

COVER SHEET

SEC Registration Number

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COMPANY NAME

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PRINCIPAL OFFICE(No. / Street / Barangay / City / Town / Province)

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Form Type

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Department requiring the report

C	F	D
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Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address

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Company's Telephone Number

897-5257

Mobile Number

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No. of Stockholders

117

Annual Meeting (Month / Day)

4th Wed of May

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Ana Maria A. Katigbak

Email Address

AAK@cltpsj

Telephone Number/s

817-6791

Mobile Number

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CONTACT PERSON'S ADDRESS

3rd Floor, The Valero Tower, 122 Valero St., Salcedo Village, Makati City

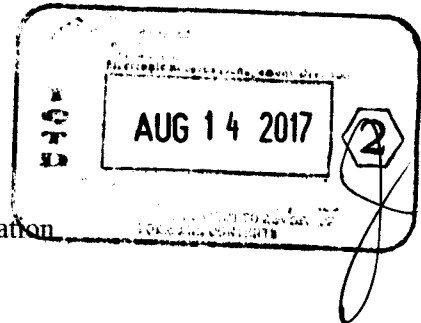
NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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: June 30, 2017
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, 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 Results of Operations; 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. The Company remains focused on growing BEST through the expansion of its municipal solid waste contracting business and establishment of additional facilities for the processing and conversion of solid waste into alternative fuel for the cement and power generation industries. BEST is also targeting to tap the specialized waste handling and disposal requirements of the various industrial zones located all over the country.

The Company also intends to venture in developing BEST’s business in other branches of waste management, including the following:

- Bio medical waste treatment
- Hazardous waste management
- Construction and demolition waste management
- Commercial and industrial waste management
- Providing consultancy and monitoring services to waste collection systems to comply with Republic Act No. 9003 and professionalize the industry.

Over the long term, the Company aspires to become a premier holding company investing in diversified industries in the Philippines.

MANAGEMENT’S DISCUSSION AND ANALYSIS

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

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Income

Total consolidated revenues for the six-month period ending June 30, 2017 amounted to Php184.23 million, Php7.13 million or 4% higher than the Php177.10 million posted in the same period of 2016.

Cost of Services

Cost of services for the first six months of 2017 amounted to Php90.75 million for an increase of 4% or Php3.48 million year-on-year.

General and administrative expenses slightly increased by 4.27%, from Php22.71 million in 2016 to Php23.68 million this year.

Net Income

The first half of 2017 resulted in a net income after tax of Php52.32 million, including the Php13.42 million net income attributable to non-controlling interests. This is 8.25% higher than the net income of Php48.33 million, including the Php12.44 million net income attributable to non-controlling interests posted in the same period last year.

Liquidity and Capital Resources

Net cash provided by operations totaled Php3.56 million including the net income before tax of Php74.05 million and the depreciation and amortization expense of Php12.20 million. Trade and other receivables increased by Php112.81 million while prepaid and other current assets increased by Php2.15 million. Trade and other payables increased by Php2.48 million while due to related parties went up by Php47.60 million. Income tax paid for 2017 amounted to Php15.51 million. Net cash provided by investing activities amounted to Php3.73 million representing cash dividends received from an affiliate. Net cash used by financing activities amounted to Php1.95 million.

In the same period of 2016, net cash used in operations totaled Php68.46 million including the net income before tax of Php69.17 million and the depreciation and amortization expense of Php10.07 million. Trade and other receivables increased by Php167.06 million and prepaid and other current assets increased by Php2.43 million. Trade and other payables increased by Php3.66 million and due to related parties went up by Php43.38 million. Income tax paid for 2016 amounted to Php25.37 million. Net cash provided by investing activities amounted to Php.04 million. Net cash used by financing activities amounted to Php2.18 million.

Second Quarter Ended June 30, 2017 Compared to Second Quarter Ended June 30, 2016

Income

Consolidated total revenues for the quarter ending June 30, 2017 amounted to Php92.24 million, Php6.70 million or 7.84% higher than the Php85.53 million posted in the same period of 2016. This resulted from the increase in tipping fees of Php3.32 million and in hauling income of Php3.52 million.

Cost of Services

Cost of services for the second quarter of 2017 totaled Php44.66 million, down Php2.91 million or 6.11% from the Php47.57 million reported in the same period of 2016.

Likewise, general and administrative expenses declined by 33.80%, from Php9.55 million in 2016 to Php6.32 million this year.

Net Income

The second quarter of 2017 ended with a net income after tax of Php30.61 million, including the Php7.83 million net income attributable to non-controlling interests. This is 32.84% higher than the net income of Php23.04 million, including the Php5.96 million net income attributable to non-controlling interest posted in the same period last year.

Liquidity and Capital Resources

For the quarter ended June 30, 2017, net cash provided by operation totaled Php2.69 million including the net income before tax of Php42.75 million and the depreciation and amortization expense of Php7.13 million. Trade and other receivables increased by Php58.78 million while prepaid and other current assets decreased by Php2.47 million. Trade and other payables increased by Php4.63 million while due

to related parties also increased by Php20.65 million. Income tax paid for 2017 amounted to Php15.51 million. Net cash provided by investing activities amounted to Php3.273 million representing cash dividends received from an affiliate. Net cash used by financing activities amounted to Php0.84 million.

In the same period of 2016, net cash provided by operation totaled Php4.45 million including the net income before tax of Php32.31 million and the depreciation and amortization expense of Php5.06 million. Trade and other receivables rose by Php45.34 million while prepaid and other current assets increased by Php6.51 million. Trade and other payables increased by Php11.25 million while due to related parties also increased by Php31.76 million. Income tax paid for 2016 reached Php25.37 million. Net cash used by financing activities amounted to Php1.07 million.

Financial Position as of June 30, 2017 Compared to Financial Position as of December 31, 2016

Statements of financial position data	30-Jun-2017	31-Dec-2016	% Inc/ (Dec)
Total Current Assets	947,290,074	829,867,309	14.15%
Total Assets	1,299,193,301	1,193,457,737	8.86%
Total Current Liabilities	278,369,255	224,949,727	23.75%
Total Liabilities	279,651,952	226,232,424	23.61%
Total Stockholders' Equity	1,019,541,349	967,225,313	5.41%

The Company's consolidated total assets grew by 8.86% from Php1.19 billion as of December 31, 2016 to Php1.30 billion as of June 30, 2017.

- Cash and cash equivalents rose by 82% from Php6.52 million as of December 31, 2016 to Php11.87 million as of June 30, 2017.
- Trade and other receivables increased by 14% from Php803.85 million as of December 31, 2016 to Php913.78 million as of June 30, 2017. This is mainly attributable to the increase in contract services of the company.
- Other current assets increased by 11% from Php19.49 million as of December 31, 2016 to Php21.64 million as of June 30, 2017 due to the increase in creditable withholding tax and input VAT, net of provision for impairment on its prepaid taxes.
- Noncurrent assets slightly went down by 3.21% from Php363.59 million as of December 31, 2016 to Php351.90 million as of June 30, 2017.

Total consolidated liabilities posted a 23.61% increase, from Php226.23 million as of December 31, 2016 to Php279.65 million as of June 30, 2017. This was mainly due to the increase in advances to related parties.

Total stockholders' equity was slightly up by 5.41% from P967.23 million as of December 31, 2016 to Php1.02 billion as of June 30, 2017, including the noncontrolling interest of Php333.18 million as of June 30, 2017 and Php319.76 million as of December 31, 2016.

Current ratio decreased from 3.69x as of December 31, 2016 to 3.40x as of June 30, 2017; net working capital thus stood at Php668.91million as of June 30, 2017, versus Php604.92 million as of December 31, 2016.

Key Performance Indicators

The company's key performance indicators are as follows:

KPI	Calculation	30-Jun-2017	31-Dec-2016
Current Ratio (1)	Current Assets/Current Liabilities	3.40x	3.69x
Quick Ratio (2)	Current Assets-Inventory-Prepaid Expenses /Current Liabilities	3.33x	3.60x
Debt to Equity Ratio (3)	Liabilities/ Stockholders' Equity	0.27x	0.23x
Book Value per share (4)	Total Assets –Total Liabilities/ Outstanding Shares	1.47	1.40
Net Income per Share (5)	Net Income/Weighted Average Number of Shares Outstanding	0.07	0.14

	<u>30-Jun-2017</u>	<u>31-Dec-2016</u>
(1) Current Ratio	947,290,075/278,369,255	829,867,309/224,949,727
(2) Quick Ratio	928,898,430/278,369,255	818,377,870/224,949,727
(3) Debt to Equity	279,651,952/1,019,541,349	226,735,747/967,225,313
(4) Book Value/Share	1,019,541,349/690,000,000	967,225,313/690,000,000
(5) Income per Share	52,316,036/690,000,000	94,274,997/690,000,000

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

Not applicable. There are no other material information not previously reported in a report on SEC Form 17-C.

SIGNATURES

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

Issuer : **IPM HOLDINGS, INC.**



ISABELLA P. MERCADO
Chairman and Chief Executive Officer
Date: August 11, 2017



FRANCIS NEIL P. MERCADO
Treasurer and Chief Financial Officer
Date: August 11, 2017

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

	30-June-2017	31-Dec-2016
	Unaudited	Audited
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 20)	₱11,871,121	₱6,523,092
Receivables (Notes 5 and 20)	913,778,570	803,854,779
Other current assets (Note 6)	21,640,383	19,489,438
Total Current Assets	947,290,074	829,867,309
Noncurrent Assets		
Investments in an associate and a joint venture (Note 7)	88,494,814	87,985,191
Deposits (Note 8)	3,304,746	3,304,746
Investment property (Note 9)	103,843,271	104,401,990
Property and equipment (Note 10)	155,875,587	167,513,692
Deferred tax asset	384,809	384,809
Total Noncurrent Assets	351,903,227	363,590,428
Total Assets	₱1,299,193,301	₱1,193,457,737
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 11 and 20)	₱168,223,313	₱121,027,350
Loans payable (Notes 12 and 20)	98,000,000	98,000,000
Income tax payable	12,145,942	5,922,377
Total Current Liabilities	278,369,255	224,949,727
Noncurrent Liability		
Net pension liability (Note 17)	1,282,697	1,282,697
Total Liabilities	279,651,952	226,232,424
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 13)	690,000,000	690,000,000
Retained earnings (Note 13)	295,185,617	256,293,618
Other reserves (Notes 1 and 17)	(298,824,195)	(298,824,195)
	686,361,422	647,469,423
Noncontrolling Interests		
	333,179,927	319,755,890
Total Equity	1,019,541,349	967,225,313
Total Liabilities and Equity	₱1,299,193,301	₱1,193,457,737

See accompanying Notes to Consolidated Financial Statements

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

	Quarters Ended June 30	
	2017	2016
REVENUE AND OTHER INCOME		
Service income (Notes 14 and 19)	₱72,546,215	₱65,703,212
Rental income (Notes 9, 14 and 19)	19,195,759	19,503,750
Interest income (Notes 4, 8 and 14)	497,401	327,686
Equity in net earnings of an associate and a joint venture (Note 7)	1,488,825	3,890,340
	93,728,200	89,424,988
EXPENSES		
Cost of services (Note 15)	44,659,968	47,565,255
General and administrative expenses (Note 16)	5,487,674	8,479,472
Interest expense (Notes 10 and 12)	835,462	1,070,519
	50,983,104	57,115,247
INCOME BEFORE INCOME TAX	42,745,096	32,309,741
PROVISION FOR INCOME TAX	12,139,085	9,269,483
NET INCOME	30,606,011	23,040,258
OTHER COMPREHENSIVE INCOME(LOSS)		
<i>Items not to be reclassified to profit or loss:</i>		
Actuarial losses on defined benefit obligation	-	
TOTAL COMPREHENSIVE INCOME	₱30,606,011	₱23,040,258
Net income attributable to:		
Equity holders of the parent	₱22,780,511	₱17,078,839
Noncontrolling interest	7,825,500	5,961,419
	₱30,606,011	₱23,040,258
Total comprehensive income attributable to:		
Equity holders of the parent	₱22,780,511	₱17,078,839
Noncontrolling interest	7,825,500	5,961,419
	₱30,606,011	₱23,040,258
EARNING PER SHARE ATTRIBUTABLE TO		
EQUITY HOLDERS OF THE PARENT (Note 18)	₱0.033	₱0.025

See accompanying Notes to Consolidated Financial Statements

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

	Six Months Ended June 30	
	2017	2016
REVENUE AND OTHER INCOME		
Service income (Notes 14 and 19)	₱145,718,627	₱135,830,766
Rental income (Notes 9, 14 and 19)	37,900,446	40,630,637
Interest income (Notes 4, 8 and 14)	614,590	641,912
Equity in net earnings of an associate and a joint venture (Note 7)	4,242,955	2,044,265
	188,476,618	179,147,580
EXPENSES		
Cost of services (Note 15)	90,747,808	87,269,472
General and administrative expenses (Note 16)	21,728,698	20,526,187
Interest expense (Notes 10 and 12)	1,947,431	2,180,340
	114,423,937	109,975,999
INCOME BEFORE INCOME TAX	74,052,681	69,171,581
PROVISION FOR INCOME TAX	21,736,645	20,842,391
NET INCOME	₱52,316,036	₱48,329,190
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Items not to be reclassified to profit or loss:</i>		
Actuarial losses on defined benefit obligation	-	-
TOTAL COMPREHENSIVE INCOME	₱52,316,036	₱48,329,190
Net income attributable to:		
Equity holders of the parent	₱38,891,999	₱35,885,666
Noncontrolling interest	13,424,037	12,443,524
	₱52,316,036	₱48,329,190
Total comprehensive income attributable to:		
Equity holders of the parent	₱38,891,999	₱35,885,666
Noncontrolling interest	13,424,037	12,443,524
	₱52,316,036	₱48,329,190
EARNING PER SHARE ATTRIBUTABLE TO		
EQUITY HOLDERS OF THE PARENT (Note 18)	₱0.056	₱0.052

See accompanying Notes to Consolidated Financial Statements

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

	Capital Stock	Retained Earnings - Unappropriated	Retained Earnings - Appropriated	Other Reserves Equity Reserve	Actuarial Losses on Defined Benefit Obligation	Noncontrolling Interests	Total Equity
At March 31, 2017	P690,000,000	P272,405,105	–	(P298,498,391)	(P325,804)	P325,354,428	P988,935,338
Net income for the second quarter	–	22,780,511	–	–	–	7,825,500	30,606,011
At June 30, 2017	P690,000,000	P295,185,616	P	(P298,498,391)	(P325,804)	P333,179,928	P1,019,541,349
At March 31, 2016	P690,000,000	P205,265,271	–	(P298,498,391)	(P219,571)	P301,833,584	P898,380,893
Net income for the second quarter	–	17,078,839	–	–	–	5,961,418	23,040,257
At June 30, 2016	P690,000,000	P222,344,110	P	(P298,498,391)	(P219,571)	P307,795,002	P921,421,150
At January 1, 2016	P690,000,000	P171,655,226	P14,803,219	(P298,498,391)	(P219,571)	P295,351,478	P873,091,961
Reversal of appropriation	–	14,803,219	(14,803,219)	–	–	–	–
Net income	–	69,835,173	–	–	–	24,439,824	94,274,997
Other comprehensive income	–	–	–	–	(106,233)	(35,412)	(141,645)
At December 31, 2016	P690,000,000	P256,293,618	P-	(P298,498,391)	(P325,804)	P319,755,890	P967,225,313

See accompanying Notes to Consolidated Financial Statements.

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

	Capital Stock	Retained Earnings - Unappropriated	Retained Earnings - Appropriated	Equity Reserve	Other Reserves Actuarial Losses on Defined Benefit Obligation	Noncontrolling Interests	Total Equity
At January 1, 2017	P690,000,000	P256,293,618	P-	(P298,498,391)	(P325,804)	P319,755,890	P967,225,313
Net income for the six months period	-	38,891,999	-	-	-	13,424,037	52,316,036
At June 30, 2017	P690,000,000	P295,185,617	P	(P298,498,391)	(P325,804)	P333,179,927	P1,019,541,349
At January 1, 2016	P690,000,000	P171,655,225	P14,803,219	(P298,498,391)	(P219,571)	P295,351,478	P873,091,960
Net income for the six months period	-	35,885,666	-	-	-	12,443,524	48,329,190
Reversal of appropriated retained earnings	-	14,803,219	(14,803,219)	-	-	-	-
At June 30, 2016	P690,000,000	P222,344,110	P-	(P298,498,391)	(P219,571)	P307,795,002	P921,421,150
At January 1, 2016	P690,000,000	P171,655,226	P14,803,219	(P298,498,391)	(P219,571)	P295,351,478	P873,091,961
Reversal of appropriation	-	14,803,219	(14,803,219)	-	-	-	-
Net income	-	69,835,173	-	-	-	24,439,824	94,274,997
Other comprehensive income	-	-	-	-	(106,233)	(35,412)	(141,645)
At December 31, 2016	P690,000,000	P256,293,618	P-	(P298,498,391)	(P325,804)	P319,755,890	P967,225,313

See accompanying Notes to Consolidated Financial Statements.

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

	Quarters Ended June 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱42,745,096	₱32,309,741
Adjustments for:		
Depreciation and amortization (Notes 9, 10, 15 and 16)	7,132,838	5,057,372
Interest expense (Notes 10 and 12)	835,462	1,070,519
Equity in net losses (earnings) of an associate and a joint venture (Note 7)	(1,488,825)	(3,890,340)
Interest income	(497,401)	(327,686)
Operating income before changes in working capital	48,727,170	34,219,606
Decrease (increase) in:		
Receivables	(58,779,723)	(45,338,151)
Prepaid and other current assets	2,474,446	(6,511,710)
Increase (decrease) in:		
Trade and other payables	4,635,076	15,366,471
Due to related parties	20,649,743	31,758,693
Net cash generated from (used in) operations	17,706,712	29,494,909
Interest received	497,401	327,686
Income tax paid	(15,513,013)	(25,371,129)
Net cash provided by (used in) operating activities	2,691,100	4,451,466
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from an associate (Note 7)	3,200,000	-
Net cash provided by investing activities	3,200,000	-
CASH FLOWS FROM FINANCING ACTIVITY		
Interest paid	(835,462)	(1,070,519)
Payment/proceeds from bank loan	-	-
Net cash provided by (used by) financing activities	(835,462)	(1,070,519)
NET INCREASE IN CASH	5,055,638	3,380,947
CASH AT BEGINNING OF PERIOD	6,815,483	7,496,687
CASH AT END OF PERIOD (Note 4)	₱11,871,121	₱10,877,634

See accompanying Notes to Consolidated Financial Statements.

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

	Six Months Ended June 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱74,052,681	₱69,171,582
Adjustments for:		
Depreciation and amortization	12,196,826	10,069,932
Interest expense	1,947,431	2,180,340
Equity in net losses (earnings) of an associate and a joint venture (Note 7)	(4,242,956)	(2,044,265)
Interest income	(614,590)	(641,912)
Operating income before changes in working capital	83,339,392	78,735,677
Decrease (increase) in:		
Receivables	(112,808,468)	(167,063,638)
Due from a related party		
Prepaid and other current assets	(2,150,948)	(2,430,451)
Increase (decrease) in:		
Trade and other payables	2,484,167	3,656,402
Due to related parties	47,596,475	43,375,675
Net cash generated from (used in) operations	18,460,618	(43,726,335)
Interest received	614,590	641,912
Income tax paid	(15,513,081)	(25,371,306)
Net cash provided by (used in) operating activities	3,562,127	(68,455,729)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 10)	-	37,263
Dividends received from an associate (Note 7)	3,733,333	
Net cash provided by (used in) investing activities	3,733,333	37,623
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from issuance of shares of stock (Note 12)		
Interest paid	(1,947,431)	(2,180,340)
Payment/proceeds from bank loan (Note 13)	-	-
Net cash provided by (used by) financing activities	(1,947,431)	(2,180,340)
NET INCREASE (DECREASE) IN CASH	5,348,029	(70,598,806)
CASH AT BEGINNING OF PERIOD	6,523,092	81,476,440
CASH AT END OF PERIOD (Note 4)	₱11,871,121	₱10,877,634

See accompanying Notes to Consolidated Financial Statements.

IPM HOLDINGS, INC.**PARENTCOMPANY STATEMENTS OF FINANCIAL POSITION**

	30-Jun-2017	31-Dec-2016
	Unaudited	Audited
ASSETS		
Current Assets		
Cash and cash equivalents	₱751,261	₱336,520
Other current assets	447,854	20,000
Total Current Assets	1,199,115	356,520
Noncurrent Asset		
Investment in a subsidiary	485,375,000	485,375,000
Total Assets	₱486,574,115	₱485,731,520
LIABILITIES AND EQUITY		
Advances from related party	₱4,000,000	₱1,000,000
Accrued expenses and other payables	27,010	804,302
Total Liabilities	4,027,010	₱1,804,302
Equity		
Capital stock	690,000,000	690,000,000
Deficit	(207,452,895)	(206,072,782)
Total Equity	485,547,105	483,927,218
	₱486,574,115	₱485,731,520

IPM HOLDINGS INC.
PARENT COMPANY STATEMENTS OF INCOME

	Quarters Ended June 30	
	2017	2016
INCOME		
Interest	₱390	₱360
EXPENSES		
Stock exchange listing fee	158,113	177,265
Salaries and wages	137,000	137,000
Professional fees	97,272	110,525
Directors' per diem	80,000	130,000
Entertainment, amusement and recreation	73,000	80,477
Utilities	45,000	45,000
Office supplies and printing costs	41,884	52,346
Rent	40,179	40,179
Transportation	7,500	10,835
Postage & telegram	-	8,587
Miscellaneous	16,350	13,491
	696,298	805,705
LOSS BEFORE INCOME TAX	(695,908)	805,345
PROVISION FOR INCOME TAX	78	72
NET LOSS	695,986	805,417
OTHER COMPREHENSIVE LOSS	-	-
TOTAL COMPREHENSIVE LOSS	₱695,986	₱805,417
Basic/Diluted Loss Per Share	₱0.0010	₱0.0011

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

	Six Months Ended June 30	
	2017	2016
INCOME		
Interest	₱726	₱1,251
EXPENSES		
Stock exchange listing fee	316,225	349,480
Salaries and wages	274,000	274,000
Professional fees	174,800	190,477
Directors' per diem	130,000	220,000
Entertainment, amusement and recreation	90,844	102,931
Utilities	90,000	90,000
Rent	80,357	80,357
Training and seminar	56,000	-
Office supplies and printing costs	50,307	67,912
Taxes and licenses	18,496	15,616
Transportation	15,314	20,238
Postage & telegram	8,587	8,587
Miscellaneous	84,350	26,310
	1,380,694	1,445,908
LOSS BEFORE INCOME TAX	1,379,967	1,444,657
PROVISION FOR INCOME TAX	145	250
NET LOSS	1,380,112	1,444,907
OTHER COMPREHENSIVE LOSS	-	-
TOTAL COMPREHENSIVE LOSS	₱1,380,112	₱1,444,907
Basic/Diluted Loss Per Share	₱0.002	₱0.002

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

	Capital Stock	Deficit	Total
At March 31, 2017	₱690,000,000	(₱206,756,909)	₱483,243,091
Net loss for the second quarter		(695,986)	(695,986)
At June 30, 2017	₱690,000,000	(₱207,452,895)	₱482,547,105
At March 31, 2016	₱690,000,000	(₱203,227,971)	₱486,772,029
Net loss for the second quarter		(805,417)	(805,417)
At June 30, 2016	₱690,000,000	(₱204,033,388)	₱485,966,612

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

	Capital Stock	Deficit	Total
At January 1, 2017	₱690,000,000	(₱206,072,782)	₱483,927,218
Net loss for the six months period	–	(1,380,112)	(1,380,112)
At June 30, 2017	₱690,000,000	(₱207,452,895)	₱482,547,105
At January 1, 2016	₱690,000,000	(₱202,588,481)	₱487,411,519
Net loss for the six months period	–	(1,444,907)	(1,444,907)
At June 30, 2016	₱690,000,000	(₱204,033,388)	₱485,966,612

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

	Quarters Ended June 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(P695,908)	(P805,345)
Adjustments for:		
Interest income (Note 4)	(390)	(360)
Operating loss before changes in working capital	(696,298)	(805,705)
Changes in operating assets and liabilities		
Increase in other current assets	133,880	145,293
Increase in advance from related party	1,000,000	
Decrease in accrued expenses and other payables	(315,545)	(34,663)
Net cash provided by (used in) operations	122,038	(695,075)
Interest received	390	360
Income tax paid	(78)	(72)
Net cash provided by (used in) operating activities	122,350	(694,787)
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from issuance of shares of stock	—	—
NET INCREASE (DECREASE) IN CASH	122,350	(694,787)
CASH AT BEGINNING OF PERIOD	628,911	860,113
CASH AT END OF PERIOD	P751,261	P165,326

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

	Six Months Ended June 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(₱1,379,967)	(₱1,444,657)
Adjustments for:		
Interest income (Note 4)	(726)	(1,251)
Operating loss before changes in working capital	(1,380,693)	(1,445,908)
Changes in operating assets and liabilities		
Increase in other current assets	(427,855)	(459,275)
Increase in advance from related party	3,000,000	(459,275)
Decrease in accounts and other payables	(777,292)	(368,328)
Net cash used in operations	414,160	(2,273,511)
Interest received	726	1,251
Income tax paid	(145)	(250)
Net cash provided by (used in) operating activities	414,741	(2,272,510)
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from issuance of shares of stock (Note 8)	–	–
NET INCREASE (DECREASE) IN CASH	414,741	(2,272,510)
CASH AT BEGINNING OF PERIOD	336,520	2,437,836
CASH AT END OF PERIOD	₱751,261	₱165,326

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

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 March 31, 2017, 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%
	<hr/>
	487,721,570
Cash paid by Parent Company	462,500,000
	<hr/>
	₱25,221,570
	<hr/>

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying unaudited consolidated financial statements have been prepared using the historical cost basis. These 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).

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 owners of the parent.

Assessment of Control

Control is achieved when the accounting acquirer 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.

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 statement of comprehensive income from the date the accounting acquirer gains control at the accounting acquiree until the date the accounting acquirer loses 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 June 30, 2017 and December 31, 2016, 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.

	30-June-2017	31-Dec-16
Current assets	P950,090,959	P830,626,112
Noncurrent assets	351,903,226	363,590,428
Total assets	P1,301,994,186	P1,194,216,540
Current liabilities	P278,342,245	P224,260,748
Noncurrent liabilities	1,282,697	1,282,697
Total liabilities	P279,624,942	P225,543,445
Revenue	P188,556,250	P357,843,239
Net income	53,696,150	97,759,298
Total comprehensive income	53,696,150	97,617,653
Cash flows from:		
Operating activities	6,880,720	(69,480,980)
Investing activities	-	2,867,823
Financing activities	(1,947,431)	(6,238,875)
Net increase in cash and cash equivalents	P4,933,288	(P72,852,032)

Accumulated balance of material NCI	333,179,928	319,755,890
Net income attributable to material NCI	13,424,038	24,439,824

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, 2016. 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 10, PFRS 12 and PAS 28, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Disclosure Initiative*
- Amendments to PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs 2012 - 2014 Cycle
 - Amendment to PFRS 5, *Changes in Methods of Disposal*
 - Amendment to PFRS 7, *Servicing Contracts*
 - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
 - Amendment to PAS 19, *Discount Rate: Regional Market Issue*
 - Amendment to PAS 34, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

There are new PFRS, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2016 and these will be adopted on their effectivity dates in accordance with the transition provisions. Except as otherwise stated, these amendments and improvements to PFRS and new standard are not expected to have any significant impact on the consolidated financial statements.

Effective in 2017

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

Effective in 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 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 or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of adopting this standard.

- 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. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. 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. 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 in 2019

- PFRS 16, *Leases*

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting PFRS 16.

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 statement of financial position at face amount and earn interest based on the prevailing bank deposit rates. Cash equivalents are short term, highly liquid investments that are already convertible to known amounts of cash with maturities of three months or less from the date of

placement and are subject to an insignificant risk of changes in value.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability on the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the 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 June 30, 2017 and December 31, 2016, 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", "Deposits" and "Due from a joint venture".

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 "Trade and other payables", "Due to related parties", "Loans payable" 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 an 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 statement 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

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 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 properties. 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 re-assessed 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

Other current assets, including 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.

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 statement 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 statement 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 statement 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 statement 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 retaining 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 is stated at cost, less any accumulated depreciation and amortization and any accumulated impairment in value.

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, except land, 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. Land is carried at cost less any impairment in value.

Depreciation 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

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 the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value less cost to sell and the carrying value of the investee company 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 (see Note 1).

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.

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.

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 or asset
- (c) Remeasurements of net defined benefit liability or asset

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

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset 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 or interest income 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 recycled 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.

Income tax

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.

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.

Value-added tax (VAT)

Revenue, expenses and assets are recognized net of the amount of sales tax except:

- where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from the tax authority is included as part of “Other current assets” in the consolidated statement of financial position.

Other Comprehensive Income

Other comprehensive income comprises items of income and expense (including items previously presented under the statement 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 23.

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 common shareholders 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.

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 June 30, 2017 and December 31, 2016, BEST holds 60% interest in Ecoedge Resources Corporation (ERC). 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 5 directors (3 nominated by BEST and 2 nominated by LIEI), whereby 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 June 30, 2017 and December 31, 2016, the Group holds 16% interest in Metro Clark Waste Management Corporation (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.

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 10 and 11, respectively.

Determining 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 this equipment since the ownership of the asset will be transferred to the Group at the end of the lease term. Therefore, the Group accounts for these under finance lease.

Operating lease - Group as lessor

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

Estimates and Assumptions

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

Estimated useful lives of investment property and property and equipment

The useful life of each of the Group's investment property and property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each item of investment property and property and equipment is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any investment property and property and equipment would increase the recorded general and administrative expenses and decrease noncurrent assets. Based on the management estimates, there is no need to update the estimated useful lives of investment property and property and equipment. As of June 30, 2017 and December 31, 2016, the carrying value of the Group's investment properties amounted to ₱103.84 million and ₱104.40 million, respectively (see Note 9). As of June 30, 2017 and December 31, 2016, the carrying value of the Group's property and equipment amounted to ₱155.88 million and ₱167.51 million, respectively (see Note 10).

Impairment of non-financial assets

The Group assesses impairment on non-financial 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 June 30, 2017 and December 31, 2016, the Group did not recognized any impairment loss on its nonfinancial assets. As of June 30, 2017 and December 31, 2016, the carrying values of other current assets amounted to ₱21.64 million and ₱19.49 million, respectively, investments in an associate and a joint venture amounted to ₱88.49 million and ₱87.99 million, respectively, investment property amounted to ₱103.84 million and ₱104.40 million, respectively, and property and equipment amounted to ₱155.88 million and ₱167.51 million, respectively (see Notes 6, 7, 9 and 10).

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 for the specific country. Net pension liability amounted to ₱1.28 million as of June 30, 2017 and December 31, 2016. Further details about the assumptions used are provided in Note 17.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models such as discounted cash flow technique. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. Further details on fair value of financial instruments are provided on Note 20.

Recognition of deferred tax assets

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

4. Cash and Cash Equivalents

This account consists of:

	30-June-2017	31-Dec-2016
Cash on hand	2,210	₱72,210
Cash in banks	11,868,911	6,450,882
	11,871,121	₱6,523,092

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents have original maturities of three months or less from dates of placement and earned interest of 1% per annum in 2017.

5. Receivables

This account consists of:

	30-June-2017	31-Dec-2016
Trade receivables		
Related parties (Note 14)	₱832,438,601	₱726,179,250
Local government units (LGUs)	7,378,115	15,912,853
Private entities	19,778,623	8,031,983
	859,595,339	750,124,086
Loans receivable (Note 14)	31,000,000	31,000,000
Interest receivable (Note 14)	3,259,060	19,361,494
Advances to officers and employees	19,911,900	2,668,900
Advances to suppliers	12,271	700,299
Others	1,066,172	1,066,172
	914,844,742	804,920,951
Less allowance for impairment losses	1,066,172	1,066,172
	₱913,778,570	₱803,854,779

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.

6. Other Current Assets

This account consists of:

	30-June-2017	31-Dec-2016
Input VAT	₱19,241,602	₱19,827,785
Prepayments	6,244,420	2,158,772
Creditable withholding taxes	1,137,429	2,451,210
Deferred input VAT	-	34,739
Miscellaneous deposits	15,669	15,669
	26,639,120	24,488,175
Less allowance for impairment losses	4,998,737	4,998,737
	₱21,640,383	₱19,489,438

The Parent Company provided allowance for impairment on its creditable withholding taxes and input VAT aggregating to ₱5.00 million as of June 30, 2017 and December 31, 2016, respectively, due to low probability that these assets may be utilized in the future.

7. Investments in an Associate and a Joint Venture- at equity

The details of the Group's investments in an associate and a joint venture accounted for under the equity method as of June 30, 2017 and December 31, 2016 follow:

	Associate		Joint Venture		Total	
	Metro Clark Waste Management Corporation (MCWM)		Ecoedge Resources Corporation (ERC)			
	30-June-17	31-Dec-16	30-June-17	31-Dec-16	30-June-17	31-Dec-16
Cost:						
Balance at beginning of the year	P32,393,358	P32,393,358	P51,412,499	P51,412,499	P83,805,857	P83,805,857
Additional investment	-	-	-	-	-	-
	32,393,358	32,393,358	51,412,499	51,412,499	83,805,857	83,805,857
Accumulated share in net earnings (losses):						
Balance at beginning of year	19,664,063	15,604,605	(15,484,729)	(10,135,598)	4,179,334	5,469,007
Equity in net earnings (losses) of associate and joint venture	7,965,121	7,126,125	(3,722,165)	(5,349,131)	4,242,956	1,776,994
Dividends received	(3,733,333)	(3,066,667)	-	-	(3,733,333)	(3,066,667)
Balance at end of year	23,895,851	19,664,063	(19,206,894)	(15,484,729)	4,688,957	4,179,334
	P56,289,209	P52,057,421	P32,205,605	P35,927,770	P88,494,814	P87,985,191

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.

As of June 30, 2017 and December 31, 2016, 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 June 30, 2017 and December 31, 2016, 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.

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

8. Deposits

As of June 30, 2017 and December 31, 2016, BEST has deposits to GSIS as surety bond amounting to P3.30 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

BEST owns two condominium units located in Pasig City. One unit is being used by BEST while the other unit is being leased out to related parties. The allocated cost and accumulated depreciation of the transferred condominium units are allocated based on the area (in square meters) of the space leased out (see Notes 15 and 21).

Cost and accumulated depreciation of the Group's investment property follow:

	30-June-2017		
	Land	Condominium Unit	Total
Cost	P70,320,000	P38,535,329	P108,855,329
Accumulated depreciation:			
Balance at beginning of year		4,453,337	4,453,337
Depreciation (Note 16)		558,721	558,721
At June 30		5,012,058	5,012,058
Net book value	P70,320,000	P33,523,271	P103,843,271

	31-Dec-2016		
	Land	Condominium Unit	Total
Cost	P70,320,000	P38,535,329	P108,855,329
Accumulated depreciation:			
Balance at beginning of year		3,335,896	3,335,896
Depreciation (Note 16)		1,117,443	1,117,443
At December 31		4,453,339	4,453,339
Net book value	P70,320,000	P34,081,990	P104,401,990

No rental income was recognized as of June 30, 2017 and December 31, 2016 since BEST's lease agreement with related parties was terminated in December 2014. Rent income earned from investment property amounted to P1.00 million in 2014.

The land and condominium unit have fair values of P75.59 million and P37.80 million, respectively, based on an appraisal made by an independent appraiser on January 5, 2016 and December 5, 2016, respectively.

10. Property and Equipment

This account consists of:

	30-June-2017					
	Land	Condominium Unit and Improvements	Transportation and Heavy Equipment	Office Furniture and Fixtures	Development Costs	Total
Cost						
At January 1	P44,932,700	P37,056,324	P123,814,371	P3,922,134	P104,146,099	P313,871,628
Additions	–	–	–	–	–	–
At December 31	44,932,700	37,056,324	123,814,371	3,922,134	104,146,099	313,871,628
Accumulated Depreciation and Amortization						
At January 1	–	4,553,785	62,999,654	3,347,646	75,456,851	146,357,936
Depreciation and amortization (Notes 16 and 17)	2,068,850	581,485	5,706,549	194,806	3,086,415	11,638,105
At June 30	2,068,850	5,135,270	68,706,203	3,542,452	78,543,266	157,996,041
Net Book Value	P42,863,850	P31,921,054	P55,108,168	P379,682	P25,602,833	P155,875,587

	31-Dec-2016					
	Land	Condominium Unit and Improvements	Transportation and Heavy Equipment	Office Furniture and Fixtures	Development Costs	Total
Cost						
At January 1	P44,932,700	P36,962,660	P123,814,371	P3,836,215	P104,146,099	P313,692,045
Additions	–	93,664	–	85,919	–	179,583
At December 31	44,932,700	37,056,324	123,814,371	3,922,134	104,146,099	313,871,628
Accumulated Depreciation and Amortization						
At January 1	–	3,398,626	51,586,556	2,934,222	69,284,021	127,203,425
Depreciation and amortization (Notes 16 and 17)	–	1,155,159	11,413,098	413,424	6,172,830	19,154,511
At December 31	–	4,553,785	62,999,654	3,347,646	75,456,851	146,357,936
Net Book Value	P44,932,700	P32,502,539	P60,814,717	P574,488	P28,689,248	P167,513,692

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 costing ₱6.61 million in total.

Interest expense incurred amounted to ₱ 0.36 million and ₱0.39 million as of June 30, 2017 and December 31, 2016, respectively.

11. Trade and Other Payables

This account consists of:

	30-June-2017	31-Dec-2016
Trade payable		
Related parties (Note 15)	₱44,596,475	₱13,165,254
Third parties	3,476,859	4,737,871
	48,073,334	17,903,125
Payable to government agencies	113,694,714	101,306,843
Accrued expenses	6,355,620	1,817,382
Others	99,645	-
	₱168,223,313	₱121,027,350

Trade payables comprise of payables in the contracting and consulting operations of BEST to provide waste disposal services. These are non-interest-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 Pag-Ibig Fund, which are remitted within one month from the reporting period.

Accrued expenses pertain to accruals of professional fees, salaries and wages and interest expense on loans payable. These are non-interest-bearing and payable within 30 days.

12. Loans Payable

On December 28, 2012, BEST obtained a loan from a local bank for working capital requirements which was settled in full in 2014.

On November 5, 2015, BEST obtained a loan from a local bank for working capital requirements amounting to ₱100,000,000 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 paid ₱2,000,000 out of ₱100,000,000 loan. The outstanding balance of loan remained unpaid as of June 30, 2017.

Interest expense on loans payable amounted to ₱1.95 million and ₱4.17 million as of June 30, 2017 and December 31, 2016 respectively.

13. Equity

Capital Stock

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

	30-June-2017	31-Dec-2016
Authorized number of shares:		
At the beginning and end of the year	740,000,000	740,000,000
Number of shares issued and outstanding:		
At the beginning and end of the year	690,000,000	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
690,000,000	690,000,000		

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 ₱50,000,000 and ₱450,000,000, 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.

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 June 30, 2017 and December 31, 2016, 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:

	30-June-2017	31-Dec-2016
Balance at beginning of year	₱206,072,783	₱202,588,481
Net loss during the period	1,380,112	3,484,302
	₱207,452,895	₱206,072,783

Appropriations

BEST's BOD approved the appropriation of retained earnings as follows:

Date of Appropriation	Amount
March 31, 2009	₱7,500,000
April 8, 2010	2,500,000
April 13, 2011	500,000
April 12, 2012	4,303,219
	₱14,803,219

The appropriations made by BEST represent continuing appropriation for future capital expenditures and property acquisitions in the field of waste to energy technology.

On March 30, 2016, the BOD 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 ₱20,250,000 with corresponding equivalent number of shares issued.

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>30-June-2017</u>			
Category	Outstanding Balance	Terms	Conditions
Trade receivables (Note 5)			
Parent IPMCDC (a)	₱142,549,177	Non-interest-bearing; within one year	Unsecured, no impairment
Shareholder IPMESI (b)	689,768,755	Non-interest-bearing; within one year	Unsecured, no impairment
Shareholder IPMRDC (c)	34,687	Non-interest-bearing; within one year	Unsecured, no impairment
Joint Venture ERC (d)		Non-interest-bearing; within one year	Unsecured, no impairment
	832,352,619		
Due from Joint Venture			
Loans receivable (Note 5) ERC (f)	₱31,000,000	Interest-bearing; due and demandable	Unsecured, no impairment
Interest receivable (Note 5) ERC (f)	3,259,060	Due and demandable	Unsecured, no impairment
	₱34,259,060		

Category	Outstanding Balance	Terms	Conditions
Trade payables (Note 11)	44,596,475	Non-interest-bearing; on demand	Unsecured
Due to Parent IPMCDC (e)	44,596,475		
<u>31-Dec-2016</u>			
Category	Outstanding Balance	Terms	Conditions
Trade receivables (Note 5)			
Parent IPMCDC (a)	₱128,734,290	Non-interest-bearing; within one year	Unsecured, no impairment
Shareholder IPMESI (b)	597,391,758	Non-interest-bearing; within one year	Unsecured, no impairment
Shareholder IPMRDC (c)	34,687	Non-interest-bearing; within one year	Unsecured, no impairment
Joint Venture ERC (d)	18,515	Non-interest-bearing; within one year	Unsecured, no impairment
	₱726,179,250		
Due from Joint Venture			
Loans receivable (Note 5) ERC (f)	₱31,000,000	Interest-bearing; due and demandable	Unsecured, no impairment
Interest receivable (Note 5) ERC (f)	2,668,900	Due and demandable	Unsecured, no impairment
	₱33,668,900		
Trade payables (Note 11)			
Parent IPMCDC (e)	₱13,165,254	Non-interest-bearing; within one year	Unsecured
	₱13,165,254		

- a. BEST provides composting of waste materials services to IPMCDC and charges tipping fees, and composting and waste processing fees based on the cubic meters of waste processed for the period. In 2016 and 2015, BEST 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 2016 and 2015, BEST charged IPMESI for the rental of transportation and heavy equipment.
- c. Starting January 2013, BEST leases part of its office space to IPMRDC for a monthly rental fee of ₱0.12 million. No rental income was recognized in 2015 since BEST's lease agreement with related parties was terminated in December 2014 (see Note 18).
- d. BEST provided advances to ERC in line with its start-up operations. The advances are non-interest-bearing and payable on demand.
- e. IPMCDC and IPMRDC charges BEST for the rental of equipment, subcontracted services, salaries and wages, fuel and oil and repairs and maintenance expenses incurred in line with the operations of BEST.
- f. In 2014, the Group granted one-year loans to ERC amounting to ₱19.00 million with 3.8640% interest rate which will be due on November 1, 2015 and ₱12.00 million with 3.718% interest which will be due on July 31, 2015. These loans remained outstanding at year end and accrued

interest receivable amounted to ₱1.78 million and ₱1.49 million as of March 31, 2016 and December 31, 2015, respectively.

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. 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 2015 and 2014. This assessment is done on a regular basis.

15. Cost of Services

This account consists of:

	Quarters Ended June 30	
	2017	2016
Rent	₱20,080,935	₱28,119,663
Contract costs	6,696,429	7,155,220
Depreciation and amortization	6,465,332	4,396,482
Chemical sprays	1,928,571	2,250,000
Materials and tools	310,334	-
Fuel and oil	2,146,574	2,233,481
Repairs and maintenance	3,858,692	1,634,383
Salaries and wages	2,815,630	1,509,236
Security and janitorial	139,117	111,293
Transportation and travel	16,909	10,876
Taxes and licenses	-	-
Supplies	155,460	9,468
Utilities	21,050	7,333
Professional fees	-	-
Others	24,935	127,820
	₱44,659,968	₱47,565,255

	Six Months Ended June 30	
	2017	2016
Rent	43,081,795	48,772,686
Contract costs	13,392,857	13,851,649
Depreciation and amortization	10,861,814	8,792,964
Chemical sprays	4,178,572	4,178,572
Materials and tools	1,330,288	-
Fuel and oil	4,369,685	3,820,938
Repairs and maintenance	6,761,742	3,613,198
Salaries and wages	5,176,099	2,779,940
Security and janitorial	278,233	250,410
Transportation and travel	51,960	37,813
Taxes and licenses	1,016,183	935,388
Supplies	162,636	43,312
Utilities	36,464	18,875
Entertainment, amusement and recreation	20,000	46,482
Others	29,480	127,246
	₱90,747,808	₱87,269,472

16. General and Administrative Expenses

This account consists of:

	Quarters Ended June 30	
	2017	2016
Taxes and licenses	₱623,063	₱601,706
Salaries, wages and employee benefits	2,257,202	2,108,397
Depreciation	667,506	660,890
Professional fees	161,972	110,525
Utilities	222,096	264,560
Office supplies and printing costs	105,531	102,207
Entertainment, amusement and recreation	286,542	137,727
Repairs and maintenance	59,123	107,013
Stock exchange listing fee	158,113	177,265
Transportation and travel	408,022	81,418
Directors' per diem	80,000	130,000
Security and janitorial	94,762	100,240
Rent	-	27,750
Vat expense	31,418	1,625,638
Representation	-	1,850,000
Postage and telegram		8,587
Insurance	36,859	37,434
Membership	114,657	204,147
Miscellaneous	180,808	142,026
	₱5,487,674	₱8,479,472

	Six Months Ended June 30	
	2017	2016
Taxes and licenses	₱11,197,629	₱7,362,647
Salaries, wages and employee benefits	4,687,426	4,231,168
VAT expense	77,617	2,661,035
Representation		1,850,000
Depreciation	1,335,012	1,351,495
Professional fees	485,940	235,977
Utilities	450,646	470,955
Office supplies and printing costs	248,763	144,688
Entertainment, amusement and recreation	1,081,199	198,981
Repairs and maintenance	89,123	175,479
Stock exchange listing fee	316,225	349,480
Transportation and travel	597,011	153,243
Directors' per diem	130,000	220,000
Security and janitorial	216,405	200,821
Rent	-	33,179
Insurance	36,859	65,763
Training and seminar	56,000	-
Postage and telegram	-	8,587
Membership	220,353	327,522
Miscellaneous	502,490	475,169
	₱21,728,698	₱20,526,187

17. Pension Plan

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

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

The latest actuarial valuation date of the Group's retirement plan is as of December 31, 2016.

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:

	2016		
	Present value of defined benefit obligation	Fair value of plan assets	Net pension liability
At January 1	₱1,056,535	(₱350,416)	₱706,119
<i>Benefit cost in profit or loss</i>			
Current service cost (Note 16)	336,734	–	336,734
Net interest expense (income) (Note 16)	56,102	(18,607)	37,495
<i>Remeasurements in other comprehensive income</i>			
Remeasurement loss - return on plan asset	–	15,042	15,042
Actuarial gain - changes in financial assumptions	(21,925)	–	(21,925)
Actuarial loss - changes in experience	209,232	–	209,232
At December 31	₱1,636,678	(₱353,981)	₱1,282,697

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:

	Quarters Ended June 30	
	2017	2016
Net income attributable to equity holders of the parent (a)	₱22,780,511	₱17,078,839
Weighted average number of outstanding common share (b)	690,000,000	690,000,000
Basic earnings per share (a/b)	0.033	0.025

	Six Months Ended June 30	
	2017	2016
Net income attributable to equity holders of the parent (a)	₱38,891,999	₱35,885,666
Weighted average number of outstanding common share (b)	690,000,000	690,000,000
Basic earnings per share (a/b)	₱0.056	₱0.052

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 of June 30, 2017 and December 31, 2016, 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 IPMCDC's sanitary landfill which is being renewed every year. In 2015, the Group entered into a new contract with IPMCDC for the composting of waste from Pasig City amounting to ₱0.56 million per month inclusive of taxes. The contract is renewable every year (Note 14).
 - b. Consultancy and field services in IPMCDC's Materials Recovery Facility (MRF) which 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. In 2015, the Group recognized income amounting to ₱13.29 million arising from these new consultancy services contracts (Note 14).
- The Group entered into a contractual commitment with IPMESI, a stockholder, to undertake the Operation and Maintenance of Integrated Solid Waste Management Facility for a fixed monthly fee of ₱15.58 million. This agreement was renewed on March 28, 2014 for the period covering January 1, 2014 to December 31, 2014. The agreement was renewed for another year in 2015 (Note 14).
- The Group has entered into a contractual commitment to provide garbage hauling and disposal services for the Municipality of Taytay, Rizal for a consideration of ₱16.00 million at ₱349 per cubic meter for a total of 45,845 cubic meters of waste hauled to the landfill facility. The agreement ended in June 2013 when the total computed volume of waste had already been completely hauled to the landfill facility.
- The Group has entered into contractual commitments with various municipalities of Rizal for the 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. On March 2, 2015 and March 16, 2015, the Group entered into contractual commitments with the municipality of Pililla and Jalajala, respectively, for the tipping and disposal of residual wastes.
- The Group has entered into a contractual commitment with Lafarge Republic, Inc. (LRI) to provide trucking and hauling services to transport Refuse-Derived Fuel (RDF) upon request of LRI. The contract is effective from July 1, 2013 to June 30, 2014, renewable upon mutual agreement of the parties. In 2015 and 2014, the agreement was renewed under the same terms.

Outstanding receivable from LRI amounted to ₱3.70 million and ₱3.00 million as of December 31, 2015 and 2014, respectively. The Group recognized income amounting to ₱2.53 million and ₱3.74 million from the services rendered in 2015 and 2014, respectively.

20. Financial Risk Management Objectives and Policies

The Group's principal financial assets and liabilities comprise of cash and cash equivalents, receivables, deposits, due to/from related parties and loans payable. The main purpose of these financial instruments is to raise finances for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its 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 and cash equivalents, receivables, due from a joint venture 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:

	30-June-2017	31-Dec-2016
Loans and receivables:		
Cash*	₱11,868,911	₱6,450,882
Receivables:		
Trade**	859,595,339	750,124,086
Loan	31,000,000	31,000,000
Interest	3,259,060	2,668,900
Others**		
Deposits	3,304,746	3,304,746
	₱909,028,056	₱793,548,614

*excluding cash on hand

**net of allowance for impairment losses

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 June 30, 2017 and December 31, 2016.

The aging analysis of financial assets as of June 30, 2017 and December 31, 2016 follows:

30-June-2017					
	Neither Past Due nor Impaired	Past Due but not Impaired		Impaired	Total
	High Grade	31 to 60 Days	61 to 90 days		
Financial assets:					
Loans and receivables:					
Cash*	P11,868,911	P-	P-	P-	P11,868,911
Receivables:					
Trade	33,738,538	58,679,965	767,176,836	-	859,595,339
Loans	-	-	31,000,000	-	31,000,000
Interest	98,360	196,720	2,963,980	-	3,259,060
Others	-	-	-	1,066,172	1,066,172
Deposits	3,304,746	-	-	-	3,304,746
	P49,010,555	P58,876,685	P801,140,816	P1,066,172	910,094,228

*excluding cash on hand

31-Dec-2016					
	Neither Past Due nor Impaired	Past Due but not Impaired		Impaired	Total
	High Grade	31 to 60 Days	61 to 90 days		
Financial assets:					
Loans and receivables:					
Cash*	P6,450,882	P-	P-	P-	P6,450,882
Receivables:					
Trade	31,806,656	35,279,603	683,037,827	-	750,124,086
Loans	-	-	31,000,000	-	31,000,000
Interest	1,180,320	-	1,488,580	-	2,668,900
Others	-	-	-	1,066,172	1,066,172
Deposits	3,304,746	-	-	-	3,304,746
	P42,742,604	P35,279,603	P715,526,407	P1,066,172	P794,614,786

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 and cash equivalents 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 June 30, 2017 and December 31, 2016 based on contractual undiscounted payments:

30-June-2017					
	On Demand	Less than 3 Months	3 to 12 Months	More than One Year	Total
Financial assets					
Loans and receivables:					
Cash	P11,871,121	P-	P-	P-	P11,871,121
Receivables:					
Trade	33,738,538	29,655,511	57,933,862	738,267,427	859,595,339
Loan	-	-	-	31,000,000	31,000,000
Interest	-	98,360	295,080	2,865,620	3,259,060
Deposits	-	-	-	3,304,746	3,304,746
	P45,609,659	P29,753,871	P58,228,942	P775,437,793	P909,030,266
Financial liabilities					
Trade and other payables (excluding payable to government agencies)					
	P676,865	P20,571,018	P26,002,650	P1,857,930	P49,108,463
Loans payable	-	-	-	98,000,000	98,000,000
	P676,865	P20,571,018	P26,002,650	P99,857,930	P147,108,463

31-Dec-2016					
	On Demand	Less than 3 Months	3 to 12 Months	More than One Year	Total
Financial assets					
Loans and receivables:					
Cash	P6,523,092	P-	P-	P-	P6,523,092
Receivables:					
Trade	24,562,437	62,244,820	663,316,829	-	750,124,086
Loan	31,000,000	-	-	-	31,000,000
Interest	2,668,900	-	-	-	2,668,900
Deposits	-	-	-	3,304,746	3,304,746
	P64,754,429	P62,244,820	P663,316,829	P3,304,746	P793,620,824
Financial liabilities					
Trade and other payables (excluding payable to government agencies)					
	P-	P19,720,507	P-	P-	P19,720,507
Loans payable	-	-	98,000,000	-	98,000,000
	P-	P19,720,507	P98,000,000	P-	P117,720,507

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group considers total equity amounting to P1.02 billion and P967.23 million as of June 30, 2017 and December 31, 2016, respectively, as capital.

Fair Value Information

Due to the short term nature of the Group's financial instruments, their fair values approximate their carrying amounts as of June 30, 2017 and December 31, 2016.

Fair Value Hierarchy

As of June 30, 2017 and December 31, 2016, the Group has no financial instrument carried in the books at fair value. There were no transfers between Level 1 and Level 2 financial instruments, and no transfers into or out of Level 3 fair value instrument.

21. Segment Information

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

	30-June-2017				
	Investment Holding	Service	Combined	Eliminations	Consolidated
Revenue and other income	P-	P183,699,431	P183,699,431	(P80,357)	P183,619,074
Interest income	726	613,864	614,590	-	614,590
Equity earnings	-	4,242,955	4,242,955	-	4,242,955
Interest expense	-	1,947,431	1,947,431	-	1,947,431
Income (loss) before tax	(1,379,967)	75,432,650	74,052,683	-	74,052,683
Provision for income tax	145	21,736,500	21,736,645	-	21,736,645
Net income (loss)	(1,380,112)	53,696,148	52,316,038	-	52,316,036
Other Information					
Segment assets	P616,199,115	P1301,994,186	P1,918,193,301	(P619,000,000)	P1,299,193,301
Segment liabilities	133,652,010	278,342,245	411,994,255	(133,625,000)	278,369,255
Depreciation and amortization	-	12,196,826	12,196,826	-	12,196,826

	31-Dec-2016				
	Investment Holding	Service	Combined	Eliminations	Consolidated
Revenue and other income	P-	P354,824,697	P354,824,697	(P160,714)	P354,663,983
Interest income	1,573	1,241,548	1,243,121	-	1,243,121
Equity earnings	-	1,776,994	1,776,994	-	1,776,994
Interest expense	-	4,552,475	4,552,475	-	4,552,475
Income (loss) before tax	(3,483,986)	141,106,640	137,622,654	-	137,622,654
Provision for income tax	315	43,347,342	43,347,657	-	43,347,657
Net income (loss)	(3,484,301)	97,759,298	94,274,997	-	94,274,997
Other Information					
Segment assets	P615,356,520	P1,194,216,540	P1,809,573,060	(P616,115,323)	P1,193,457,737
Segment liabilities	131,429,302	225,543,445	356,972,747	(130,740,323)	226,232,424
Depreciation and amortization	-	20,271,954	20,271,954	-	20,271,954

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

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

IPM HOLDINGS INC. AND SUBSIDIARY
FINANCIAL SOUNDNESS INDICATORS

FSI	Calculation	30-June-2017	31-Dec-2016
Current Ratio	Current Assets/Current Liabilities	3.40x	3.69x
Quick Ratio	Current Assets-Inventory- Prepayments/Current Liabilities	3.34x	3.68x
Debt to Equity Ratio	Liabilities/ Stockholders' Equity	0.27x	0.23x
Asset to Equity Ratio	Assets/Stockholders' Equity	1.27x	1.23x
Interest Coverage Ratio	Earnings Before Interest & Taxes/Interest Expense	39.03x	31.23x
Gross Profit Margin	Gross Profit/Net Sales	0.52	0.39
Book Value per share	Total Assets –Total Liabilities/ Outstanding Shares	1.48	1.40
Net Income per Share	Net Income/Weighted Average Number of Shares Outstanding	0.08	0.14

	<u>30-June-2017</u>	<u>31-Dec-2016</u>
Current Ratio	947,290,075/278,369,255	829,867,309/224,959,727
Quick Ratio	928,898,430/278,379,255	827,708,537/224,959,727
Debt to Equity	279,651,952/1,019,541,349	226,735,747/967,225,313
Asset to Equity Ratio	1,299,193,301/1,019,541,349	1,193,547,737/967,225,313
Interest Coverage Ratio	76,000,112/1,947,431	142,175,129/4,552,475
Gross Profit Margin	97,728,810/188,476,618	139,411,028/354,919,997
Book Value/Share	1,019,541,349/690,000,000	967,225,313/690,000,000
Net Income per Share	52,316,036/690,000,000	94,274,997/690,000,000

IPM HOLDINGS INC. AND SUBSIDIARY**AGING OF RECEIVABLES**

As of June 30, 2017

Nature/Description	Current	1 to 30 days	31 to 60 days	61 to 90 days	>90 days	Total
Trade Receivables:						
Income from Tipping Fee	2,996,183	231,927	320,069	417,045	6,251,581	10,216,804
Hauling Income	1,973,424	1,375,471	611,370	675,256	7,023,994	11,659,515
Composting/Waste Process	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	6,250,000
Consultancy/Field Services	27,518,930	26,798,113	26,843,015	26,567,108	723,741,853	831,469,019
Loans Receivable	-	-	-	-	31,000,000	31,000,000
Interest Receivable	98,360	98,360	98,360	98,360	2,865,620	3,259,060
Others	231,371	104,581	437,720	120,000	19,030,499	19,924,171
Total	34,068,269	29,858,452	29,560,534	29,127,769	791,163,546	913,778,570