCOME	**₱16,088,182**	₱31,559,862
Net income attributable to:		
Equity holders of the parent	**₱11,899,230**	₱23,542,879
Noncontrolling interests	**4,188,952**	8,016,983
	₱16,088,182	₱31,559,862
Total comprehensive income attributable to:		
Equity holders of the parent	**₱11,899,230**	₱23,542,879
Noncontrolling interests	**4,188,952**	8,016,983
	₱16,088,182	₱31,559,862
BASIC/DILUTED EARNINGS PER SHARE-PARENT (Note 21)	**₱0.017**	₱0.034

See accompanying Notes to Consolidated Financial Statements.

IPM HOLDINGS, INC. AND SUBSIDIARY
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Nine Months Ended September 30	
	2023	2022
REVENUE AND OTHER INCOME		
Service income (Notes 15, 16 and 22)	**₱130,134,982**	₱221,113,932
Rental income (Notes 9, 15 and 22)	**2,714,266**	4,354,802
Equity in net earnings of an associate and a joint venture	**-**	28,644,885
Other Income	**12,680,000**	-
Interest income (Notes 4, 8 and 15)	**1,017,697**	928,357
	146,546,945	255,041,976
EXPENSES AND OTHER CHARGES		
Cost of services (Note 17)	**94,234,078**	176,481,679
General and administrative expenses (Note 18)	**24,161,136**	22,692,460
Interest expense (Notes 13 and 22)	**3,990,127**	3,653,854
	122,385,341	202,827,993
INCOME BEFORE INCOME TAX	**24,161,604**	52,213,983
PROVISION FOR INCOME TAX (Note 20)	**3,378,525**	6,307,739
NET INCOME	**20,783,079**	45,906,244
OTHER COMPREHENSIVE INCOME	**-**	-
TOTAL COMPREHENSIVE INCOME	**₱20,783,079**	₱45,906,244
Net income attributable to:		
Equity holders of the parent	**₱15,003,032**	₱33,953,777
Noncontrolling interests	**5,780,047**	11,952,467
	₱20,783,079	₱45,906,244
Total comprehensive income attributable to:		
Equity holders of the parent	**₱15,003,032**	₱33,953,777
Noncontrolling interests	**5,780,047**	11,952,467
	₱20,783,079	₱45,906,244
BASIC/DILUTED EARNINGS PER SHARE-PARENT (Note 21)	**₱0.022**	₱0.049

See accompanying Notes to Consolidated Financial Statements

IPM HOLDINGS, INC. AND SUBSIDIARY
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Equity Holders of the Parent					
			Other Reserves			
	Capital Stock (Note 14)	**Retained Earnings- Unappropriated** (Note 14)	**Equity Reserve** (Note 1)	**Actuarial Gains (Losses) on Defined Benefit Obligation** (Note 19)	**Noncontrolling Interests** (Note 2)	**Total Equity**
Balance as of July 1, 2023	**₱690,000,000**	**₱515,394,001**	**(₱298,498,391)**	**(₱199,046)**	**₱412,248,757**	**1,318,945,321**
Net income for the third quarter	**–**	**11,899,230**	**–**	**–**	**4,188,952**	**16,088,182**
Other comprehensive income	**–**	**–**	**–**	**-**		**-**
Total comprehensive income	**–**	**11,899,230**	**–**	**-**	**4,188,952**	**16,088,182**
At September 30, 2023	**₱690,000,000**	**₱527,293,231**	**(₱298,498,391)**	**(₱199,046)**	**₱416,437,709**	**1,335,033,503**
Balance as of January 1, 2022	₱690,000,000	₱481,878,148	(₱298,498,391)	(₱387,200)	₱399,457,197	₱1,272,973,236
Net income	–	30,282,966	–	–	11,266,832	41,549,798
Other comprehensive income	–	–	–	188,154	62,718	250,872
Total comprehensive income	–	30,282,966	–	188,154	11,329,550	41,800,670
At December 31, 2022	₱690,000,000	₱512,161,114	(₱298,498,391)	(₱199,046)	₱410,786,747	₱1,314,250,424
Balance as of July 1, 2022	₱690,000,000	₱492,565,031	(₱298,498,391)	(387,200)	₱403,631,177	₱1,287,310,617
Net income for the third quarter	–	23,542,879	–	–	8,016,983	31,559,862
At September 30, 2022	₱690,000,000	₱516,107,910	(₱298,498,391)	(₱387,200)	₱411,648,160	₱1,318,870,479

See accompanying Notes to Consolidated Financial Statements.

IPM HOLDINGS, INC. AND SUBSIDIARY
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Equity Holders of the Parent					
			Other Reserves			
	Capital Stock (Note 14)	**Retained Earnings- Unappropriated** (Note 14)	**Equity Reserve** (Note 1)	**Actuarial Gains (Losses) on Defined Benefit Obligation** (Note 19)	**Noncontrolling Interests** (Note 2)	**Total Equity**
Balance as of January 1, 2023	**₱690,000,000**	**₱512,290,197**	**(₱298,498,391)**	**(₱199,046)**	**₱410,657,664**	**₱1,314,250,424**
Net income for the nine months period	**–**	**15,003,032**	**–**	**–**	**5,780,047**	**20,783,079**
Other comprehensive income	**–**	**–**	**–**	**-**		**-**
Total comprehensive income	**–**	**15,003,032**	**–**	**-**	**5,780,047**	**20,783,079**
At September 30, 2023	**₱690,000,000**	**₱527,293,229**	**(₱298,498,391)**	**(₱199,046)**	**₱416,437,711**	**1,335,033,503**
Balance as of January 1, 2022	₱690,000,000	₱481,878,148	(₱298,498,391)	(₱387,200)	₱399,457,197	₱1,272,973,236
Net income	–	30,282,966	–	–	11,266,832	41,549,798
Other comprehensive income	–	–	–	188,154	62,718	250,872
Total comprehensive income	–	30,282,966	–	188,154	11,329,550	41,800,670
At December 31, 2022	₱690,000,000	₱512,161,114	(₱298,498,391)	(₱199,046)	₱410,786,747	₱1,314,250,424
Balance as of January 1, 2022	₱690,000,000	₱482,392,630	(₱298,498,391)	(₱387,200)	₱399,457,197	₱1,272,964,236
Net income for the nine months period	–	33,953,776	–	–	11,952,467	45,906,243
At September 30, 2022	₱690,000,000	₱516,346,406	(₱298,498,391)	(₱387,200)	₱411,409,664	₱1,318,870,479

See accompanying Notes to Consolidated Financial Statements.

IPM HOLDINGS, INC. AND SUBSIDIARY
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Quarters Ended September 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱17,617,155**	₱32,717,503
Adjustments for:		
Depreciation and amortization (Notes 9, 10, 17 and 18)	**5,750,361**	7,877,527
Equity in net losses (earnings) of an associate and a joint venture (Note 7)	**-**	(28,644,885)
Net change in pension liability	**(1,300,000)**	-
Gain on sale of fixed assets	**(12,680,000)**	
Interest expense (Notes 13 and 22)	**518,750**	1,221,021
Interest income (Notes 4, 8 and 15)	**(302,193)**	336,435
Operating income before changes in working capital	**9,604,073**	13,507,601
Decrease (increase) in:		
Receivables	**8,895,650**	(626,958)
Other current assets	**346,770**	667,771
Increase (decrease) in:		
trade and other payables	**876,568**	(10,350,415)
Net cash generated from operations	**19,723,061**	3,197,999
Interest received	**(287,967)**	(336,435)
Income tax paid (including creditable withholding tax)	**(1,632,203)**	(429,170)
Net cash provided by operating activities	**17,802,891**	2,432,394
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Note 10)	**(5,930,303)**	(5,818,086)
Proceeds from sale of fixed assets	**83,000,000**	-
Decrease in other noncurrent assets (Note 11)	**32,013**	-
Dividends received from an associate (Note 7)	**8,000,000**	7,200,000
Net cash provided by investing activities	**85,101,710**	1,381,914
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid (Notes 13 and 25)	**(518,750)**	(1,221,021)
Payment of bank loan (Notes 13 and 25)	**(83,000,000)**	(1,000,000)
Net cash used in financing activities (Note 25)	**(83,518,750)**	(2,221,021)
NET INCREASE (DECREASE) IN CASH	**19,385,851**	1,593,287
CASH AT BEGINNING OF PERIOD	**31,561,060**	10,396,607
CASH AT END OF PERIOD (Note 4)	**₱50,946,911**	₱11,989,894

See accompanying Notes to Consolidated Financial Statements.

IPM HOLDINGS, INC. AND SUBSIDIARY
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱24,161,604**	₱52,213,983
Adjustments for:		
Depreciation and amortization (Notes 9, 10, 17 and 18)	**20,482,072**	23,355,898
Net change in pension liability	**(1,300,000)**	-
Gain on sale of fixed assets	**(12,680,000)**	-
Equity in net losses (earnings) of an associate and a joint venture (Note 7)	**-**	(28,644,885)
Interest expense (Notes 13 and 22)	**3,990,127**	3,653,854
Interest income (Notes 4, 8 and 15)	**(1,017,697)**	928,141
Operating income before changes in working capital	**33,636,106**	51,506,991
Decrease (increase) in:		
Receivables	**26,251,947**	(333,343)
Other current assets	**(19,014,144)**	(3,820,345)
Increase (decrease) in trade and other payables	**(5,013,975)**	(27,979,222)
Net cash generated from operations	**35,859,934**	19,374,081
Interest received	**132,457**	(928,141)
Income tax paid (including creditable withholding tax)	**84,132**	(4,201,830)
Net cash provided by operating activities	**36,076,523**	14,244,110
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Note 10)	**(18,880,974)**	(17,289,107)
Proceeds from sale of fixed asset	**83,000,000**	-
Decrease (Increase) in other noncurrent assets	**(1,786,556)**	-
Dividends received from an associate (Note 7)	**16,000,000**	13,600,000
Net cash provided by/(used in) investing activities	**78,332,470**	(3,689,107)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid (Notes 13 and 25)	**(3,990,127)**	(3,653,854)
Payment of bank loan (Notes 13 and 25)	**(85,000,000)**	(2,000,000)
Net cash used in financing activities (Note 25)	**(88,990,127)**	(5,653,854)
NET INCREASE (DECREASE) IN CASH	**25,418,866**	4,90,149
CASH AT BEGINNING OF PERIOD	**25,528,045**	7,088,745
CASH AT END OF PERIOD (Note 4)	**₱50,946,911**	₱11,989,894

See accompanying Notes to Consolidated Financial Statements.

IPM HOLDINGS, INC.

INTERIM PARENT STATEMENTS OF FINANCIAL POSITION

	September 30, 2023	December 31, 2022
	Unaudited	Audited
ASSETS		
Current Assets		
Cash (Note 4)	**₱245,242**	₱121,012
Other current assets - net (Note 6)	**260,083**	40,000
Total Current Assets	**505,325**	161,012
Noncurrent Asset		
Investment in a subsidiary	**485,375,000**	485,375,000
	₱485,880,325	₱485,536,012
LIABILITIES AND EQUITY		
Current Liabilities		
Advances from related party	**₱24,500,000**	₱21,500,000
Accrued expenses and other payables (Note 12)	**203,682**	522,256
Total Current Liabilities	**24,703,682**	22,022,256
Equity		
Capital stock (Note 14)	**690,000,000**	690,000,000
Deficit	**(228,823,357)**	(226,486,244)
Total Equity	**461,176,643**	463,513,756
	₱485,880,325	₱485,536,012

See accompanying Notes to Parent Company Financial Statements.

IPM HOLDINGS, INC.

INTERIM PARENT STATEMENTS OF COMPREHENSIVE INCOME

	Quarters Ended September 30	
	2023	2022
INCOME		
Interest (Note 4)	**₱79**	₱27
EXPENSES		
Professional fees	**137,265**	120,000
Salaries and wages	**146,000**	146,000
Directors' per diem (Note 17)	**160,000**	-
Stock exchange listing fee	**115,575**	121,613
Utilities (Note 17)	**15,000**	45,000
Rent expense (Note 17)	**40,179**	40,179
Entertainment, amusement and recreation	**13,500**	13,500
Transportation	**10,500**	10,500
Office supplies and printing costs	**200**	1,460
Miscellaneous	**29,474**	9,840
	667,693	508,092
LOSS BEFORE INCOME TAX	**667,614**	508,065
PROVISION FOR INCOME TAX (Note 20)	**16**	5
NET LOSS / TOTAL COMPREHENSIVE LOSS	**₱667,630**	₱508,070

IPM HOLDINGS, INC.
INTERIM PARENT STATEMENTS OF COMPREHENSIVE INCOME

	Nine Months Ended September 30	
	2023	**2022**
INCOME		
Interest (Note 4)	**₱183**	**₱108**
EXPENSES		
Professional fees	**453,760**	396,152
Salaries and wages	**438,000**	438,000
Directors' per diem (Note 10)	**600,000**	240,000
Stock exchange listing fee	**346,725**	364,838
Utilities (Note 10)	**105,000**	135,000
Rent expense (Note 10)	**120,536**	120,536
Entertainment, amusement and recreation	**111,575**	60,673
Transportation	**31,500**	37,253
Taxes and licenses	**18,200**	22,500
Office supplies and printing costs	**5,760**	42,621
Miscellaneous	**106,204**	46,138
	2,337,260	1,903,711
LOSS BEFORE INCOME TAX	**2,337,077**	1,903,603
PROVISION FOR INCOME TAX (Note 20)	**37**	22
NET LOSS / TOTAL COMPREHENSIVE LOSS	**₱2,337,114**	₱1,903,625

See accompanying Notes to Parent Company Financial Statements.

IPM HOLDINGS, INC.

INTERIM PARENT STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 8)	**Deficit**	**Total**
At July 1, 2023	**₱690,000,000**	**(₱228,155,727)**	**₱461,844,273**
Net loss for the third quarter	**–**	**(667,630)**	**(667,630)**
At September 30, 2023	**₱690,000,000**	**(₱228,823,357)**	**₱461,176,643**
At January 1, 2022	₱690,000,000	(₱222,968,717)	₱467,031,283
Net loss	–	(3,517,527)	(3,517,527)
At December 31, 2022	₱690,000,000	(₱226,486,244)	₱463,513,756
At June 30, 2022	₱690,000,000	(₱224,364,272)	₱465,635,728
Net loss for the third quarter	–	(508,070)	(508,070)
At September 30, 2022	₱690,000,000	(₱224,872,342)	₱465,127,658

See accompanying Notes to Parent Company Financial Statements

IPM HOLDINGS, INC.

INTERIM PARENT STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 8)	Deficit	Total
At January 1, 2023	**₱690,000,000**	**(₱226,486,244)**	**₱463,513,756**
Net loss for the nine months period	**–**	**(2,337,113)**	**(2,337,113)**
At September 30, 2023	**₱690,000,000**	**(228,823,357)**	**₱461,176,643**
At January 1, 2022	₱690,000,000	(₱222,968,717)	₱467,031,283
Net loss	–	(3,517,527)	(3,517,527)
At December 31, 2022	₱690,000,000	(₱226,486,244)	₱463,513,756
At January 1, 2022	₱690,000,000	(₱222,968,717)	₱467,031,283
Net loss for the nine months period	–	(1,903,625)	(1,903,625)
At September 30, 2022	₱690,000,000	(224,872,342)	465,127,658

See accompanying Notes to Parent Company Financial Statements.

IPM HOLDINGS, INC.

INTERIM PARENT STATEMENTS OF CASH FLOWS

	Quarters Ended September 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱667,614)**	(₱508,065)
Adjustments for:		
Provision for impairment losses (Note 5)	**-**	-
Interest income (Note 4)	**(79)**	(27)
Operating loss before changes in working capital	**(667,693)**	(508,092)
Changes in operating assets and liabilities:		
Increase in other current assets	**105,524**	109,191
Increase (decrease) in accrued expenses and other payables	**16,000**	(123,510)
Net cash used in operations	**(546,170)**	(522,411)
Interest received	**79**	27
Income tax paid	**(16)**	(5)
Net cash flows used in operating activities	**(546,107)**	(522,389)
CASH FLOWS FROM FINANCING ACTIVITY		
Increase in advances from related party (Note 10)	**-**	500,000
Net cash flows used in financing activities	**-**	500,000
NET INCREASE (DECREASE) IN CASH	**(546,107)**	(22,389)
CASH AT BEGINNING OF PERIOD	**791,349**	100,239
CASH AT END OF PERIOD (Note 4)	**₱245,242**	₱77,850

See accompanying Notes to Parent Company Financial Statements

IPM HOLDINGS, INC.

INTERIM PARENT STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱2,337,077)**	(₱1,903,603)
Adjustments for:		
Provision for impairment losses (Note 5)	**-**	-
Interest income (Note 4)	**(183)**	(108)
Operating loss before changes in working capital	**(2,337,260)**	(1,903,711)
Changes in operating assets and liabilities:		
Increase in other current assets	**(220,083)**	(225,140)
Increase (decrease) in accrued expenses and other payables	**(318,573)**	(243,480)
Net cash used in operations	**(2,875,916)**	(2,372,331)
Interest received	**183**	108
Income tax paid	**(37)**	(22)
Net cash flows used in operating activities	**(2,875,770)**	(2,372,245)
CASH FLOWS FROM FINANCING ACTIVITY		
Increase in advances from related party (Note 10)	**3,000,000**	2,200,000
NET INCREASE (DECREASE) IN CASH	**124,230**	(172,245)
CASH AT BEGINNING OF PERIOD	**121,012**	250,095
CASH AT END OF PERIOD (Note 4)	**₱245,242**	₱77,850

See accompanying Notes to Parent Company Financial Statements

IPM HOLDINGS, INC. AND SUBSIDIARY
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information and Status of Operations**

IPM Holdings, Inc., (the Parent Company) and its subsidiary, Basic Environmental Systems and Technologies, Inc. (BEST) (collectively referred to as "the Group"), were incorporated in the Philippines on August 31, 1995 and September 15,1999, respectively. The Parent Company's registered office address is at Penthouse, The Taipan Place, F. Ortigas Jr., Road, Ortigas Center,
Pasig City.

The Parent Company is engaged in the business of investment; to own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property of every kind and description; and, to manage any business, joint venture, firm partnership, corporation, institution or entity or otherwise act as holding or management corporation thereof.

BEST is engaged in contracting and consulting business for waste management, public cleansing, sanitation and general hygiene to provide comprehensive waste disposal services.

The Parent Company's shares are publicly traded in the Philippine Stock Exchange (PSE) under the ticker "IPM". As of September 30, 2023 and December 31, 2022, the top four beneficial shareholders of the Parent Company are the following:

	Percentage of ownership
IPM Construction and Development Corporation (IPMCDC)	51%
IPM Environmental Services, Inc. (IPMESI)	10%
IPM Realty and Development Corporation (IPMRDC)	7%
Public	32%

IPMCDC, IPMESI and IPMRDC were all incorporated in the Philippines. The ultimate parent company of the Group is IPMCDC.

Reverse acquisition
Before the Parent Company acquired 75% interest in BEST, majority of the shareholders of BEST are also the shareholders of IPMCDC, IPMESI and IPMRDC. Hence, the Parent Company's acquisition of 75% interest in BEST effectively qualifies as a reverse acquisition since BEST is the combining entity whose owners as a group retain or receive the largest portion of the voting rights in the combined entity. Equity reserve pertains to the difference in capital structure of IPM and BEST and recognition of deficit of IPM during the date of acquisition, as the retained earnings of the consolidated financial statements represents retained earnings of BEST before acquisition adjusted by post-acquisition results of the Group.

Since the Parent Company is not a business as defined in paragraph B7 of PFRS 3, *Business Combination*, the transaction did not qualify a business combination, but a share-based payment transaction whereby BEST has received the net assets of the Parent Company together with the listing status of the Parent Company.

The consolidated financial statements reflect the substance of the transaction which is that BEST is the continuing entity, therefore, the principles and guidance on the preparation and presentation of the consolidated financial statements in a reverse acquisition set out in PFRS 3 were applied in this transaction. However, the listing status did not qualify for recognition as an intangible asset, and therefore expensed in profit or loss.

In 2013, listing expense was recognized in profit or loss and equity reserve at the date of acquisition. Computation of listing expense follows:

Fair value of BEST at acquisition date	₱650,295,426
Interest acquired by Parent Company	75%
	487,721,570
Cash paid by Parent Company	462,500,000
	₱25,221,570

Status of Operations and Management's Plans
The Group, with a vision of providing quality environmental and waste management services nationwide, is currently spearheading activities aimed to enable municipalities, cities, and provinces to establish integrated waste management systems that are compliant with the requirements of Republic Act 9003, the Ecological Solid Waste Management Act of 2000.

With the technical competency and available solutions, BEST in partnership with local government units on a Public-Private Partnership (PPP) framework, has pioneered in building, developing, and operating state-of-the-art facilities to properly address waste management needs thereby reducing pollution and preventing the further destruction of our natural resources.

On September 25, 2019, BEST entered into a Joint Venture with the City Government of Passi, Iloilo for the establishment and operations of the Passi City Integrated Waste Management Facility, the first PPP project awarded to BEST. The facility was opened in 2021.

As of September 30, 2023, BEST is actively engaged in advanced stages of development for the realization of its additional PPP projects, which will place BEST at the forefront of the waste management industry all over the Philippines.

In addition, considering the ongoing focus and drive for compliance with proper waste management in the private and commercial sectors, BEST plans to further expand its operations in private waste collection and disposal within Metro Manila and its environs.

With the Group's aspiration to transform the waste value chain by creating and implementing innovative and data-driven programs with organizations sharing the same goal of maximizing resource recovery and circularity, BEST launched My Basurero App - a waste collection hailing app that provides sustainable logistics solutions to individuals or organizations wanting to maximize waste diversion and implement proper waste disposal.

BEST believes in the importance of education on the grassroots level, to fully realize behavioral change, and solve the looming waste problem in the country. The Trash to Cashback Program is an incentivized segregation at source program aiming to convert individuals to eco-champions using environmental points, product incentives, gamification and challenges. The Trash to Cashback Program is powered by bXTRA Philippines, the first cloud-based customer loyalty program provider. In line with the Extended Producer Responsibility Act of 2022 (RA 11898), the Trash to Cashback Program became the platform for multi-stakeholder participation from local government units, FMCGs, waste management solutions providers, recycling partners, and MSMEs. Tindahan Extra Mile ™: Balik PET Bottle Program (TEM) is a 3-year collaboration between Coca-cola Philippines, BEST, and Philippine Association of Sari-sari Stores and Carinderia Owners. TEM is a World Without Waste program partnership, powered by the Trash to Cashback System, paving the way for households to collect and recycle PET bottles and other recyclables through micro-retail stores empowerment.

The World Wide Fund for Nature (WWF) started a three-year project entitled 'Clean Ports, Clean Oceans: Improving Port Waste Management in the Philippines' funded by the Grieg Foundation. The project focuses on three ports in the Philippines, namely the Manila North Port, Port of Batangas, and Port of Cagayan de Oro. WWF-Philippines is working closely with BEST in Port of Cagayan de Oro to undertake a proof of concept of Trash to Cashback Program to improve port waste management.

With these new projects, BEST aims for behavior modification and sustainability, by taking traditional methods and infusing modern systems and technologies to change the way people view waste and waste management.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying interim consolidated financial statements have been prepared using the historical cost basis and presented in Philippine Peso (₱), the Group's functional currency. All amounts are rounded to the nearest Philippine Peso unless otherwise indicated.

The accompanying consolidated financial statements have been prepared under the going concern assumption. While the government eases restrictions of business activities to revive economic growth, the impact of COVID-19 may continue to evolve giving inherent uncertainties on businesses.

Statement of Compliance

The interim consolidated financial statements have been prepared in accordance with the Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

The interim consolidated financial statements prepared following a reverse acquisition are issued under the name of the Parent Company (legal parent or accounting acquiree) but is a continuation of the financial statements of BEST (legal subsidiary or accounting acquirer). The consolidated financial statements comprise the financial statements of the Parent Company and BEST.

The interim consolidated financial statements are prepared based on the principles of reverse acquisition involving a non-trading shell company. The accounting acquiree is fully consolidated from the date of acquisition or incorporation, being the date on which the accounting acquirer obtains control, and continues to be consolidated until the date that such control ceases.

All intra-group balances, transactions and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Noncontrolling interest (NCI) represent the portion of profit or loss and the net assets not held by the Group and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position and consolidated statements of changes in equity.

Acquisitions of NCI are accounted for using the acquisition method, whereby the Group considers the acquisition of NCI as an equity transaction. Any premium or discount on subsequent purchases from NCI shareholders is recognized directly in equity and attributed to the equity holders of the Parent Company.

Change in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Group’s financial statements are consistent with those of the previous financial year except that the Group has adopted the following new accounting pronouncements starting January 1, 2022. Unless otherwise indicated, the adoption of these pronouncements did not have significant impact on the financial statements.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- Annual Improvements to PFRSs 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Significant Accounting Policies

<u>Current versus Non-current Classification</u>
The Group presents assets and liabilities in statement of financial position based on current or non-current classification.

An asset as current when it is:
(a) Expected to be realized or intended to be sold or consumed in normal operating cycle;
(b) Held primarily for the purpose of trading;
(c) Expected to be realized within twelve months after the reporting period; or
(d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:
(a) It is expected to be settled in normal operating cycle;
(b) It is held primarily for the purpose of trading;
(c) It is due to be settled within twelve months after the reporting period; or
(d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

Deferred tax assets and liabilities are classified as noncurrent.

<u>Financial Instruments</u>
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

<u>Financial assets</u>
Initial recognition of financial instruments
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

As of September 30, 2023 and December 31, 2022, the Group's financial assets pertain to financial assets at amortized cost (debt instruments).

Financial assets at amortized cost
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash, receivables and deposits.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognized (i.e., removed from the consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., customer type). The calculation reflects the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include "Trade and other payables" (other than "Payable to government agencies" which is covered by other accounting standard) and "Loan Payable".

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings and other payables
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings, and other payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss.

This category generally applies to "Trade and other payables" (excluding payable to government agencies) and "Loan payable".

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially

different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the assets or liability, assuming that market participants act in their economic best interest.

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: Valuation techniques for which the lowest input that is significant to the fair value measurement is directly or indirectly observable; and
Level 3: Valuation techniques for which lowest level input that is significant to the fair value measurement is observable.

Financial instruments
The fair values for financial instruments traded in active markets at the reporting date are based on their quoted market prices (any price between the bid and ask spread), without any deduction for transaction costs. When current market prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models. Any difference noted between the fair value and the transaction price is treated as expense or income, unless it qualifies for recognition as some type of asset or liability.
Nonfinancial asset
Fair value measurement of nonfinancial asset, such as investment property, property and equipment, and investments in an associate and a joint venture takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement and for non-recurring fair value measurement. External valuers are involved for valuation of significant assets, such as investment property. Involvement of external valuers is decided upon annually by management.

Other Current Assets

Prepayments represent expenses not yet incurred but already paid in advance. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit and loss as the benefits are consumed in operations or expired with the passage of time. Input value-added tax and creditable withholding tax are recognized as assets to the extent that it is probable that the benefit will flow to the Group. These are derecognized when there is a legally enforceable right to apply the recognized amounts against the related tax liability within the period prescribed by the relevant tax laws.

Other assets

Other assets pertain to the expenses incurred in relation to the design, engineering, and construction of the sanitary landfill related to the project under the joint venture agreement between the Group and a local government unit. These expenses are considered as costs to fulfill a contract which are capitalizable under PFRS 15, *Revenue from Contracts with Customers.* In order for an entity to recognize an asset from the costs incurred to fulfill a contract, those costs must meet all of the following criteria: (a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify; (b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) the costs are expected to be recovered.

Investments in an Associate and a Joint Venture

Associates are entities in which the Group has significant influence and which are neither subsidiaries nor joint ventures of the Group. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

A joint venture is an entity, not being a subsidiary or an associate, in which the Group exercises joint control together with one or more venturers. Investments in an associate and a joint venture are accounted for under the equity method of accounting in the consolidated financial statements.

Under the equity method, the investments in associate and joint venture are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate and joint venture, less dividends declared and impairment in value.

The interest in an associate and a joint venture is the carrying amount of the investment in the associate and joint venture under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associate and joint venture.

After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss with respect to the Group's net investments in the associate and joint venture. The consolidated statements of comprehensive income reflects the Group's share in the results of operations of its associate and joint venture. This is included in the "Equity in net earnings (losses) of an associate and a joint venture" account in the consolidated statements of comprehensive income.

Interest in a Joint Operation

The Group has an interest in a joint arrangement, whereby the parties have a contractual arrangement that establishes joint control. The Group's interest in the joint arrangement is classified as a Joint Operation and recognizes its share of jointly held assets, liabilities, income and expenses of the joint operation with similar items, line by line in its financial statements.

Investment Property

Property held for long-term rental and/or capital appreciation are classified as investment property. Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property, except land, is stated at cost, less any accumulated depreciation and amortization and any accumulated impairment in value. Land is stated at cost, less any accumulated impairment losses.

Investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation, commencement of an operating lease to another party or by the end of construction or development.

Depreciation of investment property is computed using the straight-line method over the estimated useful life of 35 years.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when such cost is incurred if the recognition criteria are met.

Depreciation of property and equipment, other than land and identified development cost specific to the landfill cells, is computed using the straight-line method over the following estimated useful lives:

	Years
Condominium units and improvements	35
Development costs	5 to 15
Transportation and heavy equipment	5 to 10
Office furniture and fixtures	2 to 5
Leasehold improvements	5 or over the period of lease term, whichever is shorter

The Group's land used as sanitary landfill and identified development costs specific to the landfill cells are depreciated using the unit of production method (i.e., volume of landfill utilized over the total landfill utilization capacity).

The estimated salvage value, useful lives and depreciation method are reviewed periodically to ensure that the salvage value, period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment. The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that a nonfinancial asset (i.e., property and equipment, investment property, and investments in an associate and a joint venture) may be impaired. If any such indication exists, or when annual impairment testing for a nonfinancial asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

Investments in an associate and a joint venture
After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the investee companies. The Group determines at each reporting date whether there is any objective evidence that the investment in an associate or a joint venture is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of fair value less cost to sell or value-in-use) and the carrying value of the investments in an associate or a joint venture and recognizes the difference in profit or loss.

Asset Rehabilitation Obligation (ARO-liability)
The Group is legally required to rehabilitate the land used as landfill through performance of certain maintenance and monitoring functions at site for a minimum of ten (10) years. Although rehabilitation costs will only be incurred and paid when the last phases/cells of the landfill reach final waste elevation, the event that gives rise to the obligation is the actual development and operations conducted by the Group in the landfill. The provision for rehabilitation is made based on historical experience and benchmarking of costs from other similar operations undertaken by companies within the same industry.

The estimated cost of Asset Rehabilitation Obligation was recognized by the Group as part of property and equipment under "ARO-Asset" account. The capitalized asset is depreciated on a straight-line basis over the period of expected utilization of the landfill. The amount of related obligation is recognized and carried at amortized cost using the effective interest method. The Group regularly assesses the sufficiency of provision for ARO-liability and adjusts the related liability for changes in estimates.
Equity
Capital stock
Capital stock is measured at par value for all shares issued and outstanding. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Retained earnings
Retained earnings represent the cumulative balance of net income or loss of the Group, net of any dividend declaration. Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders, after adjustments for any unrealized items, which are considered not available for dividend declaration. Appropriated retained earnings represent that portion which has been restricted and therefore is not available for any dividend declaration.

Equity reserve
Equity reserve pertains to the effect of reverse acquisitions and actuarial gains (losses) on defined benefit obligation.

Revenue from Contracts with Customers
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in all of its revenue arrangements.

Income from tipping fee
Transaction price is determined to be the contract price stated in each contract service. Hauling of municipal residual waste to Morong Engineered Sanitary Landfill (the Facility) and use of LGU of the Facility is considered as a single performance obligation, therefore it is not necessary to allocate the transaction price. The service is capable of being distinct from the other services and the transaction price for each service is separately identifiable. Income from tipping fee is recognized at a point in time and when the Group satisfies a performance obligation by transferring a promised service to the customer.

Consultancy/field services
The transaction price is determined to be the contract price stated in each contract service. The Group's responsibility as the contractor to manage, operate, and maintain the principal's (IPMCDC) Material Recovery Facility is considered as a single performance obligation since two or more services are significantly affected by each other. Considering that the Group would not be able to fulfill its obligation by transferring each of the services independently, it is not necessary to allocate the transaction price. Income from consultancy/field

services is recognized over the time the related services are rendered and upon the customer's simultaneous receipt of the services provided by the Group.

Hauling income
The transaction price is determined to be the price stated in each contract service or work orders. Collection of residual waste from the customer's garbage room and its disposal is considered as a single performance obligation, therefore it is not necessary to allocate the transaction price. The service is capable of being distinct from the other services and the transaction price for each service is separately identifiable. Income from hauling services is recognized at a point in time the related services are rendered and when the Group satisfies a performance obligation by transferring a promised service to the customer.

<u>Rental income</u>
Rental income pertains to the transportation and heavy equipment leased out by the Group and a portion of its office space leased under cancellable operating lease. Rental income is recognized when earned over the time the related services are rendered.

<u>Costs and Expenses</u>
Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in Group's equity, other than those relating to distributions to stockholders.

Cost of services
Cost of services include costs relating directly to a specific contract, costs that are attributable to a contract activity in general and can be allocated to the contract and other costs that can be charged to the customer under the contract.

These are recognized when incurred and is measured based on the actual costs and valuation of goods or services used or consumed.

General and administrative expenses
General and administrative expenses are recognized in profit or loss in the period these are incurred and is measured based on the actual costs and valuation of goods or services used or consumed.

<u>Retirement Cost</u>
The Group has funded, non-contributory retirement plan, administered by a trustee, covering its regular employees. Retirement cost is actuarially determined using the projected unit credit method.

This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Defined retirement costs comprise the following:

(a) Service costs
(b) Net interest on the net defined benefit liability
(c) Remeasurements of net defined benefit liability

Service costs which include current service cost and gains or losses on non-routine settlements are recognized as expense in profit or loss. These amounts are calculated periodically by independent qualified actuaries.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

<u>Short-term Benefits</u>
The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Group to its employees include compensation, social security contributions, short-term compensated absences, bonuses and other non-monetary benefits.

Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of the reporting date.

Deferred tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Value-Added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

- When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position.
- When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

Other Comprehensive Income

Other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statements of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRSs. Other comprehensive income includes actuarial gains and losses on defined benefit obligation. Other comprehensive income that will be reclassified subsequently to profit or loss is presented separately from other comprehensive income that will not be reclassified to profit or loss in the future.

Operating Segment

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Disclosure of segment information is presented in Note 24.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss, net of any reimbursement.

Contingencies

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

Basic/Diluted Earnings Per Share (EPS)

EPS is computed by dividing net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year, with retroactive adjustments for any stock dividends declared.

3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in compliance with PFRSs requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and

disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.
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.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements. Among the significant accounting judgments made by the Group are as follows:

Identification of contract with customers and performance obligation under PFRS 15
The Group applies PFRS 15 guidance to a portfolio of contracts with similar characteristics as the Group reasonably expects that the effects on the financial statements if applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts within that portfolio. The Group viewed each contract as a single performance obligation.

Assessment of principal vs agent on income from hauling services
The Group has contract with customers for the collection, hauling and disposal of municipal solid wastes including street sweeping. The Group acts as a principal and recognizes revenue at gross amount that is retained for these arrangements. Revenue is recognized at a point in time (i.e., upon receipt of the solid wastes) because this is when the customer benefits from the Group's hauling services. The following factors indicate that the Group control the services before they are being transferred to customers. Therefore, the Group determined that it is acting as a principal in these contracts.

- The Group is primarily responsible for fulfilling the promise to provide the hauling services to the customers.
- The Group is the entity primarily liable to customers in the event of default or non-performance.

Assessment of control
The Parent Company classifies its investee companies as subsidiary if the Parent Company achieves control over the companies. Control is presumed to exist if the Parent Company has the following characteristics:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

Control is achieved when the Parent Company is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In the event the Parent Company loses this power, the Parent Company will have to change the classification of its investment in investee companies. BEST is the combining entity whose owners as a group received the largest portion of the voting rights in the Group, hence, is regarded as the accounting acquirer.

As of September 30, 2023 and December 31, 2022, BEST holds 60% interest in Ecoedge Resources Corporation (ERC), which is accounted as investment in a joint venture.

Joint control exists as decisions about the relevant activities of ERC require the unanimous consent of BEST and Lafarge Industrial Ecology International, S.A (LIEI), which is supported by the contractual agreement of the parties to the following:

- The affirmative vote of shareholders representing at least 75% of the issued share capital shall be required to pass a shareholders' resolution;
- ERC shall be governed by the BOD that will comprise five (5) directors (three (3) nominated by BEST and two (2) nominated by LIEI), whereby four (4) directors shall be required to pass a board resolution.

Assessment of significant influence
The Group classifies its investee companies as an associate if the Group has significant influence in the investee company. Significant influence is presumed to exist if the Group has a holding of 20% or more of the voting power of the investee. Holding of less than 20% of the voting power is presumed not to give rise to significant influence, unless it can be clearly demonstrated that there is in fact significant influence.

As of September 30, 2023 and December 31, 2022, the Group holds 16% interest in Metro Clark Waste Management Corporation (MCWM), which is accounted as investment in an associate. The Group exercises significant influence in MCWM due to the presence of BEST's representatives in the Board of Directors of MCWM. Hence, BEST effectively has a participation in the policy-making processes of MCWM.

Operating lease - Group as lessor
The Group has entered into various commercial property leases on its investment property and transportation and heavy equipment. The Group has determined that it retains all the significant risks and rewards of ownership of the property as the group considered, among others, the length of the lease term as compared with the estimated life of the assets. The Group's operating lease contracts are accounted for as cancellable operating leases. In determining whether a lease contract is cancellable or not, the Group considers, among others, the significance of the penalty, including economic consequence to the lessee.

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainty as of the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years, are discussed below:

Allowance for expected credit losses on receivables
The Group uses a provision matrix to calculate ECLs for its receivables. The provision matrix is initially based on the Group's historically observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historically observed default rates, forward-looking information, and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecasted economic conditions.

The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future.

The Group has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. The changes in the gross carrying amount of receivables from income from waste collection during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

The Group's trade receivables amounting to ₱715.75 million and ₱725.92 million are secured by shares of stocks of the Parent Company as of September 30, 2023 and December 31, 2022, respectively (see Note 15). These credit enhancements are considered in the calculation of ECL.

The allowance for expected credit losses on receivables amounted to ₱13.32 million as of September 30, 2023 and December 31, 2022. The carrying amounts of receivables amounted to ₱900.78 million and ₱927.03 million as of September 30, 2023 and December 31, 2022, respectively (see Note 5).

Estimation of Asset Rehabilitation Obligation (ARO-liability)
The Group is legally required to rehabilitate the land used as landfill through the performance of certain maintenance and monitoring functions at site. These costs are accrued based on internal estimates which include costs of certain environmental monitoring system costs (i.e., road, drainage, soil cover, greening costs and leachate management), cost for general administration (i.e., utilities and administration facilities), and security services.

The assumptions used to compute ARO-liability are reviewed and updated annually by the Group. As of September 30, 2023 and December 31, 2022, the cost of asset rehabilitation obligation is computed based on the Group's assessment on expected costs to be incurred and timing of rehabilitation procedures.
The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

As of September 30, 2023 and December 31, 2022, the Group's ARO-liability has a carrying value of ₱31.28 million. (see Note 22).

Determining Estimated Total Capacity, Utilized Capacity and Salvage Value of Land and Development Costs Used as Landfill
The Group estimates the capacity based on actual volume and compacted volume of trash received. For the salvage value of the land used as sanitary landfill, the Group bases its estimates on the latest appraisal report done by an external appraiser. Determined utilization rate is used to depreciate the land used as sanitary landfill and the related development cost. This rate is annually assessed and reviewed based on the actual utilization during the year including the remaining capacity of the landfill.

The Group reviews annually the utilization rate and salvage value of the land and development costs and factors that include asset use, internal technical evaluation, and technological and environmental changes, and anticipated use of the assets.

As of September 30, 2023 and December 31, 2022, the carrying value of the land used as sanitary landfill and development costs amounted to ₱141.71 million and ₱146.08 million, respectively (see Note 10).

Impairment of nonfinancial assets (other than investments in an associate and a joint venture)
The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. The Group recognizes an impairment loss if such indications are present and whenever the carrying amount of an asset exceeds its recoverable amount.

This requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Group to conclude that these assets are impaired. Any resulting additional impairment loss could have a material adverse impact on the Group's financial condition and results of operations.

As of September 30, 2023 and December 31, 2022, the Group did not recognize any impairment loss on its nonfinancial assets. As of September 30, 2023 and December 31, 2022, the carrying values of the Group's nonfinancial assets are as follows:

	September 30, 2023	December 31, 2022
Property and equipment (Note 10)	**₱210,835,212**	₱211,400,882
Investment property (Note 9)	**30,525,678**	101,881,105
Other current assets (Note 6)*	**57,621,082**	39,118,942
Other noncurrent assets (Note 11)	**23,778,758**	21,992,203

**Excluding deposits*

Estimating retirement benefits
The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates in the Philippines. The present value of defined benefit obligation as of September 30, 2023 and December 31, 2022 amounted to ₱1.75 million and ₱3.05 million, respectively. Further details about the assumptions used are provided in Note 19.

Recognition of deferred tax assets
The Group's assessment on the recognition of deferred tax assets on future deductible temporary differences and carry forward benefit of NOLCO is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Group's past results and future expectations on revenues and expenses.

Deferred tax assets as of September 30, 2023 and December 31, 2022 amounted to ₱10.68 million and ₱13.62 million, respectively (see Note 20).

4. **Cash**

	September 30, 2023	December 31, 2022
Cash on hand	**₱2,210**	₱164,710
Cash in bank	**50,944,701**	25,363,335
	₱50,946,911	₱25,528,045

Cash in banks earn interest at the prevailing bank deposit rates.

5. **Receivables - net**

Current receivables

	September 30, 2023	December 31, 2022
Trade receivables		
Related parties (Note 15)	**₱849,962,893**	₱877,887,264
Local government units (LGUs) (Note 22)	**23,512,685**	20,180,123
Private entities	**36,609,277**	37,993,296
	910,084,855	936,060,683
Advances to officers and employees	**2,902,964**	2,519,283
Others	**1,113,534**	1,773,332
	914,101,353	940,353,298
Less allowance for expected credit losses	**13,323,318**	13,323,318
	₱900,778,035	₱927,029,980

Trade receivables pertain to receivables from services rendered and rental of equipment by BEST in the ordinary course of its business operations. Trade receivables are noninterest-bearing and collectible on demand.

Advances to officers and employees mainly pertain to various advances for performance bond in relation to bidding activities of BEST. These are noninterest-bearing and subject to liquidation within one year.

Other receivables include receivables of the Parent Company, fully provided with allowance for expected credit losses.

Noncurrent receivables

	September 30, 2023	December 31, 2022
Loan receivables – related party (Note 15)	**₱31,000,000**	₱31,000,000
Interest receivable – related party (Note 15)	**10,636,060**	9,750,820
	₱41,636,060	₱40,750,820

Allowance for expected credit losses as of September 30, 2023 and December 31, 2022 pertains to long-outstanding trade and other receivables of the Group which were determined to be credit impaired and with expected credit losses assessed by the management.

6. Other Current Assets

	September 30, 2023	December 31, 2022
Deferred input VAT	**₱10,522,776**	₱8,600,224
Input VAT	**14,135,092**	11,103,126
Prepayments	**31,761,920**	17,702,294
Creditable withholding taxes	**7,353,651**	7,865,655
Deposits	**15,669**	15,669
	63,789,108	45,286,968
Less allowance for impairment losses	**6,152,357**	6,152,357
	₱57,636,751	₱39,134,611

Input VAT represents VAT paid by the Group on its purchases of goods and services from VAT-registered suppliers. This is available for offset against output VAT.

Creditable withholding taxes are applied against income tax payable.

Prepayments include advanced payment to the supplier for the services to be rendered in relation to the development of a software application of the Group.

Deferred input VAT pertains to VAT of unpaid purchases as of reporting period.

The Group provided allowance for impairment on its creditable withholding taxes and input VAT due to low probability that these assets may be utilized in the future.
The movement in allowance for impairment losses follows:

	September 30, 2023	December 31, 2022
Balance at beginning of year	**₱6,152,357**	₱5,971,148
Provision (reversal) for the year (Note 18)	**-**	181,209
Balance at end of year	**₱6,152,357**	₱6,152,357

7. Investments in an Associate and a Joint Venture

The details of the Group's investments in an associate and a joint venture accounted for under the equity method as of September 30, 2023 and December 31, 2022 follow:

	Associate		Joint Venture			
	Metro Clark Waste Management Corporation (MCWM)		Ecoedge Resources Corporation (ERC)		Total	
	30-Sept-2023	31-Dec-2022	**30-Sept-2023**	31-Dec-2022	**30-Sept-2023**	**31-Dec-2022**
Cost	**₱32,393,358**	₱32,393,358	**51,412,499**	51,412,499	**₱83,805,857**	₱83,805,857
Accumulated share in net earnings (losses):						
Balance at beginning of year	**152,995,052**	132,879,852	**(51,412,499)**	(51,412,499)	**101,582,553**	81,467,353
Equity in net earnings (losses) of an associate and a joint venture	-	37,715,200			-	37,715,200
Other adjustments to equity in net earnings (losses) of an associate and a joint venture	–	–			–	–
Dividends during the year	**(16,000,000)**	(17,600,000)			**(16,000,000)**	(17,600,000)
Balance at end of year	**136,995,052**	152,995,052	**(51,412,499)**	(51,412,499)	**85,582,553**	101,582,553
	₱169,388,410	₱185,388,410	₱–	₱–	**₱169,388,410**	₱185,388,410

In 2022, the Group stopped recognizing its share in net losses of ERC since the accumulated losses exceeded the total cost of interest in ERC. The cumulative unrecognized share in net losses of ERC amounted to ₱16.14 and ₱5.23 million as of December 31, 2022 and 2021, respectively.

MCWM
MCWM was incorporated on March 6, 2002 with the primary purpose of managing, supervising and operating a waste management system for the efficient, hygienic, and economical collection, segregation, recycling, composting, filling, disposing, treating and managing of commercial, industrial and other waste garbage, refuse and similar items and engaging in related activities. The registered business address of MCWM is at Clark Special Economic Zone, Clark Field Pampanga.

ERC
On November 6, 2013, BEST entered into a joint venture agreement with Lafarge Industrial Ecology International, S.A. (LIEI) to organize and establish ERC to engage in the development, utilization of renewable energy sources for non-power applications, and in particular, the production, processing, packaging, distribution and/or sale of fuel generated from municipal solid waste, such as refuse derived fuel, and pursuant thereto, to establish renewable energy systems or facilities, and to engage in any activity pursuant or incidental thereto. ERC was incorporated on November 27, 2013 and its registered address is at Unit 103, GF Prestige Tower Condominium, F. Ortigas Jr. Avenue, Ortigas Center, Pasig City.

There are no significant restrictions on the ability of the associate and the joint venture to transfer funds to the Group in the form of cash dividends or to repay loans or advances made by the Group.

8. Deposits

As of September 30, 2023 and December 31, 2022, BEST has deposits to GSIS as surety bond amounting to ₱1.99 million. These deposits were made in favor of BEST's contracting parties, which are government offices, so that the completion of the project is guaranteed. If the Group fails to execute the services according to the specifications laid out in the respective contracts, the government offices will receive guaranteed compensation for any monetary loss up to the amount of the performance bond.

9. Investment Property

	September 30, 2023		
	Land	Condominium Unit	Total
Cost			
Beginning and end of year	**₱-**	**₱44,762,040**	**₱44,762,040**
Accumulated depreciation			
Balance at beginning of year	**-**	**13,200,935**	**13,200,935**
Depreciation (Note 17)	**-**	**1,035,427**	**1,035,427**
Balance at end of year		**14,236,362**	**14,236,362**
Net book value	**₱-**	**₱30,525,678**	**₱30,525,678**

	December 31, 2022		
	Land	Condominium Unit	Total
Cost			
Balance at end of year	₱70,320,000	₱44,762,040	₱115,082,040
Accumulated depreciation			
Balance at beginning of year	-	11,820,364	11,820,364
Depreciation (Note 17)	-	1,380,571	1,380,571
Balance at end of year		13,200,935	11,320,935
Net book value	₱70,320,000	₱31,561,105	₱101,881,105

BEST leased out portions of the other unit to its joint venture and to another private company. The rental income recognized from lease agreements amounted to ₱0.21 million, ₱0.21 million and ₱0.80 million in 2022, 2021 and 2020, respectively. Direct costs for investment property pertain to depreciation amounting to ₱1.04 million and ₱1.38 million as of September 30, 2023 and December 31, 2022, is recognized in cost of services.

10. Property and Equipment

September 30, 2023

	Land	Condominium Unit and Improvements	Transportation and Heavy Equipment	Office Furniture and Fixtures	Development Costs	Leasehold Improvements	ARO-Asset (Note 22)	Construction in Progress (Note 11)	Total
Cost									
At January 1	₱132,914,160	₱30,829,613	₱124,224,371	₱8,394,095	₱250,215,313	₱793,187	₱11,323,308	₱9,839,839	₱568,533,886
Additions		–	1,764,822	343,481	13,002,698	–	–	3,769,973	18,880,974
Other adjustments			-		-				-
At September 30	132,914,160	30,829,613	125,989,193	8,737,576	263,218,011	793,187	11,323,308	13,609,812	587,414,860
Accumulated Depreciation and Amortization									
At January 1	19,104,715	9,772,699	122,180,423	8,326,036	185,644,615	781,208	11,323,308	–	357,133,004
Depreciation and amortization (Notes 17 and 18)	2,326,549	589,978	1,365,107	106,228	15,046,804	11,979	–		19,446,644
At September 30	21,431,264	10,362,677	123,545,530	8,432,264	200,691,419	793,187	11,323,308	-	376,579,648
Net Book Value	₱111,482,896	₱20,466,936	₱2,443,663	₱305,312	₱62,526,591	₱	₱–	₱13,609,812	₱210,835,212

December 31, 2022

	Land	Condominium Unit and Improvements	Transportation and Heavy Equipment	Office Furniture and Fixtures	Development Costs	Leasehold Improvements	ARO-Asset (Note 22)	Construction in Progress (Note 11)	Total
Cost									
At January 1	₱133,414,160	₱30,829,613	₱124,224,371	₱8,333,881	₱230,943,937	₱793,187	₱11,323,307	₱3,380,207	₱543,242,663
Additions		–	–	60,214	19,271,375	–	–	6,459,832	25,791,222
Other adjustments	(500,000)								(500,000)
At December 31	132,914,160	30,829,613	124,224,371	8,394,095	250,215,312	793,187	11,323,307	9,839,839	568,533,885
Accumulated Depreciation and Amortization									
At January 1	15,404,679	8,872,866	119,781,036	6,431,775	158,480,852	634,707	11,323,307	–	320,929,222
Depreciation and amortization (Notes 17 and 18)	3,700,036	899,853	2,399,387	1,894,261	27,163,763	146,501	–		36,203,781
At December 31	19,104,715	9,772,699	122,180,423	8,326,036	185,644,615	781,208	11,323,307	-	357,133,003
Net Book Value	₱113,809,445	₱21,056,914	₱2,043,948	₱68,059	₱64,570,698	₱11,978	₱–	₱9,839,839	₱211,400,882

The Group's property and equipment have no restrictions nor pledged as security for any liability.

As of September 30, 2023 and December 31, 2022, the carrying value of the land used as sanitary landfill (included as part of Land) amounted to ₱79.18 million and ₱81.51 million, respectively. In 2021, the Group acquired a land for the expansion of sanitary landfill in Morong, Rizal, amounting to ₱19.05 million.

Joint Operation
On September 25, 2019, the Group entered into an agreement with the City of Passi, Iloilo, a local government unit and a political subdivision of the Government of the Republic of the Philippines. The Project shall comprise of the planning, preparation, development, financing, engineering, construction, procurement, and installation of the Passi City Integrated Waste Management Facility, as well as its management, operation, maintenance, and physical closure, thereafter, including the transfer of the sanitary landfill upon termination date of the agreement. The Project shall be utilized as the final disposal site for solid waste generated by the members of the Passi City Cluster of LGUs (CLGU). The Project site comprises of a parcel of land in Passi City, Iloilo, owned by the CLGU. The Group shall undertake the financing, design, engineering, construction and installation of the sanitary landfill, as well as its operation and maintenance, and conduct its physical closure and turn over to the CLGU at the termination of the agreement. In consideration of the services to be provided by the Group, the CLGU shall pay the Group, on a monthly basis, a tipping fee per metric ton of solid waste disposed to the sanitary landfill. The parties shall have the following pro-rata participation interest of 82:18 (BEST:CLGU) based on the annual net income after tax of the Project. The agreement shall become effective upon signing date and will expire on the date when the sanitary landfill has been utilized up to its maximum capacity.

In 2019, the Group has started the design and engineering of the sanitary landfill and has capitalized expenses amounting to ₱9.32 million and ₱45.84 million as part of Development Cost in 2022 and 2021, respectively. The Passi City Integrated Waste Management Facility opened in 2021.

The Group classified its joint arrangement with the CLGU as "Joint Operation" since the joint arrangement's legal form does not confer separation between the parties and separate vehicle, the parties have the rights to the assets and obligations for the liabilities in proportion to the interests agreed by parties and there is an indication that the parties have no rights to the net assets of the Joint Operation.

11. **Other Noncurrent Assets**

	September 30, 2023	December 31, 2022
Advances to landowners	**₱17,000,000**	₱17,000,000
Intangible assets	**6,778,758**	4,992,202
Total	**₱23,778,758**	₱21,992,202

Advances to landowners pertain to downpayment on purchase of land with a total purchase price of ₱69.55 million. The remaining balance will be payable in three (3) equal tranches subject to the following conditions:

a. 1st tranche, upon lapse of 3 months from the date of downpayment and upon submission to the Group of the certified true copy of the transfer certificate of title which the Group paid in 2022 amounting to ₱5.00 million;

b. 2nd tranche, upon lapse of 3 months from the date of 1st tranche and upon submission to the Group of the supporting documents for processing of title transfer; and

c. 3rd tranche, upon lapse of 3 months from the date of 2nd tranche and upon execution of the deed of absolute sale.

Intangible assets pertain to My Basurero App which was completed towards the end of 2021 and partnered to bXTRA wherein the customers earn cashback for every waste disposal.

12. **Trade and Other Payables**

	September 30, 2023	December 31, 2022
Trade payables		
Related parties (Note 15)	**₱3,469,800**	₱5,114,385
Third parties	**2,001,393**	1,082,185
	5,471,193	6,196,570
Deferred output VAT	**99,160,036**	101,633,047
Payable to government agencies	**20,727,858**	23,869,333
Accrued expenses	**2,938,510**	1,612,618
	₱128,297,597	₱133,311,568

Trade payables comprise of payables in the contracting and consulting operations of BEST to provide waste disposal services. These are noninterest-bearing and are due and demandable.

Payable to government agencies pertain to documentary stamp tax, withholding tax on compensation and expanded withholding tax. These also include liabilities arising from contributions to Social Security System, Philippine Health Insurance Corporation and Home Development Mutual Fund, which are remitted within one month from the reporting period.

Accrued expenses pertain to accruals of professional fees, salaries and wages and professional services which are normally settled within 12 months.

13. **Loan Payable**

On November 5, 2015, BEST obtained a loan from a local bank for working capital requirements amounting to ₱100.00 million and is due for settlement on October 20, 2016. The loan is unsecured and with interest rate of 4.00% per annum. The interest on loan is paid on a monthly basis and the principal was rolled over prior to its maturity.

Interest expense on loan payable amounted to ₱5.08 million, ₱5.19 million, and ₱5.82 million and in 2022, 2021 and 2020, respectively.

As of September 30, 2023 and December 31, 2022, the outstanding balance of loan payable amounted to nil and ₱85.00 million, respectively. The Group paid a portion of the outstanding principal amounting to ₱2.00 million in June 2023 and the remaining balance of ₱83.00 million was fully paid in July 2023.

14. **Equity**

Capital Stock

The authorized capital stock of the Parent Company with ₱1 par value per share as of September 30, 2023 and December 31, 2022 follows:

Authorized number of shares:	
At the beginning and end of the year	740,000,000
Number of shares issued and outstanding:	
At the beginning and end of the year	690,000,000

In accordance with Annex 68-K of Revised SRC Rule 68, below is a summary of the Parent Company's track record of registration of securities.

Common Shares	Number of Shares Registered	Issue /Offer Price	Date of Approval
180,000,000	180,000,000	₱1.00	August 31, 1995
10,000,000	10,000,000	1.00	April 14, 2010
500,000,000	500,000,000	1.00	June 11, 2013
690,000,000	690,000,000		

The Parent Company's total number of shareholders is 114 as of September 30, 2023 and December 31, 2022, respectively.

On May 25, 2016, the stockholders approved the increase in the Parent Company's authorized capital stock to an amount of up to ₱7.50 billion consisting of common and/ or preferred shares as may be determined by the BOD. As of June 30, 2023, the Parent Company has not yet filed its application for the increase in authorized capital stock with the SEC.

The Parent Company's unissued authorized capital stock amounted to ₱50,000,000 as of September 30, 2023 and December 31, 2022.

Retained Earnings

For purposes of dividend declaration, the retained earnings shall be that of the Parent Company presented in the separate financial statements. As of September 30, 2023 and December 31, 2022, the Parent Company is in a deficit position, hence, no dividends were declared during the years covered.

The details of the Parent Company's deficit follows:

	September 30, 2023	December 31, 2022
Balance at beginning of year	**₱226,486,244**	₱222,968,717
Net loss during the year	**2,337,113**	3,517,527
	₱228,823,357	₱226,486,244

As of September 30, 2023 and December 31, 2022, the portion of retained earnings corresponding to the undistributed equity in net earnings of the associate amounting to ₱169.39 million and ₱153.00 million, respectively, and undistributed earnings of its subsidiary amounting to ₱610.54 million and ₱602.51 million, respectively, are not available for distribution as dividends until declared by the associate and subsidiary. The investment in a joint venture has an accumulated share in net losses as of September 30, 2023 and December 31, 2022.

15. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These include: (a) parties owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Group; (b) associates; (c) joint venture; and (d) individual owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individuals.

The coverage of the Group's Material Related Party Transactions (RPT) are any related party transaction/s, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of the Group's total consolidated assets based on the latest audited financial statement. Transactions amounting to ten percent (10%) or more of the total consolidated assets that were entered into with an unrelated party that subsequently becomes a related party may be excluded from the limits and approval process required in the Group's policy.

All individual Material RPTs shall be approved by at least two-thirds (2/3) vote of the Board of Directors, with at least a majority of the independent directors voting to approve the Material RPT. In case that a majority of the independent directors' vote is not secured, the Material RPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

For aggregate RPT transactions within a twelve (12)-month period that breaches the materiality threshold of ten percent (10%) of the Group's total consolidated assets, the same board approval would be required for the transaction/s that meets and exceeds the materiality threshold covering the same related party.

The following table provides the total amount of transactions and outstanding balances that have been entered into with related parties for the relevant financial year:

September 30, 2023

Category	**Amount**	**Outstanding Balance**	**Terms**	**Conditions**
Trade receivables (Note 5)				
Shareholders				
IPMCDC (a)	**₱910,520**	**₱196,905,582**	**Noninterest-bearing; within one year**	**Secured, no impairment**
IPMESI (c)		**516,000,000**	**Noninterest-bearing; on demand**	**Secured, no impairment**
IPMRDC (d)	**–**	**34,687**	**Noninterest-bearing; on demand**	**Unsecured, no impairment**
Affiliate				
JV BEST Inc. & IPMCDC (b)	**13,258,929**	**137,000,000**	**Noninterest-bearing; on demand**	**Unsecured, no impairment**
Joint Venture				
ERC (e)	**28,661**	**22,624**	**Noninterest-bearing; on demand**	**Unsecured, no impairment**
		₱849,962,893		
Loans receivable (Note 5)				
Joint venture				
ERC (d)	**₱–**	**₱31,000,000**	**Interest-bearing; within five years**	**Unsecured, with impairment**
Interest receivable (Note 5)				
ERC (d)	**885,240**	**10,636,060**	**Within five years**	**Unsecured, no impairment**
		₱41,636,060		
Trade payables (Note 12)				
Shareholder				
IPMCDC (g)	**₱44,795,982**	**₱-3,469,800**	**Noninterest-bearing; on demand**	**Unsecured**
		₱3,469,800		

December 31, 2022

Category	Amount	Outstanding Balance	Terms	Conditions
Trade receivables (Note 5)				
Shareholders				
IPMCDC (a)	₱3,429,796	₱196,537,369	Noninterest-bearing; within one year	Secured, no impairment
IPMESI (c)	80,373,254	518,451,626	Noninterest-bearing; on demand	Secured, no impairment
IPMRDC (d)	–	34,687	Noninterest-bearing; on demand	Unsecured, no impairment
Affiliate				
JV BEST Inc. & IPMCDC (b)	159,107,143	162,840,958	Noninterest-bearing; on demand	Unsecured, no impairment
Joint Venture				
ERC (e)	57,321	22,624	Noninterest-bearing; on demand	Unsecured, no impairment
		₱877,887,264		

Loans receivable (Note 5)				
Joint venture				
ERC (e)	₱–	₱31,000,000	Interest-bearing; within five years	Unsecured, with impairment
Interest receivable (Note 5)				
ERC (f)	1,180,320	9,750,820	Within five years	Unsecured, no impairment
		₱40,750,820		
Trade payables (Note 12)				
Shareholder				
IPMCDC (g)	₱–	₱5,114,385	Noninterest-bearing; on demand	Unsecured
Accrued expenses			Noninterest-bearing; on demand	Unsecured
Affiliate				
GNCA Holdings, Inc. (GNCA) (h)	180,000	–	Noninterest-bearing; on demand	Unsecured
BOD (i)	600,000	–	Noninterest-bearing; on demand	Unsecured
		₱5,114,385		

a. BEST provides composting of waste materials services to IPMCDC and charges composting and waste processing fees based on a fixed contract price specified in the composting agreement. In 2022 and 2021, BEST charged IPMCDC for transportation and heavy equipment rental fees.

   In 2019, BEST agreed with IPMCDC that receivables will be payable upon demand. Further, on December 27, 2019, BEST entered into a memorandum of agreement (MOA) wherein IPMCDC assigned 54,200,000 shares of the Parent Company (IPMHI) to guarantee BEST's receivables from IPMCDC amounting to ₱314.45 million. On March 31, 2022, management executed a supplement to the original MOA for the extension of the guarantee and restructuring of the receivables (guaranteed by 54,200,000 shares of the Parent Company held by IPMCDC) from IPMCDC due to be paid in installment until 2023. As a result, the Group recognized a loss on restructuring and interest income amounting to ₱4.12 million and ₱2.74 million, respectively, in 2022 (see Note 18). On January 31, 2023, management reduced the shares guaranteed by IPMRDC to 35,000,000 shares of the Parent Company.

b. On August 28, 2020, IPMCDC and BEST's JV has entered into a service agreement with BEST for hauling services in Cagayan de Oro City (CDO) from February 1, 2020 to January 31, 2021 at a price not to exceed ₱ 13.50 million (VAT inclusive) per month. The service agreement has been renewed from February 1, 2021 to January 31, 2022 which was subsequently renewed for another twelve months. As of September 30, 2023 and December 31, 2022, BEST reported an income from hauling and waste collection in CDO amounting to ₱12.05 million and ₱144.64 million, respectively. Receivable from joint venture amounted to ₱137.00 million and ₱ 162.84 million as of September 30, 2023 and December 31, 2022, respectively (see Note 22).

c. In prior years, IPMESI has contracted BEST for the operation and maintenance of an Integrated Solid Waste Management Facility for a fixed monthly fee of ₱15.58 million. The contract was terminated in August 2017 and was not renewed in 2018 (see Note 22). On April 26, 2018, BEST entered into a MOA with IPMESI and IPMRDC wherein the latter assigned 65,000,000 shares and 35,000,000 shares, respectively, of the Parent Company to guarantee BEST's receivables from IPMESI amounting to ₱693.75 million. On March 31, 2022, management executed a supplement to the original MOA for the extension of the guarantee and restructuring of the receivables (guaranteed by 70,000,000 shares and 30,000,000 shares of the Parent Company held by IPMESI and IPMRDC, respectively) from IPMESI due to be paid in installment until 2023. As a result, the Group recognized a loss on restructuring and interest income amounting to ₱21.84 million and ₱12.29 million, respectively, in 2022 (see Note 18). On January 31, 2023, management reduced the shares guaranteed by IPMRDC to 18,000,000 shares of the Parent Company in consideration of the payments made in 2022.

   In 2022 and 2021, BEST collected ₱80.37 million and ₱30.00 million from IPMESI, respectively.

d. In January 2017, BEST entered into a contract of lease with ERC, whereby the latter, shall lease a portion of BEST's office space. The lease term is until December 31, 2018, renewable upon mutual agreement by the parties. The lease agreement has been renewed in 2022 until December 31, 2023.

   In 2014, BEST granted loans to ERC amounting to ₱19.00 million with 3.864% interest rate per annum and ₱ 12.00 million with 3.718% interest rate per annum which are due and demandable.

   In 2018, BEST agreed with ERC the fixing of date of collection of the former's receivable from the latter. Receivables pertaining to interest receivables amounting to ₱3.00 million are collectible within (1) year. The principal amounting to ₱31.00 million and interest receivable amounting to ₱2.03 million are collectible within five (5) years from 2018.

   In 2019, BEST agreed with ERC that the principal balance amounting to ₱31.00 million and interest receivable amounting to ₱6.21 million are collectible within five (5) years. Loan receivable from ERC amounted to ₱31.00 million as of September 30, 2023 and December 31, 2022.

   For the years ended 2022, 2021 and 2020, interest income earned from the loans amounted to ₱1.18 million each year. Accrued interest receivable amounted to ₱10.64 million and ₱9.75 million as of September 30, 2023 and December 31, 2022, respectively.

e. IPMCDC charges BEST for the rental of equipment, subcontracted services, salaries and wages, fuel and oil and repairs and maintenance costs incurred in line with the operations of BEST (see Note 17).

   On August 28, 2020, BEST has entered into a service agreement with IPMCDC to supply the necessary equipment and manpower requirements of the Group in order to efficiently undertake the works and services for collection, hauling and disposal of Municipal Solid Waste in Cagayan de Oro from February 1, 2020 to January 31, 2021 at a price not to exceed ₱12.50 million (VAT inclusive) per month. The service agreement has been renewed from February 1, 2021 to January 31, 2022 which was subsequently renewed for another twelve months. The Group incurred subcontractor costs amounting to ₱11.16 million and ₱146.96 million as of September 30, 2023 and December 31, 2022. (see Notes 17 and 22).

f. In 2013, the BOD of the Parent Company approved the grant of per diem to members of the BOD for every attendance in the regular meetings of the BOD.

   On June 27, 2018, the BOD approved the 100% increase in the *per diem* of each director. Total per diem paid to the directors amounted to ₱0.60 million and ₱0.60 million as of September 30, 2023 and December 31, 2022, respectively (see Note 18).

Revenues from Contracts with Customers

	Quarters Ended September 30		**Nine Months Ended September 30**	
	2023	2022	**2023**	2022
Income from tipping fee	**₱26,124,400**	₱25,957,775	**₱80,882,627**	₱80,353,578
Income from waste collection	**-**	36,160,714	**12,053,572**	108,482,143
Hauling income	**8,237,291**	7,714,962	**22,981,574**	23,633,716
Consultancy/Field Services	**1,363,536**	2,138,925	**4,090,609**	6,416,775
Trash to cashback	**8,058,173**	998,381	**10,126,600**	2,227,720
	₱43,783,400	₱72,970,757	**₱130,134,982**	₱221,113,932

Income from tipping fee are the fees charged by the Group to customers, usually LGUs, for the given quantity of residual wastes received at the landfill facility.

Hauling income pertains to the house to house collection of garbage and delivery to the sanitary landfill of the waste collected. On August 28, 2020, IPMCDC and BEST's JV has entered into a service agreement with BEST for hauling services in CDO from February 1, 2020 to January 31, 2021 at a price not to exceed ₱13.50 million (VAT inclusive) per month. On January 11, 2021, the service agreement between IPMCDC and BEST's JV and BEST has been renewed to twelve months, starting January 2021 at a price not to exceed ₱13.50 million (VAT inclusive) per month which was subsequently renewed for another twelve months (see Note 22). BEST reported an income from this agreement which amounted to ₱12.05 million ₱144.64 million as of September 30, 2023 and December 31, 2022, respectively.

Consultancy/field services pertains to the Group's revenue from maintaining IPMCDC and Passi's landfill facilities. During the year, the Group's income from consultancy services resulted from the operation and maintenance of Passi Integrated Waste Management Facility (see Note 15).

16. Cost of Services

	Quarters Ended September 30		Nine Months Ended September 30	
	2023	2022	**2023**	2022
Subcontracting costs (Note 15)	**₱-**	₱35,621,068	**₱11,160,714**	₱106,863,203
Depreciation and amortization	**5,463,571**	7,247,425	**19,612,703**	21,465,594
Rent (Note 15)	**8,318,133**	6,831,512	**24,916,421**	18,588,932
Salaries, wages and employee benefits	**6,200,007**	3,181,148	**13,810,051**	8,931,481
Fuel and oil (Note 15)	**1,941,169**	2,217,535	**5,212,480**	5,644,196
Repairs and maintenance (Note 15)	**258,373**	293,420	**567,289**	1,071,436
Representation expense	**-**	185,924	**-**	522,067
Taxes and licenses	**455,888**	543,098	**1,462,219**	1,521,866
Transportation and travel	**1,165,451**	161,701	**3,271,944**	968,662
Supplies	**802,033**	278,339	**1,325,153**	583,027
Utilities	**47,263**	96,027	**119,322**	384,296
Materials	**249,018**	198,661	**336,507**	206,161
Professional fees	**-**	66,768	**251,600**	66,768
Security and janitorial	**566,397**	728,490	**1,781,419**	1,623,436
Others	**3,195,272**	2,770,012	**10,406,256**	8,040,554
	₱28,662,575	₱60,421,128	**₱94,234,078**	₱176,481,679

Others include professional fees, management fees, bid expenses and documentation fees.

17. General and Administrative Expenses

	Quarters Ended September 30		Nine Months Ended September 30	
	2023	2022	**2023**	2022
Salaries and wages	**₱3,587,717**	₱3,030,475	**₱9,170,781**	₱9,148,191
Professional fees	**627,265**	340,000	**1,960,903**	1,289,009
Depreciation	**598,802**	630,101	**1,805,405**	1,890,304
Taxes and licenses	**2,814,040**	3,851,134	**3,852,640**	6,018,645
Entertainment, amusement and recreation	**378,853**	186,563	**974,594**	676,709
Transportation and travel	**129,594**	22,789	**318,739**	75,928
Repairs and maintenance	**506,427**	158,688	**722,310**	394,259
Directors' per diem	**160,000**	-	**600,000**	240,000
Utilities	**40,365**	113,639	**206,036**	305,032
Stock exchange listing fee	**115,575**	121,613	**346,725**	364,838
Fuel and oil	**193,591**	154,117	**481,348**	396,684
Office supplies	**411,304**	87,907	**541,152**	315,346
Retirement Benefits	**-**	150,000	**112,716**	350,000
Rent	**593,409**	45,536	**684,480**	226,827
Insurance	**-**	5,429	**-**	83,674
Miscellaneous	**826,805**	289,154	**2,383,307**	917,014
	₱10,983,749	₱9,187,145	**₱24,161,136**	₱22,692,460

18. Pension Plan

The Group has a funded, non-contributory defined benefit pension plan that covers all regular full-time employees. Under its defined benefit plan, the Group provides a retirement benefit equal to 22.5 days' pay for every year of credited service in accordance with the Retirement Pay Law (RA 7641). The benefit is paid lump sum upon retirement or separation in accordance with the terms of the plan. The law does not require minimum funding of the plan.

The Group's retirement fund is administered by Metropolitan Bank and Trust Company (the Trustee) under the supervision of the Board of Trustees (BOT) of the plan which delegates the implementation of the investment policy to the Trustee. The fund is subject to the investment objectives and guidelines established by the Trustee and rules and regulations issued by Bangko Sentral ng Pilipinas covering assets under trust and fiduciary agreements. The Trustee is responsible for the investment strategy of the plan.

The latest actuarial valuation date of the Group's retirement plan is as of December 31, 2022.

The following tables summarize the components of plan expense recognized in profit or loss and other comprehensive income and the funded status and amounts recognized in the consolidated statements of financial position for the plan:

	September 30, 2023		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Net pension liability**
At January 1	**₱3,048,355**	**(₱391,705)**	**₱2,656,650**
Benefit cost in profit or loss			
Current service cost (Note 18)			
Remeasurements in other comprehensive income			
Benefits paid directly by the Company	**(1,300,000)**	**-**	**(1,300,000)**
At September 2023	**₱1,748,355**	**(₱391,705)**	**₱1,356,650**

	December 31, 2022		
	Present value of defined benefit obligation	Fair value of plan assets	Net pension liability
At January 1	₱3,847,511	(₱385,202)	₱3,462,309
Benefit cost in profit or loss			
Current service cost (Note 18)	542,067	-	542,067
Net interest expense (income) (Note 18)	186,604	(18,682)	167,922
	728,671	(18,682)	709,989
Remeasurements in other comprehensive income			
Remeasurement loss - return on plan asset		12,179	12,179
Actuarial loss - changes in financial assumptions	(304,480)		(304,480)
Actuarial loss - changes in experience	(173,347)		(173,347)
	(477,827)	12,179	(465,648)
Benefits paid directly by the Company	(1,050,000)		(1,050,000)
At December 31	₱3,048,355	(₱391,705)	₱2,656,650

19. Basic/Diluted Earnings per Share

Basic/diluted earnings per share was computed as follows:

	Quarters Ended September 30		**Nine Months Ended September 30**	
	2023	2022	**2023**	2022
Net income attributable to equity holders of the parent company (a)	**₱11,899,230**	₱23,542,879	**₱15,003,030**	₱33,953,777
Weighted average number of outstanding common share (b)	**690,000,000**	690,000,000	**690,000,000**	690,000,000
Basic earnings per share (a/b)	**₱0.017**	₱0.034	**₱0.022**	₱0.049

The basic EPS is equal to the diluted EPS since the Group has no potential shares that will have a dilutive effect on EPS.

20. Commitments

As of September 30, 2023 and December 31, 2022, the Group has the following contractual commitments:

- The Group has entered into a contractual agreement with IPMCDC, the ultimate parent, to undertake the following:

  a. The Group recognized income amounting ₱9.54 million and ₱7.78 million as of September 30, 2023 and December 31, 2022, respectively, arising from the operation and maintenance of Passi Integrated Waste Management Facility (see Note 15).

  b. In 2020, BEST entered into a Joint Venture Agreement (JVA) with IPMCDC for the purpose of collection, hauling and disposal of municipal solid wastes including street sweeping in Cagayan de Oro City (CDO) for twelve (12) months beginning February 1, 2020. The agreement was renewed for another 12 months until January 31, 2023. The JV between BEST and IPMCDC was registered as a taxable entity in 2020.

     The capital contribution, participation interest in the net profits of the Joint Venture shall be shared by parties equally (50% -BEST, 50% - IPMCDC).

     On August 28, 2020, IPMCDC and BEST's JV has entered into a service agreement with BEST for hauling services in Cagayan de Oro City (CDO) from February 1, 2020 to January 31, 2021 at a price not to exceed ₱13.50 million (VAT inclusive) per month which was subsequently renewed for another twelve months. As of September 30, 2023 and December 31, 2022, BEST reported an income from hauling and waste collection in CDO amounting to ₱12.05 million ₱144.64 million, respectively.

     On August 28, 2020, BEST has entered into a service agreement with IPMCDC to supply the necessary equipment and manpower requirements of the Group in order to efficiently undertake the works and services for collection, hauling and disposal of Municipal Solid Waste in Cagayan de Oro from February 1, 2021 to January 31, 2023 at a price not to exceed ₱12.50 million (VAT inclusive) per month. The Group incurred subcontractor costs amounting to ₱11.16 million and ₱133.93 million as of September 30, 2023 and December 31, 2022, respectively (see Note 17).

- On June 19, 2019, BEST entered into a contract of lease with Megaxcess IT Solutions for a period of two (2) years beginning July 30, 2021 until June 1, 2023 whereby the latter shall lease a portion of BEST's office space. The rent income recognized during 2022, 2021 and 2020 from this agreement amounted to ₱2.45 million.

- The Group entered into contractual commitments with various municipalities of Rizal for tipping and disposal of residual wastes. Each agreement is effective for one year, renewable every year under the same terms and conditions unless, otherwise, mutually agreed upon by the parties.

  As of September 30, 2023 and December 31, 2022, outstanding balance of receivables from LGUs amounted to ₱23.51 million and ₱20.18 million, respectively (see Note 5).

- Under Republic Act 9003, the Ecological Solid Waste Management Act of 2000, the Group through BEST, being the owner and operator of the Facility is responsible for the proper physical closure of the Facility after it has been fully utilized up to its maximum capacity.

  The Group shall prepare, carry out and complete a Closure Action Plan, which shall be approved by the Department of Environment and Natural Resources – Environmental Management Bureau.

21. **Financial Risk Management Objectives and Policies**

The Group's principal financial assets and liabilities comprise of cash, receivables, deposits, due to/from related parties, trade and other payables (excluding payable to government agencies) and loans payable. The main purpose of these financial instruments is to raise finances for the Group's operations.

The Group has established a risk management function with clear terms of reference and with the responsibility for developing policies on credit risk and liquidity risk. It also supports the effective implementation of such policies. The policies define the Group's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets to the corporate goals and specify reporting requirements.

The main risk arising from the Group's consolidated financial statements are credit risk and liquidity risk. The BOD reviews and approves the policies for managing each of these risks which are summarized below:

Credit risk

Credit risk arises when the counterparty to a financial asset of the Group is unable to fulfill its obligation in time the obligation becomes due. Credit risk arises from the Group's financial assets, which comprise cash, receivables and deposits. Credit risk pertains to the risk that a party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

The table below shows the maximum exposure to credit risk of the financial assets of the Group:

September 30, 2023

	Gross Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
Financial assets at amortized cost				
Cash*	**₱50,944,701**	**₱–**	**₱50,944,701**	**₱–**
Receivables:				
Trade				
Related parties	**849,962,893**	**487,596,600**	**362,366,293**	**487,596,600**
LGUs	**23,512,685**	**–**	**23,512,685**	**–**
Private Entities	**36,609,277**	**–**	**36,609,277**	**–**
Loan	**31,000,000**	**–**	**31,000,000**	**–**
Interest	**10,636,060**	**–**	**10,636,060**	**–**
Deposits	**1,988,034**	**–**	**1,988,034**	**–**
	₱1,004,653,650	**₱487,596,600**	**₱517,057,050**	**₱487,596,600**

**Excluding cash on hand.*

December 31, 2022

	Gross Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Financial assets at amortized cost				
Cash*	₱25,363,335	₱–	₱25,363,335	₱–
Receivables:				
Trade				
Related parties	877,887,264	816,724,305	61,162,959	816,724,305
LGUs	20,180,123	–	20,180,123	–
Private Entities	37,993,296	–	37,993,296	–
Loan	31,000,000	–	31,000,000	–
Interest	9,750,820	–	9,750,820	–
Deposits	1,988,034	–	1,988,034	–
	₱1,004,162,872	₱816,724,305	₱187,438,567	₱816,724,305

**Excluding cash on hand.*

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On April 26, 2018, BEST entered into a Memorandum of Agreement with IPMESI and IPMRDC wherein the latter assigned 65,000,000 shares and 35,000,000 shares of the Parent Company, respectively, to guarantee BEST's receivables from IPMESI amounting to ₱693.74 million (see Notes 5 and 15). On March 31, 2022, management executed a supplement to the original MOA for the extension of the guarantee and restructuring of the receivables (guaranteed by 70,000,000 shares and 30,000,000 shares of the Parent Company held by IPMESI and IPMRDC, respectively) from IPMESI due to be paid in installment until 2023. The agreement is valid, binding and in full force and effect until the secured obligations are fully paid by IPMESI. IPMESI committed to pay its total liability to BEST. On January 31, 2023, management reduced the shares guaranteed by IPMRDC to 18,000,000 shares of the Parent Company in consideration of the payments made in 2022.

In March 2020, BEST entered into a Memorandum of Agreement with IPMCDC wherein the latter assigned 54,200,000 shares of the Parent Company, to guarantee BEST's receivables from IPMCDC amounting to ₱314.45 million. On March 31, 2022, management executed a supplement to the original MOA for the extension of the guarantee and restructuring of the receivables (guaranteed by 54,200,000 shares of the Parent Company held by IPMCDC) from IPMCDC due to be paid in installment until 2023. On January 31, 2023, management reduced the shares guaranteed by IPMRDC to 35,000,000 shares of the Parent Company.

The fair value of the collateral pertaining to the shares of IPMHI, net of costs to sell, as September 30, 2023 and December 31, 2022 amounted to ₱487.60 million and ₱816.72, respectively.

There were no amounts that are set-off in accordance with the requirements of PAS 32, *Financial Instruments: Disclosures and Presentations*. There were no amounts subject to an enforceable master-netting arrangement or similar agreement as of September 30, 2023 and December 31, 2022.

Credit Quality. The financial assets of the Group are grouped according to stage whose description is explained as follows:

Stage 1 - Those that are considered current and up to 120 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - Those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 120 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - Those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The table below shows determination of ECL stage of the Group's financial assets:

	September 30, 2023			
		Stage 1	**Stage 2**	**Stage 3**
	Total	12-month ECL	Lifetime ECL	Lifetime ECL
Financial Assets at Amortized Cost				
Cash*	**₱50,944,701**	**₱50,944,701**	**₱–**	**₱–**
Receivables				
Trade	**910,084,855**	**23,037,062**	**885,506,533**	**1,541,260**
Loans	**31,000,000**	–	**31,000,000**	–
Interest	**10,636,060**	**885,240**	**9,750,820**	–
Deposits	**1,988,034**	**1,988,034**	–	–
	₱1,004,653,650	**₱76,855,037**	**₱926,257,353**	**₱1,541,260**

**excluding cash on hand*

	December 31, 2022			
		Stage 1	Stage 2	Stage 3
	Total	12-month ECL	Lifetime ECL	Lifetime ECL
Financial Assets at Amortized Cost				
Cash*	₱25,363,335	₱25,363,335	₱–	₱–
Receivables				
Trade	936,060,683	44,850,101	877,887,264	13,323,318
Loans	31,000,000	–	31,000,000	–
Interest	9,750,820	–	9,750,820	–
Deposits	1,988,034	1,988,034	–	–
	₱1,004,162,872	₱72,201,470	₱918,638,084	₱13,323,318

**excluding cash on hand*

Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

The Group also ensures that there are sufficient, available and approved working capital lines that it can draw from anytime. It maintains an adequate cash in the event of unforeseen interruption of its cash collections. The Group also maintains accounts with several relationship banks to avoid significant concentration of cash with one institution.

The table below summarizes the maturity profile of the Group's nonderivative financial assets and liabilities as of September 30, 2023 and December 31, 2022 based on contractual undiscounted payments:

	September 30, 2023				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**More than One Year**	**Total**
Financial assets					
At amortized cost					
Cash	**₱50,946,911**	**₱–**	**₱–**	**₱–**	**₱50,946,911**
Receivables:					
Trade	**17,334,921**	**–**	**–**	**892,749,934**	**910,084,855**
Loan	**–**	**–**	**–**	**31,000,000**	**31,000,000**
Interest	**–**	**295,080**	**590,160**	**9,750,820**	**10,636,060**
Deposits	**–**	**–**	**–**	**1,988,034**	**1,988,034**
	₱68,281,832	**₱295,080**	**₱590,160**	**₱935,488,788**	**₱1,004,655,860**
Financial liabilities					
Trade and other payables (excluding payable to government agencies)	**₱–**	**₱8,409,702**	**₱–**	**₱–**	**₱8,409,702**
Loan payable	**–**	**–**	**–**	**–**	**–**
	₱–	**₱8,409,702**	**₱-**	**–**	**₱8,409,702**

	December 31, 2022				
	On Demand	Less than 3 Months	3 to 12 Months	More than One Year	Total
Financial assets					
At amortized cost					
Cash	₱25,528,045	₱–	₱–	₱–	₱25,528,045
Receivables:					
Trade	27,915,374	19,829,754	31,265,572	857,049,983	936,060,683
Loan	–	–	–	31,000,000	31,000,000
Interest	–	–	–	9,750,820	9,750,820
Deposits	–	–	–	1,988,034	1,988,034
	₱53,443,419	₱19,829,754	₱31,265,572	₱899,788,837	₱1,004,327,582
Financial liabilities					
Trade and other payables (excluding payable to government agencies)	₱–	₱7,809,188	₱–	₱–	₱7,809,188
Loan payable	–	–	₱85,000,000	–	85,000,000
	₱–	₱7,809,188	₱85,000,000	–	₱92,809,188

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group considers its total equity amounting to ₱1,335.03 million and ₱1,314.25 million as of September 30, 2023 and December 31, 2022, respectively, as capital.

Fair Value Information

Due to the short-term nature of the Group's financial instruments except for noncurrent loan receivables, their fair values approximate their carrying amounts as of September 30, 2023 and December 31, 2022. The carrying amount of the noncurrent loan receivables as of September 30, 2023 and December 31, 2022 amounted to ₱31.00 million.

Fair Value Hierarchy

As of September 30, 2023 and December 31, 2022, the Group has no financial instrument carried in the books at fair value. There were no transfers between Level 1 and Level 2 financial instruments, and no transfers into or out of Level 3 fair value instrument.

22. Segment Information

For management reporting purposes, the Group's businesses are classified into the following business segments: (1) investment holding and (2) service. Details of the Group's business segments are as follows:

	September 30, 2023				
	Investment Holding	**Service**	**Combined**	**Eliminations**	**Consolidated**
Revenue and other income					
Revenue from external customers	**₱–**	**₱130,134,982**	**₱130,134,982**	**₱–**	**₱130,134,982**
Intersegment revenue	**–**	**120,536**	**120,536**	**(120,536)**	**–**
Other Income		**12,680,000**	**12,680,000**		**12,680,000**
Interest income	**183**	**1,017,514**	**1,017,697**	**–**	**1,017,697**
Equity earnings	**–**	**-**	**-**	**–**	**-**
Interest expense	**₱–**	**₱3,990,127**	**₱3,990,127**	**₱–**	**₱3,990,127**
Income (loss) before tax	**(2,337,078)**	**26,498,682**	**24,161,604**	**–**	**24,161,604**
Provision for income tax	**37**	**3,894,821**	**3,894,858**	**(516,333)**	**3,378,525**
Net income (loss)	**(2,337,115)**	**22,603,861**	**20,266,746**	**516,333**	**20,783,079**
Segment assets	**485,880,325**	**1,516,423,101**	**2,002,303,425**	**(504,108,667)**	**1,498,194,759**
Segment liabilities	**24,703,683**	**162,957,572**	**187,661,255**	**(24,500,000)**	**163,161,255**
Depreciation and amortization	**–**	**15,355,735**	**15,355,735**	**–**	**15,355,735**

	December 31, 2022				
	Investment Holding	Service	Combined	Eliminations	Consolidated
Revenue and other income					
Revenue from external customers	₱–	₱307,703,173	₱307,703,173	₱–	₱307,703,173
Intersegment revenue	–	160,714	160,714	(160,714)	–
Interest income	167	16,362,949	16,363,116	–	16,363,116
Equity earnings	–	37,715,199	37,715,199	–	37,715,199
Interest expense	₱–	₱7,278,989	₱7,278,989	₱–	₱7,278,989
Income (loss) before tax	(3,517,490)	49,321,708	45,804,218	–	45,804,218
Provision for income tax	36	4,770,718	4,770,754	(516,334)	4,254,420
Net income (loss)	(3,517,526)	44,550,990	41,033,464	516,334	41,549,798
Segment assets	485,536,011	1,584,318,152	2,069,854,163	(501,137,328)	1,568,716,835
Segment liabilities	22,022,253	253,972,812	275,995,065	(21,528,654)	254,466,411
Depreciation and amortization	–	20,482,072	20,482,072	–	20,482,072

Segment revenue, segment expenses and segment results include transfers between business segments. Those transfers are eliminated at consolidation.

All of the Group's revenues are derived from operations within the Philippines, hence, the Group did not present geographical information required by PFRS 8, *Operating Segments*.

IPM HOLDINGS, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL SOUNDNESS INDICATORS
September 30, 2023

FSI	Calculation	September 30, 2023	December 31, 2022
Current Ratio	Current Assets/Current Liabilities	**7.73**	4.50
Quick Ratio	Cash + Marketable Securities + Receivables/Current Liabilities	**7.29**	4.32
Solvency Ratio	Total Assets/Total Liabilities	**9.18**	6.16
Debt Ratio	Total Debts/Total Assets	**0.11**	0.16
Debt to Equity Ratio	Liabilities/ Stockholders' Equity	**0.12**	0.19
Interest Coverage Ratio	Earnings Before Interest & Taxes/ Interest Expense	**7.06**	7.29
Asset to Equity Ratio	Assets/Stockholders' Equity	**1.12**	1.19
Gross Profit Margin	Gross Profit/Net Sales	**0.11**	0.19
Net Profit Margin	Net Income/Revenues	**0.16**	0.14
Return on Assets	Net Income/Total Assets	**0.014**	0.03
Return on Equity	Net Income/Total Stockholders' Equity	**0.016**	0.06
Book Value per share	Total Assets –Total Liabilities/ Outstanding Shares	**1.93**	1.90
Net Income per Share	Net Income/Outstanding Shares	**0.03**	0.06
Net Income per Share- Parent	Net Income/Outstanding Shares	**0.02**	0.04

	30-September-2023	31-December-2022
1. Current Ratio	**1,009,361,697/130,529,308**	991,692,636/220,534,463
2. Quick Ratio	**951,724,946/130,529,308**	952,558,025/220,534,463
3. Solvency ratio	**1,498,194,759/163,161,256**	1,568,716,835/254,466,411
4. Debt Ratio	**163,161,256/1,498,194,759**	254,466,411/1,568,716,835
5. Debt-to-Equity Ratio	**163,161,256/1,335,033,503**	254,466,411/1,314,250,424
6. Interest Coverage Ratio	**28,151,731/3,990,127**	53,083,207/7,278,989
7. Asset to Equity Ratio	**1,498,194,759/1,335,033,503**	1,568,716,835/1,314,250,424
8. Gross Profit Margin	**14,454,034/132,849,248**	58,894,239/307,703,173
9. Net Profit Margin	**20,783,079/132,849,248**	41,549,798/307,703,173
10. Return on Asset	**20,783,079/1,498,194,759**	41,549,798/1,568,716,835
11. Return on Equity	**20,783,079/1,335,033,503**	41,549,798/690,000,000
12. Book Value/Share	**1,335,033,503/690,000,000**	1,314,250,424/690,000,000
13. Net Income per Share	**20,783,079/690,000,000**	41,549,798/690,000,000
14. Net Income per Share- Parent	**15,003,032/690,000,000**	30,282,966/690,000,000

IPM HOLDINGS, INC. AND SUBSIDIARY

CONSOLIDATED AGING OF RECEIVABLES

September 30, 2023

Nature/Description	Current	1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
Income from Tipping Fee	9,308,145	3,166,602	334,612	-	7,149,388	19,958,747
Hauling Income	3,538,827	3,121,221	1,829,549	1,014,245	3,620,773	13,124,615
Waste Collection	-	-	-	-	137,000,000	137,000,000
Consultancy/Field Services	509,054	509,054	509,054	509,054	531,929,556	533,965,772
Rental	44,902	96,491	69,550	17,961	193,549,671	193,778,575
Loans Receivable	-	-	-	-	31,000,000	31,000,000
Interest Receivable	98,360	98,360	98,360	98,360	10,242,620	10,636,060
Others	329,244	187,858	397,541	204,286	1,831,397	2,950,326
Total	**13,828,532**	**7,179,587**	**3,238,666**	**1,843,906**	**916,323,403**	**942,414,095**