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## SECURITIES AND EXCHANGE COMMISSION

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Company Information

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**SEC Registration No.** AS95008557  
**Company Name** IPM HOLDINGS, INC.  
**Industry Classification** Metallic Core Mining  
**Company Type** Stock Corporation

**Document Information**

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**AS 095 - 008557**

SEC Registration Number

**I P M H O L D I N G S I N C . A N D S U B S I D I A R Y**

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\_\_\_\_\_

(Company's Full Name)

**U N I T 1 0 3 G R O U N D F L R . P R E S T I G E**

**T O W E R C O N D O M I N I U M F . O R T I G A S J R .**

**A V E N U E O R T I G A S C E N T E R P A S I G C I T Y**

\_\_\_\_\_

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

Atty. Ana Katigbak  
Contact Person

817 6791/897-5257  
Company Telephone Number

1	2	3	1
Month		Day	
Fiscal Year			

SEC Form 17-Q  
**September 30, 2018**  
FORM TYPE  
Annual Meeting

4 <sup>th</sup> Wed of May	
Month	Day

\_\_\_\_\_

Secondary License Type, If Applicable

C	F	D
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Dept Requiring this Doc

\_\_\_\_\_

Amended Articles Number / Section

\_\_\_\_\_

Total No. of Stockholders

Total Amount of Borrowings

_____	_____
Domestic	Foreign

To be accomplished by SEC Personnel concerned

\_\_\_\_\_

File Number

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**SECURITIES AND EXCHANGE COMMISSION**  
SEC FORM 17-Q

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

1. For the quarterly period ended: September 30, 2018
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. Unit 103 G/F, Prestige Tower, Condominium F. Ortigas Jr., Avenue  
Ortigas Center, Ortigas Center, Pasig City  
Address of issuer's principal office                      Postal Code: 1605
8. (632) 897-5257/817-6791  
Issuer's telephone number, including area code

**MINERALES INDUSTRIAS CORPORATION**

9. Former name, former address and former fiscal year, if changed since last report:
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	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        No   

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

Yes        No

## **PART I – FINANCIAL INFORMATION**

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

Please see attached.

### **Item 2. Management’s Discussion and Analysis of Financial Condition and Plan of Operations**

#### **PLAN OF OPERATIONS**

The Company’s controlling stake in Basic Environmental Systems & Technologies, Inc. (BEST) continues to provide a steady stream of revenues and income.

BEST, 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, on a Public-Private Partnership (PPP) framework, will build, develop and operate state-of-the-art facilities to properly address the local government units’ (LGUs’) waste management needs.

At present, BEST is actively engaged in various stages of development for the realization of these PPP projects, which will place BEST at the forefront of the waste management industry all over the Philippines.

#### **MANAGEMENT’S DISCUSSION AND ANALYSIS**

Management’s discussion and analysis of the Company and subsidiary financial position and results of operations should be read in conjunction with the attached consolidated financial statements of the Company and its subsidiary.

#### **Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017**

##### Income

Total consolidated revenues for the nine-month period ending September 30, 2018 amounted to Php152.74 million, 40.11% lower than the Php255.04 million posted in the same period of 2017. This was mainly due to the temporary closure of the Quezon City Sanitary Landfill. Total income consisted mainly of Php85.98 million in service income and Php65.86 million in rental income.

##### Expenses

Consolidated cost of services for the nine-month period ending September 30, 2018 amounted to Php34.28 million, for a decrease of 69.41% from the Php112.06 million in the same period of 2017. This is mainly due to the decrease in manpower costs and equipment rental expenses for the maintenance and operation of the Quezon City Sanitary Landfill.

General and administrative increased by 30.14%, from Php29.78 million in 2017 to Php38.76 million this year. This is mainly due to the increases in taxes and licenses, salaries and wages and professional fees for Private and Public Partnership (PPP) for construction, development and management of landfills.

## Net Income

The nine-month period ending September 30, 2018 resulted in a net income after tax of Php49.91 million, including the Php12.94 million net income attributable to non-controlling interests. This is 36.10% lower than the Php78.11 million reported in 2017. The significant reduction in cost of services helped temper the impact of sharply lower revenue on the Company's bottomline.

## Liquidity and Capital Resources

For the first nine months of 2018, net cash provided by operations totaled Php5.32 million including the net income before tax of Php71.69 million and the depreciation and amortization expense of Php16.97 million. Trade and other receivables increased by Php63.05 million while prepaid and other current assets decreased by Php7.15 million. Trade and other payables decreased by Php12.25 million resulting from the settlement of outstanding obligations. Income tax paid for 2018 amounted to Php23.20 million. Net cash used in investing activities totaled Php5.20 million while net cash used in financing activities amounted to Php3.59 million representing payment of interest.

In the same period of 2017, net cash provided by operations totaled Php1.30 million including the net income before tax of Php110.10 million and the depreciation and amortization expense of Php17.90 million. Trade and other receivables increased by Php151.37 million and prepaid and other current assets increased by Php0.70 million. Trade and other payables decreased by Php2.17 million while due to related parties increased by Php60.10 million. Income tax paid for 2017 amounted to Php28.09 million. Net cash provided by investing activities totaled Php5.13 million while net cash used in financing activities amounted to Php3.09 million.

## **Third Quarter Ended September 30, 2018 Compared to Third Quarter Ended September 30, 2017**

### Income

Total consolidated revenues for the quarter ending September 30, 2018 amounted to Php53.49 million, 19.63% lower than the Php66.56 million posted in the same period of 2017. This is mainly due to the temporary closure of the Quezon City Sanitary Landfill. Total income consisted mainly of Php32.07 million in service income and Php21.12 million in rental income.

### Expenses

Consolidated cost of services for the third quarter of 2018 totaled Ph12.15 million, down by 43.02% from the Php21.31 million reported in the same period of 2017. This is mainly due to the decrease in expenses for manpower and equipment rental for the maintenance and operation of the Quezon City Sanitary Landfill.

General and administrative expenses decreased by 7.44% from Php8.05 million in 2018 to Php7.45 million this year.

### Net Income

The third quarter of 2018 resulted to a net income after tax of Php21.30 million, including the Php5.45 million net income attributable to non-controlling interests. This is 17.42% lower than the net income of Php25.79 million, including the Php6.58 million net income attributable to non-controlling interest posted in the same period last year.

### Liquidity and Capital Resources

For the quarter ended September 30, 2018, net cash provided by operation totaled Php3.82 million including the following: net income before tax of Php30.47 million, depreciation and amortization

expense of Php6.33 million, interest expense of Php1.32 million and equity in net losses of an associate and a joint venture of Php2.10 million. Trade and other receivables rose by Php18.96 million while prepaid and other current assets slightly decreased by Php0.33 million. Trade and other payables decreased by Php11.39 million. Net cash used in investing activities amounted to Php4.13 million representing development cost of the sanitary landfill. Net cash used in financing activities amounted to Php1.32 million representing payment of interest.

In the same period of 2017, net cash used in operation totaled Php2.26 million including the net income before tax of Php36.05 million and the depreciation and amortization expense of Php5.70 million. Trade and other receivables rose by Php45.59 million while prepaid and other current assets hardly moved. Trade and other payables decreased by Php0.84 million while due to related parties increased by Php15.50 million. Net cash provided by investing activities amounted to Php1.40 million. Net cash used in financing activities amounted to Php1.14 million representing payment of interest.

#### **Financial Position as of September 30, 2018 Compared to Financial Position as of December 31, 2017**

<b>Statements of financial position data</b>	<b>September 30, 2018</b>	<b>December 31, 2017</b>	<b>% Inc/ (Dec)</b>
Total Current Assets	999,662,633	947,171,431	5.54%
Total Assets	1,327,157,776	1,290,863,788	2.81%
Total Current Liabilities	221,320,234	234,937,472	(5.80%)
Total Liabilities	222,474,619	236,091,857	(5.77%)
Total Stockholders' Equity	1,104,683,157	1,054,771,931	4.73%

The Company's consolidated total assets increased slightly by Php36.29 million or 2.81% from Php1.29 billion as of December 31, 2017 to Php1.33 billion as of September 30, 2018.

- Cash and cash equivalents dropped by 45.06% from Php7.70 million as of December 31, 2017 to Php4.23 million as of September 30, 2018. The decrease was mainly due to the settlement of long terms liabilities.
- Trade and other receivables slightly increased by 6.8% from Php927.89 million as of December 31, 2017 to Php990.99 million as of September 30, 2018.
- Other current assets down by 61.67% from Php11.59 million as of December 31, 2017 to Php4.44 million as of September 30, 2018.
- Noncurrent assets went down by Php16.20 million or 4.71% from Php343.69 million as of December 31, 2017 to Php327.50 million as of September 30, 2018 due to the annual set-up of depreciation and amortization.

Total consolidated liabilities amounted to Php222.47 million as of September 30, 2018, down by 5.77% from Php236.09 million as of December 31, 2017.

Total stockholders' equity was up by 4.73% from P1.05 billion as of December 31, 2017 to Php1.10 billion as of September 30, 2018.

Current ratio increased from 4.03x as of December 31, 2017 to 4.52x as of September 30, 2018; net working capital thus stood at Php778.34 million as of September 30, 2018 versus the Php712.23 million as of December 31, 2017.

## Key Performance Indicators

The company's key performance indicators are as follows:

<b>KPI</b>	<b>Calculation</b>	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Current Ratio (1)	Current Assets/Current Liabilities	4.52x	4.03x
Quick Ratio (2)	Current Assets-Inventory-Prepaid Expenses /Current Liabilities	4.50x	3.98x
Debt to Equity Ratio (3)	Liabilities/ Stockholders' Equity	0.20x	0.22x
Book Value per share (4)	Total Assets –Total Liabilities/ Outstanding Shares	1.60	1.53
Net Income per Share (5)	Net Income/Weighted Average Number of Shares Outstanding	0.07	0.13

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
(1) Current Ratio	999,662,633/221,320,234	947,171,431/234,937,472
(2) Quick Ratio	995,220,950/221,320,234	935,583,423/234,937,472
(3) Debt to Equity	222,474,619/1,104,683,157	236,091,857/1,054,771,931
(4) Book Value/Share	1,104,683,157/690,000,000	1,054,771,931/690,000,000
(5) Income per Share	49,911,226/690,000,000	87,128,566/690,000,000

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.

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

### Other Matters

No disclosures nor discussions were made for the following since these did not affect the past and present operations or the foreseeable future operations of the Company:

- (a) Any known trends, demands, commitments, events or uncertainties that 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) Any material commitments for capital expenditures, the general purpose of the commitments and the expected sources of funds for the expenditures.

- (c) Any known trends, events, or uncertainties that have had or that reasonably expected to have a material favorable or unfavorable impact on net sales or income other than what was mentioned in the Plan of Operation, Item 2 – Management’s Discussion and Analysis;
- (d) Any significant elements of income or loss that did not arise from the Company’s continuing operations;
- (e) Any seasonal aspects that have material effect on the financial condition or results of operation except as mentioned in the Notes to Financial Statements No 5.

## **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.**



**ISABEL M. P. MERCADO**  
Chairman and Chief Executive Officer

Date November 12, 2018



**FRANCIS NEIL P. MERCADO**  
Treasurer and Chief Financial Officer

Date November 12, 2018

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

	September 30, 2018	December 31, 2017
	Unaudited	Audited
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	₱4,228,809	₱7,697,566
Receivables (Notes 5 and 14)	990,992,141	927,885,857
Other current assets (Note 6)	4,442,683	11,588,008
Total Current Assets	999,662,633	947,171,431
<b>Noncurrent Assets</b>		
Investments in an associate and a joint venture (Note 7)	77,148,058	81,574,301
Deposits (Notes 8 and 20)	3,315,666	3,315,666
Investment property (Note 9)	102,446,468	103,284,547
Property and equipment (Note 10)	144,238,635	155,171,527
Deferred tax asset	346,316	346,316
Total Noncurrent Assets	327,495,143	343,692,357
Total Assets	₱1,327,157,776	₱1,290,863,788
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Notes 11 and 20)	₱115,322,061	₱127,514,396
Loans payable (Note 12)	97,000,000	97,000,000
Income tax payable	8,998,173	10,423,076
Total Current Liabilities	221,320,234	234,937,472
<b>Noncurrent Liability</b>		
Net pension liability (Note 17)	1,154,385	1,154,385
Total Liabilities	222,474,619	236,091,857
<b>Equity Attributable to Equity Holders of the Parent</b>		
Capital stock (Note 13)	690,000,000	690,000,000
Retained earnings (Note 13)	357,870,216	320,898,238
Other reserves (Note 1)	(298,510,656)	(298,510,656)
	749,359,560	712,387,582
<b>Noncontrolling Interests</b>		
	355,323,597	342,384,349
Total Equity	1,104,683,157	1,054,771,931
Total Liabilities and Equity	₱1,327,157,776	₱1,290,863,788

*See accompanying Notes to Consolidated Financial Statements*

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

	<b>Quarters Ended September 30</b>	
	<b>2018</b>	<b>2017</b>
<b>REVENUE AND OTHER INCOME</b>		
Service income (Note 14)	<b>₱32,074,715</b>	₱40,493,405
Rental income (Notes 9 and 14)	<b>21,118,929</b>	22,393,616
Interest income (Notes 4 and 6)	<b>298,755</b>	353,255
Equity in net earnings of an associate and a joint venture (Note 7)	-	3,318,666
	<b>53,492,399</b>	66,558,942
<b>EXPENSES</b>		
Cost of services (Note 15)	<b>12,145,177</b>	21,314,760
General and administrative expenses (Note 16)	<b>7,454,470</b>	8,053,363
Interest expense	<b>1,321,929</b>	1,142,470
Equity in net losses of an associate and a joint venture	<b>2,099,773</b>	-
	<b>23,021,349</b>	30,510,593
<b>INCOME BEFORE INCOME TAX</b>	<b>30,471,050</b>	36,048,349
<b>PROVISION FOR INCOME TAX</b>	<b>9,170,502</b>	10,254,406
<b>NET INCOME</b>	<b>21,300,548</b>	25,793,943
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱21,300,548</b>	₱25,793,943
Net income attributable to:		
Equity holders of the parent	<b>₱15,852,053</b>	₱19,210,499
Noncontrolling interest	<b>5,448,495</b>	6,583,444
	<b>₱21,300,548</b>	₱25,793,943
Total comprehensive income attributable to:		
Equity holders of the parent	<b>₱15,852,053</b>	₱19,210,499
Noncontrolling interest	<b>5,448,495</b>	6,583,444
	<b>₱21,300,548</b>	₱25,793,943
<b>EARNING PER SHARE ATTRIBUTABLE TO</b>		
<b>EQUITY HOLDERS OF THE PARENT (Note 18)</b>	<b>₱0.023</b>	₱0.028

*See accompanying Notes to Consolidated Financial Statements*

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

	<b>Nine Months Ended September 30</b>	
	<b>2018</b>	<b>2017</b>
<b>REVENUE AND OTHER INCOME</b>		
Service income (Note 14)	<b>₱85,979,172</b>	₱186,212,032
Rental income (Notes 9 and 14)	<b>65,864,554</b>	60,294,063
Interest income (Notes 4 and 6)	<b>893,342</b>	967,845
Equity in net earnings of an associate and a joint venture (Note 7)	-	7,561,621
	<b>152,737,068</b>	255,035,561
<b>EXPENSES</b>		
Cost of services (Note 15)	<b>34,276,007</b>	112,062,568
General and administrative expenses (Note 16)	<b>38,757,227</b>	29,782,060
Interest expense	<b>3,591,548</b>	3,089,901
Equity in net losses of an associate and a joint venture	<b>4,426,242</b>	-
	<b>81,051,024</b>	144,934,529
<b>INCOME BEFORE INCOME TAX</b>	<b>71,686,044</b>	110,101,032
<b>PROVISION FOR INCOME TAX</b>	<b>21,774,818</b>	31,991,051
<b>NET INCOME</b>	<b>₱49,911,226</b>	₱78,109,981
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱49,911,226</b>	₱78,109,981
Net income attributable to:		
Equity holders of the parent	<b>₱36,971,978</b>	₱58,102,499
Noncontrolling interest	<b>12,939,248</b>	20,007,482
	<b>₱49,911,226</b>	₱78,109,981
Total comprehensive income attributable to:		
Equity holders of the parent	<b>₱36,971,978</b>	₱58,102,499
Noncontrolling interest	<b>12,939,248</b>	20,007,482
	<b>₱49,911,226</b>	₱78,109,981
<b>EARNING PER SHARE ATTRIBUTABLE TO</b>		
<b>EQUITY HOLDERS OF THE PARENT</b> (Note 18)	<b>₱0.054</b>	₱0.084

*See accompanying Notes to Consolidated Financial Statements*

**IPM HOLDINGS, INC. AND SUBSIDIARY**

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Capital Stock	Retained Earnings - Unappropriated	Other Reserves Equity Reserve	Actuarial Losses on Defined Benefit Obligation	Noncontrolling Interests	Total Equity
At June 30, 2018	P690,000,000	P342,018,162	(P298,498,391)	(P12,265)	P349,875,103	P1,083,382,609
Net income for the third quarter	–	15,852,053	–	–	5,448,495	21,300,548
At September 30, 2018	<b>P690,000,000</b>	<b>P357,870,215</b>	<b>(P298,498,391)</b>	<b>(P12,265)</b>	<b>P355,323,598</b>	<b>P1,104,683,157</b>
At June 30, 2017	P690,000,000	P295,185,616	(P298,498,391)	(P325,804)	P333,179,928	P1,019,541,349
Net income for the third quarter	–	19,210,499	–	–	6,583,444	25,793,943
At September 30, 2017	<b>P690,000,000</b>	<b>P314,396,115</b>	<b>(P298,498,391)</b>	<b>(P325,804)</b>	<b>P339,763,372</b>	<b>P1,045,335,292</b>
At January 1, 2017	P690,000,000	P256,293,618	(P298,498,391)	(P325,804)	P319,755,890	P967,225,313
Net income	–	64,604,620	–	–	22,523,946	87,128,566
Other comprehensive income	–	–	–	313,539	104,513	418,052
At December 31, 2017	<b>P690,000,000</b>	<b>P320,898,238</b>	<b>(P298,498,391)</b>	<b>(P12,265)</b>	<b>P342,384,349</b>	<b>P1,054,771,931</b>

*See accompanying Notes to Consolidated Financial Statements.*

**IPM HOLDINGS, INC. AND SUBSIDIARY**

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Capital Stock	Retained Earnings - Unappropriated	Other Reserves Equity Reserve	Actuarial Losses on Defined Benefit Obligation	Noncontrolling Interests	Total Equity
At January 1, 2018	P690,000,000	P320,898,238	(P298,498,391)	(P12,265)	P342,384,349	P1,054,771,931
Net income for the nine months period	–	36,971,978	–	–	12,939,248	49,911,226
At September 30, 2018	<b>P690,000,000</b>	<b>P357,870,216</b>	<b>(P298,498,391)</b>	<b>(P12,265)</b>	<b>P355,323,597</b>	<b>P1,104,683,157</b>
At January 1, 2017	P690,000,000	P256,293,618	(P298,498,391)	(P325,804)	P319,755,890	P967,225,313
Net income for the nine months period	–	58,102,497	–	–	20,007,482	78,109,979
At September 30, 2017	<b>P690,000,000</b>	<b>P314,396,115</b>	<b>(P298,498,391)</b>	<b>(P325,804)</b>	<b>P339,763,372</b>	<b>P1,045,335,292</b>
At January 1, 2017	P690,000,000	P256,293,618	(P298,498,391)	(P325,804)	P319,755,890	P967,225,313
Net income	–	64,604,620	–	–	22,523,946	87,128,566
Other comprehensive income	–	–	–	313,539	104,513	418,052
At December 31, 2017	<b>P690,000,000</b>	<b>P320,898,238</b>	<b>(P298,498,391)</b>	<b>(P12,265)</b>	<b>P342,384,349</b>	<b>P1,054,771,931</b>

See accompanying Notes to Consolidated Financial Statements.

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

	<b>Quarters Ended September 30</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱30,471,048</b>	₱36,048,347
Adjustments for:		
Depreciation and amortization	<b>6,326,002</b>	5,698,937
Interest expense	<b>1,321,929</b>	1,142,470
Equity in net losses of an associate and a joint venture (Note 7)	<b>2,099,773</b>	(3,318,666)
Interest income	<b>(298,755)</b>	(353,255)
Operating income before changes in working capital	<b>39,919,997</b>	39,217,833
Decrease (increase) in:		
Receivables	<b>(18,961,474)</b>	(45,587,330)
Prepaid and other current assets	<b>331,295</b>	145,947
Increase (decrease) in:		
Trade and other payables	<b>(11,390,663)</b>	(842,712)
Due to related parties	<b>-</b>	15,503,408
Net cash generated from (used in) operations	<b>9,899,155</b>	8,437,146
Interest received	<b>298,755</b>	353,255
Income tax paid	<b>(6,377,235)</b>	(11,053,583)
Net cash provided by (used in) operating activities	<b>3,820,675</b>	(2,263,182)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of property and equipment (Note 10)	<b>(4,127,046)</b>	(202,274)
Dividends received from an associate	<b>-</b>	1,600,000
Net cash provided by (used in) investing activities	<b>(4,127,046)</b>	1,397,726
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Proceeds from loan	<b>-</b>	-
Interest paid	<b>(1,321,929)</b>	(1,142,470)
(Net cash provided by (used by) financing activities	<b>(1,321,929)</b>	(1,142,470)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(1,628,300)</b>	(2,007,926)
<b>CASH AT BEGINNING OF PERIOD</b>	<b>5,857,109</b>	11,871,121
<b>CASH AT END OF PERIOD (Note 4)</b>	<b>₱4,228,809</b>	₱9,863,195

*See accompanying Notes to Consolidated Financial Statements.*

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

	<b>Nine Months Ended September 30</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱71,686,042</b>	₱110,101,032
Adjustments for:		
Depreciation and amortization	<b>16,965,982</b>	17,895,763
Interest expense	<b>3,591,548</b>	3,089,901
Equity in net losses (earnings) of an associate and a joint venture (Note 7)	<b>4,426,242</b>	(7,561,621)
Interest income	<b>(893,342)</b>	(967,845)
Operating income before changes in working capital	<b>95,776,472</b>	122,557,230
Decrease (increase) in:		
Receivables	<b>(63,048,963)</b>	(151,374,751)
Prepaid and other current assets	<b>7,146,324</b>	(697,396)
Increase (decrease) in:		
Trade and other payables	<b>(12,249,655)</b>	(2,166,883)
Due to related parties	<b>-</b>	60,099,883
Net cash generated from (used in) operations	<b>27,624,178</b>	28,418,083
Interest received	<b>893,342</b>	967,845
Income tax paid	<b>(23,199,721)</b>	(28,086,983)
Net cash provided by (used in) operating activities	<b>5,317,799</b>	1,298,945
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of property and equipment (Note 10)	<b>(5,195,007)</b>	(202,274)
Dividends received (Note 8)		5,333,333
Net cash provided by (used in) investing activities	<b>(5,195,007)</b>	5,131,059
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Proceeds from loan		
Interest paid	<b>(3,591,548)</b>	(3,089,901)
(Net cash provided by (used by) financing activities	<b>(3,591,548)</b>	(3,089,901)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(3,468,756)</b>	3,340,103
<b>CASH AT BEGINNING OF PERIOD</b>	<b>7,697,565</b>	6,523,092
<b>CASH AT END OF PERIOD (Note 4)</b>	<b>₱4,228,809</b>	₱9,863,195

*See accompanying Notes to Consolidated Financial Statements.*



**IPM HOLDINGS, INC.****INTERIM PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**

	September 30, 2018	December 31, 2017
	Unaudited	Audited
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	P150,743	P1,002,072
Other current assets	280,250	20,000
Total Current Assets	430,993	1,022,072
<b>Noncurrent Asset</b>		
Investment in a subsidiary	485,375,000	485,375,000
<b>Total Assets</b>	<b>P485,805,993</b>	<b>P486,397,072</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Advances from related party	P6,500,000	P5,000,000
Accrued expenses and other payables	191,765	437,073
Total Liabilities	6,691,765	P5,437,073
<b>Equity</b>		
Capital stock	690,000,000	690,000,000
Deficit	(210,885,772)	(209,040,001)
Total Equity	479,114,228	480,959,999
<b>Total Liabilities and Equity</b>	<b>P485,805,993</b>	<b>P486,397,072</b>

**IPM HOLDINGS INC.****UNAUDITED INTERIM PARENT COMPANY STATEMENTS OF INCOME**

	<b>Quarters Ended September 30</b>	
	<b>2018</b>	<b>2017</b>
<b>INCOME</b>		
Interest	<b>₱152</b>	<b>₱423</b>
<b>EXPENSES</b>		
Stock exchange listing fee	<b>145,538</b>	158,113
Salaries and wages	<b>137,000</b>	137,000
Professional fees	<b>75,000</b>	75,000
Utilities	<b>45,000</b>	45,000
Rent	<b>40,179</b>	40,179
Postage & telegram	<b>14,510</b>	12,877
Office supplies and printing costs	<b>11,902</b>	18,459
Entertainment, amusement and recreation	<b>10,500</b>	10,500
Transportation	<b>8,556</b>	8,919
Advertising	-	15,000
Miscellaneous	<b>5,369</b>	19,126
	<b>493,554</b>	540,173
<b>LOSS BEFORE INCOME TAX</b>	<b>493,402</b>	539,750
<b>PROVISION FOR INCOME TAX</b>	30	85
<b>NET LOSS</b>	<b>493,432</b>	539,835
<b>OTHER COMPREHENSIVE LOSS</b>	-	-
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>₱493,432</b>	<b>₱539,835</b>
<b>Basic/Diluted Loss Per Share</b>	<b>₱0.0007</b>	<b>₱0.0008</b>

**IPM HOLDINGS, INC.****UNAUDITED INTERIM PARENT COMPANY STATEMENTS OF INCOME**

	<b>Nine Months Ended September 30</b>	
	<b>2018</b>	<b>2017</b>
<b>INCOME</b>		
Interest	<b>₱649</b>	<b>₱1,149</b>
<b>EXPENSES</b>		
Stock exchange listing fee	<b>444,188</b>	474,338
Salaries and wages	<b>411,000</b>	411,000
Professional fees	<b>285,322</b>	249,800
Directors' per diem	<b>150,000</b>	130,000
Utilities	<b>135,000</b>	135,000
Rent	<b>120,536</b>	120,536
Entertainment, amusement and recreation	<b>104,359</b>	101,344
Office supplies and printing costs	<b>80,419</b>	68,766
Taxes and licenses	<b>38,390</b>	18,496
Transportation	<b>33,791</b>	24,233
Postage & telegram	<b>14,510</b>	12,877
Seminar	-	56,000
Advertising	-	15,000
Miscellaneous	<b>28,775</b>	103,475
	<b>1,846,290</b>	1,920,865
<b>LOSS BEFORE INCOME TAX</b>	<b>1,845,641</b>	1,919,716
<b>PROVISION FOR INCOME TAX</b>	<b>130</b>	230
<b>NET LOSS</b>	<b>1,845,771</b>	1,919,946
<b>OTHER COMPREHENSIVE LOSS</b>	-	-
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>₱1,845,771</b>	<b>₱1,919,946</b>
<b>Basic/Diluted Loss Per Share</b>	<b>₱0.0026</b>	<b>₱0.0028</b>

**IPM HOLDINGS, INC.****UNAUDITED INTERIM PARENT COMPANY STATEMENTS OF  
CHANGES IN EQUITY**

	<b>Capital Stock</b>	<b>Deficit</b>	<b>Total</b>
At June 30, 2018	<b>₱690,000,000</b>	<b>(₱210,392,340)</b>	<b>₱479,607,660</b>
Net loss for the third quarter		<b>(493,432)</b>	<b>(493,432)</b>
At September 30, 2018	<b>₱690,000,000</b>	<b>(₱210,885,772)</b>	<b>₱479,114,228</b>
At June 30, 2017	₱690,000,000	(₱207,452,895)	₱482,547,105
Net loss for the third quarter		(539,833)	(539,833)
At September 30, 2017	₱690,000,000	(₱207,992,728)	₱482,007,272

**IPM HOLDINGS, INC.****UNAUDITED INTERIM PARENT COMPANY STATEMENTS OF  
CHANGES IN EQUITY**

	<b>Capital Stock</b>	<b>Deficit</b>	<b>Total</b>
At January 1, 2018	₱690,000,000	(₱209,040,001)	₱480,959,999
Net loss for the nine months period	–	(1,845,771)	(1,845,771)
<b>At September 30, 2018</b>	<b>₱690,000,000</b>	<b>(₱210,885,772)</b>	<b>₱479,114,228</b>
At January 1, 2017	₱690,000,000	(₱206,072,782)	₱483,927,218
Net loss for the nine months period	–	(1,919,946)	(1,919,946)
<b>At September 30, 2017</b>	<b>₱690,000,000</b>	<b>(₱207,992,728)</b>	<b>₱482,007,272</b>

**IPM HOLDINGS, INC.****UNAUDITED INTERIM PARENT COMPANY STATEMENTS OF CASH FLOWS**

	<b>Quarters Ended September 30</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	<b>(P493,402)</b>	<b>(P539,750)</b>
Adjustments for:		
Interest income	<b>(152)</b>	<b>(423)</b>
Operating loss before changes in working capital	<b>(493,554)</b>	<b>(540,173)</b>
Changes in operating assets and liabilities		
Increase in other current assets	<b>139,916</b>	<b>145,947</b>
Decrease in accrued expenses and other payables	<b>119,802</b>	<b>-</b>
Net cash used in operations	<b>(233,836)</b>	<b>(394,226)</b>
Interest received	<b>152</b>	<b>423</b>
Income tax paid	<b>(30)</b>	<b>(85)</b>
Net cash used in operating activities	<b>(233,714)</b>	<b>(393,888)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Proceeds from loan	<b>-</b>	<b>-</b>
Net cash provided by financing activities	<b>-</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(233,714)</b>	<b>(393,888)</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>384,457</b>	<b>751,261</b>
<b>CASH AT END OF PERIOD</b>	<b>P150,743</b>	<b>P357,373</b>

**IPM HOLDINGS, INC.****UNAUDITED INTERIM PARENT COMPANY STATEMENTS OF CASH FLOWS**

	<b>Nine Months Ended September 30</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	<b>(₱1,845,642)</b>	(₱1,919,716)
Adjustments for:		
Interest income	<b>(649)</b>	(1,149)
Operating loss before changes in working capital	<b>(1,846,291)</b>	(1,920,865)
Changes in operating assets and liabilities		
Increase in other current assets	<b>(260,250)</b>	(281,908)
Decrease in accounts and other payables	<b>(245,307)</b>	(777,293)
Net cash used in operations	<b>(2,351,848)</b>	(2,980,066)
Interest received	<b>649</b>	1,149
Income tax paid	<b>(130)</b>	(230)
Net cash used in operating activities	<b>(2,351,329)</b>	(2,979,147)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Proceeds from loan	<b>1,500,000</b>	3,000,000
Net cash used in investing activities	<b>1,500,000</b>	3,000,000
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(851,329)</b>	20,853
<b>CASH AT BEGINNING OF PERIOD</b>	<b>1,002,072</b>	336,520
<b>CASH AT END OF PERIOD</b>	<b>₱150,743</b>	₱357,373

# **IPM HOLDINGS, INC. AND SUBSIDIARY**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **1. Corporate Information**

IPM Holdings, Inc., formerly Minerales Industrias Corporation (the Parent Company) and its subsidiary, Basic Environmental Systems and Technologies, Inc. (BEST) (collectively referred to as “the Group”), were incorporated in the Philippines. The Group’s registered office address is Unit 103, Ground Floor, Prestige Tower Condominium, F. Ortigas Jr. Avenue, Ortigas Center, Pasig City.

The Parent Company was incorporated and organized in the Republic of the Philippines on August 31, 1995 to engage 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 was incorporated in the Philippines on September 15, 1999 and is engaged in contracting and consulting business for waste management, public cleansing, sanitation and general hygiene to provide comprehensive waste disposal services.

On December 20, 1999, the stockholders approved the increase in the authorized capital stock of the Parent Company from ₱240,000,000 divided into 240,000,000 shares with a par value of ₱1 per share to ₱740,000,000 divided into 740,000,000 shares with a par value of ₱1 per share. On August 31, 2007, the stockholders approved the delegation to the Board of Directors (BOD) of the prerogative to determine the investors to whom the shares may be issued amounting to an aggregate of ₱560,000,000 (₱500,000,000 coming from the increase in authorized capital stock and ₱60,000,000 from the unissued capital stock of the Parent Company). In 2010, the Parent Company issued additional 10,000,000 shares to private investors.

On July 26, 2007 and August 31, 2007, the BOD and stockholders, respectively, approved the change in the Parent Company’s primary purpose from holding company to mining. The Securities and Exchange Commission (SEC) approved the change on January 14, 2008.

On November 20, 2012, the BOD approved the issuance of 500,000,000 shares at par value of ₱1 per share in favor of the following companies within IPM Group: (a) IPM Construction and Development Corporation (IPMCDC), 350,000,000; (b) IPM Environmental Services, Inc. (IPMESI), 100,000,000; and (c) IPM Realty and Development Corporation (IPMRDC), 50,000,000. On the same date, the BOD authorized the acquisition of 615,000,000 shares in Basic Environmental Systems and Technologies, Inc. (BEST) at par value of ₱1 per share, which will constitute 75% of the resulting outstanding capital of BEST. Further, the Parent Company was authorized to partially pay for the 615,000,000 shares in BEST as follows: (a) ₱450,000,000 for the 600,000,000 shares that will come from the increase in authorized capital stock of BEST; and (b) ₱12,500,000 for the subscription rights to 15,000,000 shares in BEST to be acquired from the original shareholders of BEST.

On February 8, 2013, the stockholders representing at least two thirds of the outstanding capital stock of the Parent Company approved the subscription by the IPM Group of companies or any of their designees or nominees to a total of 500,000,000 shares out of the ₱500,000,000 increase in the authorized capital stock of the Parent Company, at a total subscription price of ₱500,000,000, payable in cash: (a) IPMCDC, ₱350,000,000; (b) IPMESI, ₱100,000,000; and (c) IPMRDC, ₱50,000,000. On the same date, the stockholders approved the amendment of the primary purpose of the Parent Company to enable the Parent Company to revert to being a holding company and give it more flexibility in looking for suitable investments.



On February 11, 2013 and February 12, 2013, the Parent Company received ₱50,000,000 and ₱450,000,000, respectively, as deposits for the said subscriptions to the proposed increase in the authorized capital stock of the Parent Company. Consequently, the Parent Company became a subsidiary of IPMCDC upon receipt of the deposit as per the subscription agreement.

On March 4, 2013, the Parent Company acquired 615,000,000 shares in BEST representing 75% interest and paid ₱462,500,000, ₱12,500,000 of which was paid to the original shareholders of BEST as consideration to the subscription rights acquired.

On June 11, 2013, the SEC approved the Parent Company's application for increase in authorized capital stock from 240,000,000 to 740,000,000 shares with a par value of ₱1 per share and the amendment of the primary purpose of the Parent Company to revert back to a holding company. The deposits for stock subscriptions by IPMCDC, IPMESI and IPMRDC were then transferred to common stocks following the approval of the increase in authorized capital stock.

On July 18, 2013, the BOD approved the increase in the authorized capital stock of the Parent Company from ₱740,000,000 divided into 740,000,000 shares with a par value of ₱1 per share to an amount not exceeding ₱5,000,000,000 divided into 5,000,000,000 shares with a par value of ₱1 per share. On the same date, the BOD approved the transfer of the principal address of the Parent Company from Room 322, 3rd Floor, LRI Design Plaza, 210 Nicanor Garcia Street, Barangay Sta. Cruz, Makati City to its current principal address, Unit 103, Ground Floor, Prestige Tower Condominium, F. Ortigas Jr. Avenue Ortigas Center, Pasig City. These were subsequently approved by the shareholders on September 19, 2013. On October 18, 2013, the SEC approved the amended articles of incorporation indicating the change of address and increase in authorized capital stock.

On February 10, 2014, the BOD approved the payment to BEST of ₱22,875,000 representing 15% of the remaining subscription payable.

On July 22, 2015, the BOD approved the change in the name of the Parent Company from "Minerales Industrias Corporation" to "IPM Holdings, Inc." and the change in the Parent Company's ticker symbol from "MIC" to "IPM". These were subsequently approved by the shareholders on October 21, 2015. The SEC approved the amended articles of incorporation indicating the change in the name of the Parent Company on November 25, 2015.

The Parent Company's shares are publicly traded in the Philippine Stock Exchange (PSE) under the ticker "IPM". As of September 30, 2018, the top four beneficial shareholders of the Parent Company are the following:

	Percentage of ownership
IPMCDC	51%
IPMESI	10%
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 PFRS 3, *Business Combination*, paragraph B7, 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 reflects 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

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## 2. Summary of Significant Accounting Policies

### Basis of Preparation

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

### Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS). PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).

### Basis of Consolidation

The accompanying 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 accompanying consolidated financial statements comprise the financial statements of the Parent Company and BEST.

The 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.

*Assessment of Control*

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of 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 its returns.

The accounting acquirer re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation begins when the accounting acquirer obtains control over the accounting acquiree and ceases when the accounting acquirer loses control of the accounting acquiree. Assets, liabilities, income and expenses of the accounting acquiree are included in the consolidated statements of financial position and consolidated statements of comprehensive income from the date the accounting acquirer gains control at the accounting acquiree until the date the accounting acquirer losses the control.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the accounting acquirer and to the NCI, even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the consolidated financial statements of the accounting acquiree to bring its accounting policies in line with the accounting policies of the accounting acquirer

As of September 30, 2018 and December 31, 2017, NCI pertains to the 25% ownership of individuals and companies other than the Parent Company of BEST. The financial information of BEST, with material NCI, is provided below. This information is based on amounts before inter-company eliminations.

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Current assets	<b>₱1,005,774,631</b>	₱951,206,679
Noncurrent assets	<b>327,495,143</b>	343,692,356
Total assets	<b>₱1,333,269,774</b>	₱1,294,899,035
Current liabilities	<b>₱221,171,460</b>	₱234,557,720
Noncurrent liabilities	<b>1,154,385</b>	1,154,385
Total liabilities	<b>₱222,325,845</b>	₱235,712,105
Revenue	<b>₱152,856,955</b>	₱296,811,583
Net income	<b>51,756,997</b>	90,095,784
Total comprehensive income	<b>51,756,997</b>	90,513,836
Cash flows from (used in):		
Operating activities	<b>₱6,169,128</b>	₱2,049,625
Investing activities	<b>(5,195,007)</b>	3,876,043
Financing activities	<b>(3,591,548)</b>	(5,416,746)
Net increase (decrease) in cash and cash equivalents	<b>(₱2,617,427)</b>	₱508,922

Accumulated balance of material NCI	<b>355,323,597</b>	342,384,349
Net income attributable to material NCI	<b>12,939,249</b>	22,523,946

There are no significant restrictions on the Group's ability to use assets or settle liabilities within the Group. There is no difference on the voting rights of non-controlling interests as compared to majority stockholders.

#### Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amended PFRS, which became effective on January 1, 2017. Except as otherwise indicated, the adoption of these new accounting standards and amendments have no material impact on the consolidated financial statements.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)
- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*  
The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

The Group has provided the required information in Note 23 to the consolidated financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2017.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

#### Standards and interpretation issued but not yet effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

#### *Effective beginning on or after January 1, 2018*

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial assets and liabilities. PFRS 9 requires the Group to record expected losses on all of its debt financial assets. The Group plans to apply the simplified approach and to record lifetime expected losses on all loans and receivables that do not contain significant financing component. The Group is currently quantifying the impact of the change in measuring credit losses.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

*Effective beginning on or after January 1, 2019*

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- PFRS 16, *Leases*  
PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

*Deferred effectivity*

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Cash

Cash includes cash on hand and deposits held on demand with banks that are carried in the consolidated statements of financial position at face amount and earn interest based on the prevailing bank deposit rates.

Financial Instruments

*Date of recognition*

The Group recognizes a financial asset or a financial liability on the consolidated statements 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 trade date.

*Initial recognition*

All financial assets are initially recognized at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As of September 30, 2018 and December 31, 2017, the Group's financial instruments are in the nature of loans and receivables and other financial liabilities.

*Day 1 profit*

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value ('Day 1' profit or loss) in profit or loss unless it qualifies for recognition as some type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit or loss amount.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of

the effective interest rate. The amortization is included in the interest income in profit or loss. The losses arising from impairment of such loans and receivables are recognized as “Provision for impairment losses” in profit or loss.

This accounting policy relates to the Group’s “Cash”, “Receivables” and “Deposits”.

#### *Other financial liabilities*

Other financial liabilities pertain to issued financial instruments that are not classified or designated as at FVPL and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than the exchange of a fixed amount of cash. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

This accounting policy applies primarily to the Group’s “Loan payable”, “Trade and other payables”, and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

#### Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Loans and receivables*

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial assets’ original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss shall be recognized in profit or loss during the period in which it arises.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to loans and receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired loans and receivables are derecognized when they are assessed as uncollectible.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with the changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any difference between loss estimate and actual loss experience.

#### Derecognition of Financial Assets and Liabilities

##### *Financial asset*

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- a. the right to receive cash flows from the asset has expired;
- b. the Group retains the right to receive cash flows from the asset, but has assumed as obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- c. the Group has transferred its right to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

Where the Group has transferred its right to receive cash flows from an asset or has entered into a “pass-through” arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

##### *Financial liability*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired. Where 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

#### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amount 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: other techniques for which all inputs which have a significant effect on the recorded fair value are observable in the market, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

### *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, 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. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or reassessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### 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.

#### Deposits

Deposits represent deposits to a government agency as a surety bond which is measured at cost.

#### 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. If the Group's share of losses of an associate and joint venture equals or exceeds its interest in the associate, the Group discontinues recognizing its share of further losses. 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. After the Group's interest is reduced to zero, additional losses are provided to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate and joint venture.

When there has been a change recognized directly in the equity of the associate and joint venture, the Group recognizes its share of any change and discloses this, when applicable, in the consolidated statements of changes in equity.

The reporting dates of the associate, joint venture and the Group are identical and the accounting policies of the associate and joint venture conform to those used by the Group for like transactions and events in similar circumstances.

Unrealized gains arising from intercompany transactions with its associate and joint venture are eliminated to the extent of the Group's interest in the associate and joint venture. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

Upon loss of significant influence over the associate, the Group measures and recognizes any remaining investment at fair value and will subsequently be measured using the policy on financial assets. Any difference between the carrying amount of the associate and joint venture upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss.

#### 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.

The useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from its investment property.

#### 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 is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
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

The Group's land used as sanitary landfill is depreciated using the unit of production method.

The useful lives and depreciation method are reviewed periodically to ensure that the 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 Asset

The Group assesses at each reporting date whether there is an indication that a nonfinancial asset 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.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### *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.

#### 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.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Regardless of when the payment is being made, revenue is measured at fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue agreements. The following specific recognition criteria must also be met before revenue is recognized:

*Service income*

Service income is recognized when the related services are rendered.

*Rental income*

The Group leases out office spaces and transportation and heavy equipment under cancellable operating leases. Rental income arising from investment property is recognized on a straight-line basis while rental income on transportation and heavy equipment which are considered as variable lease payments are recognized based on the terms of the operating lease agreement.

*Interest income*

Interest income is recognized as the interest accrues, taking into account the effective yield on the underlying asset.

Costs and Expenses

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.

*General and administrative expenses*

General and administrative are recognized in profit or loss in the period these are incurred.

Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A restatement is made after the inception of the lease only if one of the following applies:

- (a) there is a change in the contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or extension granted, unless the term of the renewal and extension was initially included in the lease term;
- (c) there is a change in the determination of whether the fulfilment is dependent on a specified asset; or
- (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date of the change in circumstances that gave rise to the reassessment for scenarios (a), (c) and (d) above and at the date of renewal or extension period for scenario (b).

*Finance lease commitments - Group as a lessee*

The Group has entered into commercial lease of transportation equipment. The Group has determined that it acquires all the significant risks and rewards of ownership on these equipment and therefore accounts for these under finance lease.

*Group as a lessor*

Lease of assets under which the Group effectively retains all the risks and rewards of ownership is classified as operating lease. Variable lease payments under an operating lease are recognized as an income in profit or loss based on the terms of the operating lease agreement.

Retirement Cost

The Group, through BEST, has a 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.

Net interest on the net defined benefit liability is the change during the period in the net defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as interest expense in profit or loss.

Remeasurements comprising actuarial gains and losses and return on plan assets (excluding net interest on defined benefit liability) are recognized immediately in OCI under "Actuarial gains (losses) on defined benefit plan" in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plans or reductions in future contributions to the plan.

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.

Short-term Benefits

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.

Deferred tax liabilities are recognized for all taxable temporary differences with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences and net operating loss carry over (NOLCO) to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed as of the reporting period and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting period.

Deferred tax relating to items recognized outside profit or loss is recognized in correlation to the underlying transaction either in OCI or directly in equity, net of tax.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

### 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 PFRS. 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 22.

### 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.

#### Events After the Reporting Date

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

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### 3. **Significant Accounting Judgments and Estimates**

The preparation of the consolidated financial statements in compliance with PFRS 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:

#### *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, 2018 and December 31, 2017, 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, 2018 and December 31, 2017, 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.

*Distinction between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as investment property or owner-occupied property. In making its judgment, the Group considers whether the property generated cash flows largely independently of the other assets held by an entity or for capital appreciation. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the supply of services or for administrative purposes.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If these portions cannot be sold separately as of the reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

The disclosures on the Group's investment property and property and equipment are presented in Notes 9 and 10, respectively.

As of September 30, 2018, the Group has not recognized impairment losses on its investment in an associate and a joint venture. As of September 30, 2018 and December 31, 2017, the carrying values of investments in an associate and a joint venture amounted to ₱77.15 million and ₱81.57 million, respectively (see Note 20).

*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, 2018 and December 31, 2017, the Group did not recognize any impairment loss on its nonfinancial assets. As of September 30, 2018 and December 31, 2017, the carrying values of the Group's nonfinancial assets are as follows:

	<b>September 30, 2018</b>	December 31, 2017
Property and equipment (Note 10)	<b>₱144,238,635</b>	₱155,171,527
Investment property (Note 9)	<b>102,446,468</b>	103,284,547
Other current assets (Note 6)	<b>4,441,683</b>	11,588,008

#### *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. Net pension liability amounted to ₱1.15 million as of September 30, 2018 and December 31, 2017. Further details about the assumptions used are provided in Note 17.

#### *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.

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#### 4. Cash

	<b>September 30, 2018</b>	December 31, 2017
Cash on hand	<b>₱2,210</b>	₱71,417
Cash in banks	<b>4,226,599</b>	7,626,149
	<b>₱4,228,809</b>	₱7,697,566

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

Interest earned on cash in banks amounted to ₱0.03 million and ₱0.04 million as of September 30, 2018 and December 31, 2017, respectively.

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## 5. Receivables

This account consists of:

	September 30, 2018	December 31, 2017
Trade receivables		
Related parties (Note 14)	<b>₱904,759,366</b>	₱845,583,568
Private entities	<b>16,350,426</b>	18,000,425
Local government units (LGUs)	<b>13,503,972</b>	7,494,320
	<b>934,613,764</b>	871,078,313
Loans receivable (Note 14)	<b>31,000,000</b>	31,000,000
Advances to officers and employees	<b>20,243,362</b>	19,613,816
Interest receivable (Note 14)	<b>4,734,460</b>	3,849,220
Dividend receivable (Note 7)	-	1,600,000
Advances to suppliers	<b>400,555</b>	744,508
Others	<b>1,066,172</b>	1,066,172
	<b>992,058,313</b>	928,952,029
Less allowance for impairment losses	<b>1,066,172</b>	1,066,172
	<b>₱990,992,141</b>	₱927,885,857

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

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.

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## 6. Other Current Assets

	September 30, 2018	December 31, 2017
Input VAT	<b>₱2,671,147</b>	₱11,328,206
Creditable withholding taxes	<b>1,137,429</b>	3,149,275
Prepayments	<b>5,812,131</b>	2,289,551
Miscellaneous deposits	<b>15,669</b>	15,669
	<b>9,636,376</b>	16,782,701
Less allowance for impairment losses	<b>5,194,693</b>	5,194,693
	<b>₱4,441,683</b>	₱11,588,008

The Parent Company provided allowance for impairment on its creditable withholding taxes and input VAT amounting to ₱5.19 million as of September 30, 2018 and December 31, 2017, due to low probability that these assets may be utilized in the future.

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## 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, 2018 and December 31, 2017 follow:

	Associate		Joint Venture		Total	
	Metro Clark Waste Management Corporation (MCWM)		Ecoedge Resources Corporation (ERC)			
	30-Sep-18	31-Dec-17	30-Sep-18	31-Dec-17	30-Sep-18	31-Dec-17
Cost:						
Balance at beginning and end of the year	<b>₱32,393,358</b>	₱32,393,358	<b>₱51,412,499</b>	₱51,412,499	<b>₱83,805,857</b>	₱83,805,857
Accumulated share in net earnings (losses):						
Balance at beginning of year	<b>27,411,580</b>	19,664,063	<b>(29,643,136)</b>	(15,484,729)	<b>(2,231,556)</b>	4,179,334
Equity in net earnings (losses) of an associate and a joint venture	<b>2,099,131</b>	18,307,614	<b>(6,525,374)</b>	(14,158,407)	<b>(4,426,243)</b>	4,149,207
Other adjustments	-	(3,626,763)	-	-	-	(3,626,763)
Dividends during the year	-	(6,933,334)	-	-	-	(6,933,334)
Balance at end of year	<b>29,510,711</b>	27,411,580	<b>(36,168,510)</b>	(29,643,136)	<b>(6,657,799)</b>	(2,231,556)
	<b>₱61,904,069</b>	₱59,804,938	<b>₱15,243,989</b>	₱21,769,363	<b>₱77,148,058</b>	₱81,574,301

### 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 (see Note 3).

As of September 30, 2018 and December 31, 2017, the Group holds 16% interest in MCWM. The Group exercise significant influence in MCWM due to the presence of BEST's President in the Board of MCWM. Hence, the President of BEST effectively has a participation in the policy-making processes of MCWM.

### 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 Unit 103, GF Prestige Tower Condominium, F. Ortigas Jr. Road, Ortigas Center, Pasig City.

As of September 30, 2018 and December 31, 2017, BEST holds 60% interest in ERC. Joint control exists as decisions about the relevant activities of ERC require the unanimous consent of both BEST and 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 of 5 directors (3 nominated by BEST and 2 nominated by LIEI), whereby 4 directors shall be required to pass a board resolution.

## 8. Deposits

As of September 30, 2018 and December 31, 2017, BEST has deposits to GSIS as surety bond amounting to ₱3.32 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, 2018		
	Condominium		Total
	Land	Unit	
<b>Cost</b>	<b>₱70,320,000</b>	<b>₱38,535,329</b>	<b>₱108,855,329</b>
<b>Accumulated depreciation:</b>			
Balance at beginning of year	–	5,570,780	5,570,780
Depreciation (Note 15)	–	838,081	838,081
Balance at end of year	–	6,408,861	6,408,861
<b>Net book value</b>	<b>₱70,320,000</b>	<b>₱32,126,468</b>	<b>₱102,446,468</b>

	December 31, 2017		
	Condominium		Total
	Land	Unit	
<b>Cost</b>	<b>₱70,320,000</b>	<b>₱38,535,329</b>	<b>₱108,855,329</b>
<b>Accumulated depreciation:</b>			
Balance at beginning of year	–	4,453,339	4,453,339
Depreciation (Note 15)	–	1,117,443	1,117,443
Balance at end of year	–	5,570,782	5,570,782
<b>Net book value</b>	<b>₱70,320,000</b>	<b>₱32,964,547</b>	<b>₱103,284,547</b>

Portion of BEST’s condominium unit located in Pasig City is being leased out to related parties. The rental income recognized from lease agreements amounted to ₱0.08 million as of September 30, 2018 and December 31, 2017. The land and condominium unit have fair values of ₱85.42 million and ₱40.96 million, respectively, based on an appraisal made by an independent appraiser on December 31, 2014 and December 8, 2017, respectively. The sales comparison approach was used in determining the fair value which considers the sales of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison. The fair value of the investment property is categorized as Level 3 which used adjusted inputs for valuation that are unobservable as of the date of valuation. The inputs used were asking prices of similar listings and offerings. Significant increases or decreases in asking price would result in higher or lower fair value of the asset.

10. **Property and Equipment**

This account consists of:

	September 30, 2018						Total
	Land	Condominium Unit and Improvements	Transportation and Heavy Equipment	Office Furniture and Fixtures	Development Costs	Leasehold Improvements	
<b>Cost</b>							
At January 1, 2018	P44,932,700	P37,056,324	P123,814,371	P4,260,747	P114,219,384	P548,133	P324,831,659
Additions	-	-	-	219,643	4,730,311	245,053	5,195,007
At September 30, 2018	44,932,700	37,056,324	123,814,371	4,480,390	118,949,695	793,186	330,026,666
<b>Accumulated Depreciation and Amortization</b>							
At January 1	4,137,700	5,716,748	74,412,752	3,751,119	81,629,681	12,132	169,660,132
Depreciation and amortization (Notes 15 and 16)	378,282	872,222	8,559,823	384,639	5,825,930	107,003	16,127,899
At September 30, 2018	4,515,982	6,588,970	82,972,575	4,135,758	87,455,611	119,135	185,788,032
<b>Net Book Value</b>	<b>P40,416,718</b>	<b>P30,467,354</b>	<b>P40,841,796</b>	<b>P344,632</b>	<b>P31,494,084</b>	<b>P674,051</b>	<b>P144,238,635</b>

	December 31, 2017						Total
	Land	Condominium Unit and Improvements	Transportation and Heavy Equipment	Office Furniture and Fixtures	Development Costs	Leasehold Improvements	
<b>Cost</b>							
At January 1	P44,932,700	P37,056,324	P123,814,371	P3,922,134	P104,146,099	P-	P313,871,628
Additions	-	-	-	338,613	10,073,285	548,133	10,960,031
At December 31	44,932,700	37,056,324	123,814,371	4,260,747	114,219,384	548,133	324,831,659
<b>Accumulated Depreciation and Amortization</b>							
At January 1	-	4,553,785	62,999,654	3,347,646	75,456,851	-	146,357,936
Depreciation and amortization (Notes 15 and 16)	4,137,700	1,162,963	11,413,098	403,473	6,172,830	12,132	23,302,196
At December 31	4,137,700	5,716,748	74,412,752	3,751,119	81,629,681	12,132	169,660,132
<b>Net Book Value</b>	<b>P40,795,000</b>	<b>P31,339,576</b>	<b>P49,401,619</b>	<b>P509,628</b>	<b>P32,589,703</b>	<b>P536,001</b>	<b>P155,171,527</b>

The Group's property and equipment have no restrictions or not pledged as security for any liability.

In 2013, the Group entered into a finance lease agreement with a local lending company for two units of transportation equipment amounting to ₱6.61 million, payable over five (5) years on a monthly basis.

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## 11. Trade and Other Payables

This account consists of:

	<b>September 30, 2018</b>	December 31, 2017
Trade payables		
Related parties (Note 14)	<b>₱6,787,900</b>	₱8,531,187
Third parties	<b>3,126,570</b>	7,470,921
	<b>9,914,470</b>	16,002,108
Payable to government agencies	<b>102,381,480</b>	110,190,667
Accrued expenses	<b>3,026,111</b>	1,321,621
	<b>₱115,322,061</b>	₱127,514,396

Trade payables comprise of payables in the contracting and consulting operations of BEST to provide waste disposal services. These are noninterest-bearing and are generally settled within one year.

Payable to government agencies pertain to output tax payable, 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 interest on loan payable. These are noninterest-bearing and payable within 30 days.

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## 12. 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.

On December 29, 2016, BEST only paid ₱2.00 million of the total amount and renewed the remaining ₱98.00 million for the period of 352 days with maturity date of December 15, 2017.

On December 15, 2017, BEST paid ₱1.00 million of the principal amount of the loan. The remaining ₱97.00 million was renewed for the period of 360 days and will mature on December 15, 2018. Interest from December 15, 2017 to January 16, 2018 shall be at the rate of 4.50% per annum and every month thereafter shall be at the prevailing interest rate. Interest payment shall commence on January 25, 2018.

Interest expense on loan payable amounted to ₱3.41 million and ₱4.17 million as of September 30, 2018 and December 31, 2017, respectively.

### 13. Equity

#### Capital Stock

The authorized capital stock of the Parent Company with ₱1 par value per share follows:

	September 30, 2018	December 31, 2017
<b>Authorized number of shares:</b>		
At the beginning and end of the year	<b>740,000,000</b>	740,000,000
<b>Number of shares issued and outstanding:</b>		
At the beginning and end of the year	<b>690,000,000</b>	690,000,000

In accordance with Annex 68-D of SRC Rule 68 (As Amended) (2011), 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
<b>690,000,000</b>	<b>690,000,000</b>		

The Parent Company's total number of shareholders is 118 as of September 30, 2018 and December 31, 2017, respectively.

#### Subscriptions

On February 8, 2013, the stockholders of the Parent Company representing at least two thirds of the outstanding capital stock approved the subscription by the following companies within the IPM group or any of their designees/nominees to a total of 500,000,000 shares out of the ₱500,000,000 increase in the authorized capital stock at a total subscription price of ₱500,000,000, which was paid as follows: (a) IPMCDC, ₱350,000,000; (b) IPMESI, ₱100,000,000; and (c) IPMRDC, ₱50,000,000.

The Parent Company received the deposits on stock subscription on February 11, 2013 and February 12, 2013 amounting to ₱50.00 million and ₱450.00 million, respectively. These deposits for stock subscriptions were then transferred to common shares following the approval of the SEC of the Parent Company's application for increase in authorized capital stock on June 11, 2013.

On May 25, 2016, the stockholders approved the increase in the Corporation's authorized capital stock to an amount of up to ₱7,500.00 million consisting of common and/ or preferred shares as may be determined by the BOD.

#### Retained Earnings

For purposes of dividend declaration, the retained earnings shall be that of the legal parent presented in the separate financial statements. As of September 30, 2018 and December 31, 2017, the Parent Company is in a deficit position, hence, no dividends were declared during the years covered.

The portion of retained earnings corresponding to the undistributed equity in net earnings of the associate and joint venture are not available for distribution as dividends until declared by the associate and joint venture.

The details of the Parent Company's deficit are as follows:

	September 30, 2018	December 31, 2017
Balance at beginning of year	<b>₱209,040,001</b>	₱206,072,782
Net loss during the period	<b>1,845,771</b>	2,967,219
	<b>₱210,885,772</b>	₱209,040,001



The appropriations made by BEST of ₱14.80 million represent continuing appropriation for future capital expenditures and property acquisitions in the field of waste to energy technology. On March 30, 2016, the BOD of BEST approved the reversal of appropriated retained earnings of ₱14.80 million to unrestricted retained earnings.

Noncontrolling Interests

On June 16, 2014, the other stockholders of BEST made additional investments amounting to ₱20.25 million with corresponding equivalent number of shares issued.

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

<u>September 30, 2018</u>				
<u>Category</u>		<u>Outstanding Balance</u>	<u>Terms</u>	<u>Conditions</u>
<b>Trade receivables (Note 5)</b>				
<b>Parent</b>				
IPMCDC (a)	<b>₱</b>	<b>₱216,290,364</b>	Noninterest-bearing; within one year	Unsecured, no impairment
<b>Shareholders</b>				
IPMESI (b)		<b>688,373,254</b>	Noninterest-bearing; within one year	Unsecured, no impairment
IPMRDC (c)		<b>34,687</b>	Noninterest-bearing; within one year	Unsecured, no impairment
<b>Joint Venture</b> ERC (d)		<b>18,069</b>	Noninterest-bearing; on demand	Unsecured, no impairment
		<b>₱904,716,374</b>		
<hr/>				
<u>Category</u>		<u>Outstanding Balance</u>	<u>Terms</u>	<u>Conditions</u>
<b>Loans Receivable (Note 5)</b>				
<b>Joint venture</b>				
ERC (e)	<b>₱-</b>	<b>₱31,000,000</b>	Interest bearing; due and demandable	Unsecured, no impairment
<b>Interest Receivable (Note 5)</b>				
ERC (e)		<b>4,734,460</b>	Due and demandable	Unsecured, no impairment
		<b>₱35,734,460</b>		
<hr/>				
<b>Trade payables (Note 11)</b>				
<b>Parent</b>				
IPMCDC (f)	<b>₱</b>	<b>₱6,787,900</b>	Noninterest-bearing; on demand	Unsecured
<b>Accrued expenses</b>				
<b>Affiliate</b>				
GNCA Holdings, Inc. (GNCA) (g)	<b>135,000</b>	<b>30,000</b>	Noninterest-bearing; on demand	Unsecured
		<b>₱6,817,900</b>		

December 31, 2017

Category	Amount	Outstanding Balance	Terms	Conditions
Trade receivables (Note 5)				
Parent				
IPMCDC (a)	₱132,303,036	₱157,157,557	Noninterest-bearing; within one year	Unsecured, no impairment
Shareholders				
IPMESI (b)	109,074,088	693,745,655	Noninterest-bearing; within one year	Unsecured, no impairment
IPMRDC (c)	–	34,687	Noninterest-bearing; within one year	Unsecured, no impairment
Joint Venture				
ERC (d)	53,571	18,069	Noninterest-bearing; on demand	Unsecured, no impairment
		₱850,955,968		

Category	Amount	Outstanding Balance	Terms	Conditions
Loans Receivable (Note 5)				
Joint venture				
ERC (e)	₱–	₱31,000,000	Interest bearing; due and demandable	Unsecured, no impairment
Interest Receivable (Note 5)				
ERC (e)	1,180,320	3,849,220	Due and demandable	Unsecured, no impairment
		₱34,849,220		

Trade payables (Note 11)				
Parent				
IPMCDC (f)	₱95,339,251	₱8,531,187	Noninterest-bearing; on demand	Unsecured
Accrued expenses				
Affiliate				
GNCA Holdings, Inc. (GNCA) (g)	180,000	–	Noninterest-bearing; on demand	Unsecured
BOD (h)	110,000	–	Noninterest-bearing; on demand	Unsecured
		₱8,531,187		

- 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 2017 and 2016 the Company charged IPMCDC for transportation and heavy equipment rental fees. In July 2015, BEST entered into a consultancy agreement with IPMCDC for the monitoring of efficiency of the latter's operation and compliance with rules and regulations on IPMCDC's contract with several local municipalities. The income payment is based on a fixed amount specified in the consultancy agreement.
- b. BEST has an existing contract with IPMESI for the operation and maintenance of an Integrated Solid Waste Management Facility for a fixed monthly fee of ₱15.58 million. In 2017, 2016 and 2015, BEST charged IPMESI for the rental of transportation and heavy equipment.
- c. In 2017 and 2016, rental income earned on the lease of equipment to IPMRDC amounted to nil and ₱0.71 million, respectively.

- d. In January 2016, BEST entered into a contract of lease with ERC, whereby the latter, shall lease a portion of BEST's office space. Lease term commenced on January 1, 2016 and was for the period of two (2) years, renewable upon mutual agreement of the parties.
- e. 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. Accrued interest receivable amounted to ₱4.73 million and ₱3.85 million as of September 30, 2018 and December 31, 2017, respectively.
- f. IPMCDC charge 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.
- g. The Parent Company entered into an agreement with GNCA, an entity controlled by one of the Parent Company's director, for the sharing of common costs incurred on the leased office space of the Parent Company. The agreement provides that Parent Company shall pay fixed monthly utility charges of ₱15,000 in 2018, 2017 and 2016, in lieu of its proportionate share in monthly rentals on the leased premises.
- h. 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. Total per diem paid to the directors amounted to ₱0.15 million and ₱0.13 million as of September 30, 2018 and 2017, respectively (see Note 16).

Transactions with related parties are based on terms agreed to by the parties. Outstanding balances as of reporting date are unsecured, non-interest bearing and settled in cash, unless otherwise stated. There have been no guarantees provided or received for any related party receivables or payables. Based on management's assessment, no provision for impairment for receivables for related parties is necessary due to regular settlements made by the related parties in 2017 and 2016. This assessment is done on a regular basis.

## 15. Cost of Services

This account consists of:

	<b>Quarters Ended September 30</b>	
	<b>2018</b>	<b>2017</b>
Depreciation and amortization	<b>₱5,593,894</b>	₱5,430,907
Rent	<b>1,705,861</b>	8,363,438
Salaries and wages	<b>1,649,877</b>	3,347,071
Contract costs	<b>1,324,607</b>	2,232,143
Repairs and maintenance	<b>1,077,816</b>	(705,732)
Security and janitorial	<b>592,837</b>	139,117
Utilities	<b>67,560</b>	17,254
Supplies	<b>22,147</b>	45,688
Professional fees	<b>17,857</b>	-
Fuel and oil	<b>10,996</b>	702,065
Transportation and travel	<b>6,699</b>	295,853
Representation	<b>5,000</b>	-
Insurance	<b>1,719</b>	-
Taxes and licenses		379,869
Materials and tools	-	1,045,143
Others	<b>68,307</b>	21,944
	<b>₱12,145,177</b>	<b>₱21,314,760</b>

	<b>Nine Months Ended September 30</b>	
	<b>2018</b>	<b>2017</b>
Depreciation and amortization	<b>₱14,871,039</b>	₱16,292,721
Salaries and wages	<b>6,748,341</b>	8,520,918
Rent	<b>4,762,736</b>	51,445,233
Contract costs	<b>3,592,903</b>	15,625,000
Repairs and maintenance	<b>1,367,070</b>	6,056,010
Security and janitorial	<b>1,061,528</b>	417,350
Bid expense	<b>870,000</b>	-
Taxes and licenses	<b>276,719</b>	1,396,052
Supplies	<b>197,464</b>	208,324
Utilities	<b>146,549</b>	53,719
Entertainment, amusement and recreation	<b>33,500</b>	20,000
Transportation and travel	<b>43,172</b>	347,813
Professional fees	<b>29,643</b>	-
Fuel and oil	<b>21,941</b>	5,071,750
Insurance	<b>1,719</b>	-
Materials and tools	-	6,554,002
Others	<b>251,682</b>	53,676
	<b>₱34,276,007</b>	₱112,062,568

#### 16. General and Administrative Expenses

This account consists of:

	<b>Quarters Ended September 30</b>	
	<b>2018</b>	<b>2017</b>
Salaries, wages and employee benefits	<b>₱3,056,211</b>	₱2,690,325
Professional fees	<b>2,111,974</b>	(262,553)
Taxes and licenses	<b>996,128</b>	959,069
Depreciation	<b>732,107</b>	667,579
Utilities	<b>249,186</b>	251,941
Transportation and travel	<b>232,782</b>	315,900
Stock exchange listing fee	<b>145,538</b>	158,113
Repairs and maintenance	<b>114,745</b>	69,676
Office supplies and printing costs	<b>109,674</b>	112,736
Membership	<b>106,421</b>	102,165
Entertainment, amusement and recreation	<b>69,000</b>	30,500
Security and janitorial	<b>62,486</b>	88,433
Fuel and oil	<b>50,802</b>	
Rent	<b>32,411</b>	78,571
Advertising	<b>10,050</b>	1,970,299
Insurance	<b>9,641</b>	21,303
Vat expense	<b>(1,036,179)</b>	518,920
Postage & telegram	-	12,877
Miscellaneous	<b>401,496</b>	267,509
	<b>₱7,454,470</b>	₱8,053,363

	<b>Nine Months Ended September 30</b>	
	<b>2018</b>	2017
Taxes and licenses	<b>₱18,228,930</b>	₱12,156,698
Salaries, wages and employee benefits	<b>9,726,668</b>	7,370,752
Professional fees	<b>5,213,924</b>	223,387
Depreciation	<b>2,094,943</b>	2,007,591
Utilities	<b>689,924</b>	702,587
Transportation and travel	<b>577,689</b>	907,411
Stock exchange listing fee	<b>444,188</b>	474,338
Membership	<b>405,417</b>	296,495
Entertainment, amusement and recreation	<b>373,359</b>	126,344
Office supplies and printing costs	<b>351,323</b>	361,499
Repairs and maintenance	<b>323,332</b>	164,298
Advertising	<b>232,550</b>	2,950,654
Security and janitorial	<b>170,132</b>	304,838
Directors' per diem	<b>150,000</b>	130,000
Fuel and Oil	<b>141,437</b>	-
Rent	<b>96,250</b>	78,571
Insurance	<b>39,442</b>	58,315
VAT expense	<b>(1,319,210)</b>	596,537
Postage and telegram	-	12,877
Training and seminar	-	56,000
Miscellaneous	<b>816,962</b>	802,868
	<b>₱38,757,227</b>	₱29,782,060

## 17. Pension Plan

The Group has a non-contributory defined benefit pension plant 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 as of September 30, 2018.

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:

	<b>September 30, 2018</b>		
	<b>Present value of defined benefit obligation</b>	<b>Fair value of plan assets</b>	<b>Net pension liability</b>
At January 1	<b>₱1,636,678</b>	<b>(₱353,981)</b>	<b>₱1,282,697</b>
<i>Benefit cost in profit or loss</i>			
Current service cost (Note 16)	<b>398,357</b>	-	<b>398,357</b>
Net interest expense (income) (Note 16)	<b>90,017</b>	<b>(19,469)</b>	<b>70,548</b>

<i>Remeasurements in other comprehensive income</i>			
Remeasurement loss - return on plan asset	–	14,837	14,837
Actuarial gain - changes in financial assumptions	(61,049)	–	(61,049)
Actuarial gain - changes in experience	(551,005)	–	(551,005)
At September 30	<b>₱1,512,998</b>	<b>(₱358,613)</b>	<b>₱1,154,385</b>

The Group's plan assets are invested mainly in cash and cash equivalents. The carrying value of the Group's plan assets approximates the fair value due to its short-term nature. The plan assets do not have any concentration risk.

## 18. Basic/Diluted Loss per Share

Basic earnings per share was computed as follows:

	<b>Quarters Ended September 30</b>	
	<b>2018</b>	<b>2017</b>
Net income attributable to equity holders of the parent (a)	<b>₱15,852,053</b>	₱22,780,511
Weighted average number of outstanding common share (b)	<b>690,000,000</b>	690,000,000
Basic earnings per share (a/b)	<b>0.023</b>	0.033

	<b>Nine Months Ended September 30</b>	
	<b>2018</b>	<b>2017</b>
Net income attributable to equity holders of the parent (a)	<b>₱36,971,975</b>	₱38,891,999
Weighted average number of outstanding common share (b)	<b>690,000,000</b>	690,000,000
Basic earnings per share (a/b)	<b>₱0.054</b>	₱0.056

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

## 19. Commitments

As September 30, 2018 and December 31, 2017, 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. Composting of waste materials from Pasig City and Pasay City that is being renewed every year. Income from composting amounted to ₱9.00 million and ₱12.00 million as of September 30, 2018 and December 31, 2017, respectively. (see Note 14).
  - b. Consultancy and field services in IPMCDC's Materials Recovery Facility (MRF) that is being renewed every year. In July 2015, the Group entered into new consultancy services contracts with IPMCDC for the monitoring of efficiency of the latter's operation and compliance with rules and regulations on IPMCDC's contract with several local cities. The Group recognized income amounting to ₱26.36 million and ₱35.14 million as of September 30, 2018 and December 31, 2017, respectively, arising from these consultancy service contracts (see Note 14).

- The Group entered into contractual commitments with various municipalities of Rizal and Laguna 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. In 2017, the Group entered into the contract agreement for garbage disposal services for the municipalities of Baras and Cardona. Contract terms was for ten (10) months beginning March 2017 until December 31, 2017. The contract covers BEST's provision of professional services within its disposal facility and includes all programming, planning, calculation, specifications equipment and management services necessary to carry out the agreed services. Beginning February 20, 2017, the Group has renewed its contract of solid waste disposal and service of a sanitary landfill with the municipality of Binangonan. The term of the contract shall be for one year until February 20, 2018 unless sooner terminated. In August 2017, the Group entered into a new contract agreement with the municipality of Pangil, Laguna, for the disposal of residual waste. The contract was for 110 days and has ended on December 8, 2017. The contract with municipality of Teresa was entered into by the Group on August 2016. Under this agreement, the Group, through BEST, allows these municipalities to dump residual wastes to BEST's landfill in Morong. The agreement took effect on September 1, 2016 and shall end on June 30, 2019 unless sooner terminated.

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## 19. 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:

	<b>September 30, 2018</b>	December 31, 2017
Loans and receivables:		
Cash	<b>₱4,226,599</b>	₱7,626,149
Receivables:		
Trade	<b>934,613,764</b>	871,078,313
Loan	<b>31,000,000</b>	31,000,000
Others	<b>20,243,362</b>	19,613,816
Interest	<b>4,734,460</b>	3,849,220
Advance to suppliers	<b>400,555</b>	-

Dividend	-	1,600,000
Deposits	<b>3,315,666</b>	3,315,666
	<b>₱998,534,406</b>	₱938,083,164

\*excluding cash on hand

The gross maximum exposure to credit risk of the Group approximates its net maximum exposure. 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, 2018 and December 31, 2017.

The aging analysis of financial assets as of September 30, 2018 and December 31, 2017 follows:

	September 30, 2018				
	Neither Past Due nor Impaired High Grade	Past Due but not Impaired		Impaired	Total
		31 to 60 Days	Over 60 days		
Financial assets:					
Loans and receivables:					
Cash	<b>₱4,226,599</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱4,226,599</b>
Receivables:					
Trade	<b>17,984,245</b>	<b>30,082,435</b>	<b>886,547,084</b>	-	<b>934,613,765</b>
Loans		-	<b>31,000,000</b>	-	<b>31,000,000</b>
Interest	<b>98,360</b>	<b>196,720</b>	<b>4,439,380</b>	-	<b>4,734,460</b>
Others	<b>86,778</b>	<b>393,248</b>	<b>20,163,891</b>	<b>1,066,172</b>	<b>21,710,089</b>
Deposits	<b>3,315,666</b>	-	-	-	<b>3,315,666</b>
	<b>₱25,711,648</b>	<b>₱30,672,403</b>	<b>₱942,150,355</b>	<b>₱1,066,172</b>	<b>₱999,600,579</b>

\*excluding cash on hand

	December 31, 2017				
	Neither Past Due nor Impaired High Grade	Past Due but not Impaired		Impaired	Total
		31 to 60 Days	Over 60 days		
Financial assets:					
Loans and receivables:					
Cash	<b>₱7,626,149</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱7,626,149</b>
Receivables:					
Trade	<b>33,237,288</b>	<b>29,420,302</b>	<b>808,420,723</b>	-	<b>871,078,313</b>
Loans	-	-	<b>31,000,000</b>	-	<b>31,000,000</b>
Advances to officers	<b>1,113,816</b>	-	<b>18,500,000</b>	-	<b>19,613,816</b>
Interest	<b>1,180,320</b>	-	<b>2,668,900</b>	-	<b>3,849,220</b>
Dividend	<b>1,600,000</b>	-	-	-	<b>1,600,000</b>
Others	-	-	-	<b>1,066,172</b>	<b>1,066,172</b>
Deposits	<b>3,315,666</b>	-	-	-	<b>3,315,666</b>
	<b>₱48,073,239</b>	<b>₱29,420,302</b>	<b>₱860,589,623</b>	<b>₱1,066,172</b>	<b>₱939,149,336</b>

\*excluding cash on hand

High grade assets are considered as having very low risk and can easily be converted to cash. These assets are considered for counterparties that possess strong to very strong capacity to meet their obligations.

The Group trades with only recognized, creditworthy third parties; thus, there is no requirement for collateral. Customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to debts is not significant.



### 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, 2018 and December 31, 2017 based on contractual undiscounted payments:

	September 30, 2018				Total
	On Demand	Less than 3 Months	3 to 12 Months	More than One Year	
<b>Financial assets</b>					
Loans and receivables:					
Cash	P4,228,809	P-	P-	P-	P4,226,599
Receivables:					
Trade	889,119,878	30,082,435	15,411,451	-	934,613,765
Loan	31,000,000	-	-	-	31,000,000
Interest	3,947,580	196,720	590,160	-	4,734,460
Others	19,785,321	393,248	465,348	-	20,643,917
Deposits	-	-	-	3,315,666	3,315,666
	<b>P948,081,588</b>	<b>P30,672,403</b>	<b>P16,466,959</b>	<b>P928,999,062</b>	<b>P998,534,407</b>
<b>Financial liabilities</b>					
Trade and other payables (excluding payable to government agencies)	P749,850	P8,397,402	P3,793,330	-	P12,940,582
Loan payable	-	-	97,000,000	-	97,000,000
	<b>P749,850</b>	<b>P8,397,402</b>	<b>P100,793,330</b>	<b>P-</b>	<b>P109,940,582</b>
	December 31, 2017				
	On Demand	Less than 3 Months	3 to 12 Months	More than One Year	Total
<b>Financial assets</b>					
Loans and receivables:					
Cash	P7,697,566	P-	P-	P-	P7,697,566
Receivables:					
Trade	854,352,667	16,725,646	-	-	871,078,313
Loan	31,000,000	-	-	-	31,000,000
Advances to officers	19,613,816	-	-	-	19,613,816
Interest	3,849,220	-	-	-	3,849,220
Dividend	-	1,600,000	-	-	1,600,000
Deposits	-	-	-	3,315,666	3,315,666
	<b>P916,513,269</b>	<b>P18,325,646</b>	<b>P-</b>	<b>P3,315,666</b>	<b>P938,154,581</b>
<b>Financial liabilities</b>					
Trade and other payables (excluding payable to government agencies)	P-	P17,323,729	P-	P-	P17,323,729
Loan payable	-	-	97,000,000	-	97,000,000
	<b>P-</b>	<b>P17,323,729</b>	<b>P97,000,000</b>	<b>P-</b>	<b>P114,323,729</b>

### 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



**IPM HOLDINGS, INC. AND SUBSIDIARY**

**FINANCIAL SOUNDNESS INDICATORS**

**September 30, 2018**

<b>FSI</b>	<b>Calculation</b>	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Current Ratio	Current Assets/Current Liabilities	4.52x	4.03x
Quick Ratio	Current Assets-Inventory- Prepayments/Current Liabilities	4.50x	3.98x
Debt to Equity Ratio	Liabilities/ Stockholders' Equity	0.20x	0.22x
Asset to Equity Ratio	Assets/Stockholders' Equity	1.20x	1.22x
Interest Coverage Ratio	Earnings Before Interest & Taxes/Interest Expense	20.96x	31.06x
Gross Profit Margin	Gross Profit/Net Sales	77.43	58.33
Book Value per share	Total Assets –Total Liabilities/ Outstanding Shares	1.60	1.53
Net Income per Share	Net Income/Weighted Average Number of Shares Outstanding	0.07	0.13

	<u><b>September 30, 2018</b></u>	<u><b>December 31, 2017</b></u>
Current Ratio	999,662,633/221,320,234	947,171,431/234,937,472
Quick Ratio	995,220,950/221,320,234	935,583,423/234,937,472
Debt to Equity	222,474,619/1,104,683,157	236,091,857/1,054,771,931
Asset to Equity Ratio	1,327,157,776/1,104,683,157	1,290,863,788/1,054,771,931
Interest Coverage Ratio	75,277,590/3,591,548	133,450,743/4,297,146
Gross Profit Margin	117,567,719/151,843,726	171,975,754/294,841,698
Book Value/Share	1,104,683,157/690,000,000	1,054,771,931/690,000,000
Net Income per Share	49,911,226/690,000,000	87,128,566/690,000,000

**IPM HOLDINGS, INC. AND SUBSIDIARY**

**AGING OF RECEIVABLES**

**September 30, 2018**

<b>Nature/Description</b>	<b>Current</b>	<b>1 to 30 days</b>	<b>31 to 60 days</b>	<b>61 to 90 days</b>	<b>Over 90 days</b>	<b>Total</b>
Trade Receivables:						
Income from Tipping Fee	3,572,263	4,020,533	247,296	335,792	5,328,088	13,503,972
Hauling Income	2,403,109	2,311,656	91,132	402,296	11,115,225	16,323,418
Composting/Waste Process	1,000,000	1,000,000	1,000,000	3,000,000	3,000,000	9,000,000
Consultancy/Field Services	-	-	-	-	-	-
Rental	11,008,873	10,718,758	10,693,060	8,983,584	854,382,100	895,786,375
Loans Receivable					31,000,000	31,000,000
Interest Receivable	98,360	98,360	98,360	98,360	4,341,020	4,734,460
Others	86,778	134,087	259,161	465,348	19,698,543	20,643,916
<b>Total</b>	<b>18,169,383</b>	<b>18,283,394</b>	<b>12,389,009</b>	<b>13,285,380</b>	<b>928,864,975</b>	<b>990,992,141</b>