111162017003851

SECURITIES AND EXCHANGE COMMISSION

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Company Information

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

Document Information

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

(Company's Full Name)

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

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

Atty. Ana Katigbak
Contact Person

817 6791/897-5257
Company Telephone Number

1 2 | 3 1
Month Day
Fiscal Year

SEC Form 17-Q
September 30, 2017
FORM TYPE

4th Wed of May
Month Day
Annual Meeting

Secondary License Type, If Applicable

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Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended: **September 30, 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, 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 [x] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.
    Yes [x] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached.

Item 2. Management's Discussion and Analysis of Financial Condition and 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. In the next several years, the Company intends to focus 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

Income

Total consolidated revenues for the nine-month period ending September 30, 2017 amounted to Php255.04 million, Php14.41 million or 5.35% lower than the Php269.45 million posted in the same period of 2016. This is attributable mainly to the decrease in service income of Php18.65 million and rental income of Php1.11 million, partly offset by the increase in equity in net earnings of an associate in the amount of Php5.36 million.

Cost of Services

Cost of services for the nine-month period ending September 30, 2017 amounted to Php112.06 million for a decrease of 12.79% over the Php128.49 million in the same period of 2016. This is mainly due to the decrease in expenses for truck and equipment rental from a related party.

General and administrative slightly increased by 2.91%, from Php28.94 million in 2016 to Php29.78 million this year.

Net Income

The nine-month period ending September 30, 2017 resulted in a net income after tax of Php78.11 million, including the Php20.01 million net income attributable to non-controlling interests. This is almost unchanged from the net income of Php78.18 million reported for the same period of 2016, which figure is likewise inclusive of some Php20.14 million in net income attributable to non-controlling interests.

Liquidity and Capital Resources

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

In the same period of 2016, net cash used in operations totaled Php68.61 million including the net income before tax of Php112.01 million and the depreciation and amortization expense of Php15.2 million. Trade and other receivables increased by Php238.25 million while prepaid and other current assets increased by Php2.48 million. Trade and other payables increased by Php9.87 million as well as due to related parties by Php69.48 million. Income tax paid for 2016 amounted to Php35.21 million. Net cash used in investing activities totaled Php0.08 million while net cash used by financing activities amounted to Php1.96 million.

Third Quarter Ended September 30, 2017 Compared to Third Quarter Ended September 30, 2016

Income

Total consolidated revenues for the quarter ending September 30, 2017 amounted to Php66.56 million, Php23.74 million or 26.29% lower than the Php90.30 million posted in the same period of 2016. This is attributable mainly to the decrease in service income of Php28.53 million resulting from the closure of the Quezon City Engineered Sanitary Landfill starting last July 28, 2017.

Cost of Services

Cost of services for the third quarter of 2017 totaled Ph21.31 million, down by Php20.02 million or 48.43% from the Php41.33 million reported in the same period of 2016.

General and administrative expenses increased by Php1.93 million or 31.51% from Php6.12 million in 2017 to Php8.05 million this year.

Net Income

The third quarter of 2017 resulted to a net income after tax of Php25.79 million, including the Php6.58 million net income attributable to non-controlling interests. This is 13.59% lower than the net income of Php29.85 million, including the Php7.70 million net income attributable to non-controlling interest posted in the same period last year.

Liquidity and Capital Resources

For the quarter ended September 30, 2017, net cash used in operation totaled Php2.26 million including the net income before tax of Php36.05 million and the depreciation and amortization expense of Php5.70 million. Trade and other receivables rose by Php45.59 million while prepaid and other current assets hardly moved. Trade and other payables decreased by Php0.84 million while due to related parties increased byPhp15.50 million. Net cash provided by investing activities amounted to Php1.40 million. Net cash used in financing activities amounted to Php1.14 million representing payment of interest.

In the same period of 2016, net cash used in operation totaled Php0.30 million including the net income before tax of Php42.84 million and the depreciation and amortization expense of Php5.06 million. Trade and other receivables rose by Php71.18 million while prepaid and other current assets increased by Php0.05 million. Trade and other payables increased by Php8.46 million while due to related parties also increased byPhp23.86 million. Net cash used by financing activities amounted to Php0.04 million. Net cash provided by financing activities amounted to Php0.29 million including the proceeds from loan of Php1.0 million and the payment of interest amounting to Php0.71 million.

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

Statements of financial position data	**30-Sept-2017**	**31-Dec-2016**	**% Inc/ (Dec)**
Total Current Assets	990,017,869	829,867,309	19.30%
Total Assets	1,337,738,550	1,193,457,737	12.09%
Total Current Liabilities	291,120,561	224,949,727	29.42%
Total Liabilities	292,403,258	226,232,424	29.25%
Total Stockholders' Equity	1,045,335,292	967,225,313	8.08%

The Company's consolidated total assets grew by 12.09% from Php1.19 billion as of December 31, 2016 to Php1.34 billion as of September 30, 2017.

- Cash and cash equivalents rose by 51.20% from Php6.52 million as of December 31, 2016 to Php9.86 million as of September 30, 2017.

- Trade and other receivables increased by 19.42% from Php803.85 million as of December 31, 2016 to Php959.97 million as of September 30, 2017.

- Other current assets slightly increased by 3.58% from Php19.49 million as of December 31, 2016 to Php20.19 million as of September 30, 2017.

- Noncurrent assets went down by 4.36% from Php363.59 million as of December 31, 2016 to Php347.72 million as of September 30, 2017 due to the annual set-up of depreciation and amortization.

Total consolidated liabilities posted a 29.25% increase, from Php226.23 million as of December 31, 2016 to Php292.40 million as of September 30, 2017. This was mainly due to the increase in advances from related parties.

Total stockholders' equity was up by 8.08% from P967.23 million as of December 31, 2016 to Php1.05 billion as of September 30, 2017, including the noncontrolling interest of Php339.76 million as of September 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 September 30, 2017 due to the settlement of the Company's short term obligations. Net working capital thus stood at Php698.90 million as of September 30, 2017 versus the Php604.92 million as of December 31, 2016.

Key Performance Indicators

The company's key performance indicators are as follows:

KPI	Calculation	30-Sept-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	3.38x	3.60x
Debt to Equity Ratio (3)	Liabilities/ Stockholders' Equity	0.28x	0.23x
Book Value per share (4)	Total Assets –Total Liabilities/ Outstanding Shares	1.51	1.40
Net Income per Share (5)	Net Income/Weighted Average Number of Shares Outstanding	0.11	0.14

		30-Sept-2017	31-Dec-2016
(1)	Current Ratio	990,017,869 / 291,120,561	829,867,309 / 224,949,727
(2)	Quick Ratio	984,562,763 / 291,120,561	818,377,870 / 224,949,727
(3)	Debt to Equity	292,403,258 / 1,045,335,291	226,735,747 / 967,225,313
(4)	Book Value/Share	1,045,335,291 / 690,000,000	967,225,313 / 690,000,000
(5)	Income per Share	78,109,981 / 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

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

Not Applicable

SIGNATURES

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

Issuer : IPM HOLDINGS, INC.

ISABELITA P. MERCADO
Chairman and Chief Executive Officer
Date: November 11, 2017

FRANCIS NEIL P. MERCADO
Treasurer
Date: November 11, 2017

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

	30-Sept-2017	31-Dec-2016
	Unaudited	Audited
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱9,863,195**	₱6,523,092
Receivables (Notes 5 and 14)	**959,967,839**	803,854,779
Other current assets (Note 6)	**20,186,835**	19,489,438
Total Current Assets	**990,017,869**	829,867,309
Noncurrent Assets		
Investments in an associate and a joint venture (Note 7)	**90,213,479**	87,985,191
Deposits (Notes 8 and 20)	**3,304,747**	3,304,746
Investment property (Note 9)	**103,563,910**	104,401,990
Property and equipment (Note 10)	**150,253,736**	167,513,692
Deferred tax asset	**384,809**	384,809
Total Noncurrent Assets	**347,720,681**	363,590,428
Total Assets	**₱1,337,738,550**	₱1,193,457,737
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 11 and 20)	**₱123,194,233**	₱121,027,350
Due to related parties (Notes 14 and 20)	**60,099,883**	-
Loans payable (Note 12)	**98,000,000**	98,000,000
Income tax payable	**9,826,445**	5,922,377
Total Current Liabilities	**291,120,561**	224,949,727
Noncurrent Liability		
Net pension liability (Note 17)	**1,282,697**	1,282,697
Total Liabilities	**292,403,258**	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)	**314,396,115**	256,293,618
Other reserves (Note 1)	**(298,824,195)**	(298,824,195)
	705,571,920	647,469,423
Noncontrolling Interests	**339,763,372**	319,755,890
Total Equity	**1,045,335,292**	967,225,313
Total Liabilities and Equity	**₱1,337,738,550**	₱1,193,457,737

See accompanying Notes to Consolidated Financial Statements

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

	Quarters Ended September 30	
	2017	2016
REVENUE AND OTHER INCOME		
Service income (Note 14)	**₱40,493,405**	₱69,027,894
Rental income (Notes 9 and 14)	**22,393,616**	20,775,178
Interest income (Notes 4 and 6)	**353,255**	335,957
Equity in net earnings of an associate and a joint venture (Note 7)	**3,318,666**	161,514
	66,558,942	90,300,543
EXPENSES		
Cost of services (Note 15)	**21,314,760**	41,334,220
General and administrative expenses (Note 16)	**8,053,363**	5,411,466
Interest expense	**1,142,470**	712,313
	30,510,593	47,457,999
INCOME BEFORE INCOME TAX	**36,048,349**	42,842,544
PROVISION FOR INCOME TAX	**10,254,406**	12,991,584
NET INCOME	**25,793,943**	29,850,960
OTHER COMPREHENSIVE INCOME(LOSS)	**-**	-
TOTAL COMPREHENSIVE INCOME	**₱25,793,943**	₱29,850,960
Net income attributable to:		
Equity holders of the parent	**₱19,210,499**	₱22,150,801
Noncontrolling interest	**6,583,444**	7,700,159
	₱25,793,943	₱29,850,960
Total comprehensive income attributable to:		
Equity holders of the parent	**₱19,210,499**	₱22,150,801
Noncontrolling interest	**6,583,444**	7,700,159
	₱25,793,943	₱29,850,960
EARNING PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 18)	**₱0.028**	₱0.032

See accompanying Notes to Consolidated Financial Statements

IPM HOLDINGS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Nine Months Ended September 30	
	2017	2016
REVENUE AND OTHER INCOME		
Service income (Note 14)	**₱186,212,032**	₱204,858,396
Rental income (Notes 9 and 14)	**60,294,063**	61,405,815
Interest income (Notes 4 and 6)	**967,845**	977,869
Equity in net earnings of an associate and a joint venture (Note 7)	**7,561,621**	2,205,779
	255,035,561	269,447,859
EXPENSES		
Cost of services (Note 15)	**112,062,568**	128,494,578
General and administrative expenses (Note 16)	**29,782,059**	25,982,928
Interest expense	**3,089,901**	2,956,229
	144,878,529	157,433,735
INCOME BEFORE INCOME TAX	**110,157,032**	112,014,124
PROVISION FOR INCOME TAX	**31,991,051**	33,833,975
NET INCOME	**₱78,165,981**	₱78,180,149
OTHER COMPREHENSIVE INCOME (LOSS)	**-**	-
TOTAL COMPREHENSIVE INCOME	**₱78,165,981**	₱78,180,149
Net income attributable to:		
Equity holders of the parent	**₱58,102,499**	₱58,036,466
Noncontrolling interest	**20,007,482**	20,143,683
	₱78,109,981	₱78,180,149
Total comprehensive income attributable to:		
Equity holders of the parent	**₱58,102,499**	₱58,036,466
Noncontrolling interest	**20,007,482**	20,143,683
	₱78,109,981	₱78,180,149
EARNING PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 18)	**₱0.084**	₱0.084

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	Other Reserves: Actuarial Losses on Defined Benefit Obligation	Noncontrolling Interests	Total Equity
At June 30, 2017	₱690,000,000	₱295,185,616	₱	(₱298,498,391)	(₱325,804)	₱333,179,928	₱1,019,541,349
Net income for the third quarter	−	19,210,499	−	−	−	6,583,444	25,793,943
At September 30, 2017	**₱690,000,000**	**₱314,396,115**	**₱**	**(₱298,498,391)**	**(₱325,804)**	**₱339,763,372**	**₱1,045,335,292**
At June 30, 2016	₱690,000,000	₱222,344,110	₱	(₱298,498,391)	(₱219,571)	₱307,795,002	₱921,421,150
Net income for the third quarter	−	22,150,801	−	−	−	7,700,159	29,850,960
At September 30, 2016	**₱690,000,000**	**₱244,494,911**	**₱**	**(₱298,498,391)**	**(₱219,571)**	**₱315,495,161**	**₱951,272,110**
At January 1, 2016	₱690,000,000	₱171,655,226	₱14,803,219	(₱298,498,391)	(₱219,571)	₱295,351,478	₱873,091,961
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	**₱690,000,000**	**₱256,293,618**	**₱-**	**(₱298,498,391)**	**(₱325,804)**	**₱319,755,890**	**₱967,225,313**

See accompanying Notes to Consolidated Financial Statements.

IPM HOLDINGS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

				Other Reserves			
	Capital Stock	Retained Earnings - Unappropriated	Retained Earnings - Appropriated	Equity Reserve	Actuarial Losses on Defined Benefit Obligation	Noncontrolling Interests	Total Equity
At January 1, 2017	₱690,000,000	₱256,293,618	₱-	(₱298,498,391)	(₱325,804)	₱319,755,890	₱967,225,313
Net income for the nine months period	−	58,102,500	−	−	−	20,007,482	78,109,981
At September 30, 2017	**₱690,000,000**	**₱314,396,118**	**₱**	**(₱298,498,391)**	**(₱325,804)**	**₱339,763,372**	**₱1,045,335,294**
At January 1, 2016	₱690,000,000	₱171,655,224	₱14,803,219	(₱298,498,391)	(₱219,571)	₱295,351,478	₱873,091,959
Net income for the nine months period	−	58,036,467	−	−	−	20,143,684	78,180,151
At September 30, 2016	**₱690,000,000**	**₱229,691,691**	**₱14,803,219**	**(₱298,498,391)**	**(₱219,571)**	**₱315,495,162**	**₱951,272,110**
At January 1, 2016	₱690,000,000	₱171,655,226	₱14,803,219	(₱298,498,391)	(₱219,571)	₱295,351,478	₱873,091,961
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	**₱690,000,000**	**₱256,293,618**	**₱-**	**(₱298,498,391)**	**(₱325,804)**	**₱319,755,890**	**₱967,225,313**

See accompanying Notes to Consolidated Financial Statements.

IPM HOLDINGS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Quarters Ended September 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱36,048,347**	₱42,842,543
Adjustments for:		
Depreciation and amortization	**5,698,937**	5,064,550
Interest expense	**1,142,470**	712,313
Equity in net losses of an associate and a joint venture (Note 7)	**(3,318,666)**	(161,514)
Interest income	**(353,255)**	(335,957)
Operating income before changes in working capital	**39,217,835**	48,121,935
Decrease (increase) in:		
Receivables	**(45,587,330)**	(71,185,255)
Prepaid and other current assets	**145,945**	(48,678)
Increase (decrease) in:		
Trade and other payables	**(842,712)**	8,455,728
Due to related parties	**15,503,408**	23,859,972
Net cash generated from (used in) operations	**8,437,146**	9,203,702
Interest received	**353,255**	335,957
Income tax paid	**(11,053,583)**	(9,836,339)
Net cash provided by (used in) operating activities	**(2,263,182)**	(296,680)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 10)	**(202,274)**	(43,121)
Dividends received from an associate	**1,600,000**	-
Net cash provided by (used in) investing activities	**1,397,726**	(43,121)
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from loan	**-**	1,000,000
Interest paid	**(1,142,470)**	(712,313)
(Net cash provided by (used by) financing activities	**(1,142,470)**	287,687
NET INCREASE (DECREASE) IN CASH	**(2,007,926)**	(52,114)
CASH AT BEGINNING OF PERIOD	**11,871,121**	10,877,634
CASH AT END OF PERIOD (Note 4)	**₱9,863,195**	₱10,825,520

See accompanying Notes to Consolidated Financial Statements.

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

	Nine Months Ended September 30	
	2016	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱110,101,032**	₱112,014,125
Adjustments for:		
Depreciation and amortization	**17,895,763**	15,208,745
Interest expense	**3,089,901**	2,956,229
Equity in net losses (earnings) of an associate and a joint venture (Note 7)	**(7,561,621)**	(2,205,779)
Interest income	**(967,845)**	(977,869)
Operating income before changes in working capital	**122,557,230**	126,995,451
Decrease (increase) in:		
Receivables	**(151,374,751)**	(238,247,343)
Prepaid and other current assets	**(697,396)**	(2,479,130)
Increase (decrease) in:		
Trade and other payables	**(2,166,883)**	9,870,913
Due to related parties	**60,099,883**	69,475,577
Net cash generated from (used in) operations	**28,418,083**	(34,384,532)
Interest received	**967,845**	977,869
Income tax paid	**(28,086,983)**	(35,207,644)
Net cash provided by (used in) operating activities	**1,298,945**	(68,614,307)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 10)	**(202,274)**	(80,384)
Dividends received (Note 8)	**5,333,333**	-
Net cash provided by (used in) investing activities	**5,131,059**	(80,384)
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from loan		1,000,000
Interest paid	**(3,089,901)**	(2,956,229)
(Net cash provided by (used by) financing activities	**(3,089,901)**	(1,956,229)
NET INCREASE (DECREASE) IN CASH	**3,340,103**	(70,650,920)
CASH AT BEGINNING OF PERIOD	**6,523,092**	81,476,440
CASH AT END OF PERIOD (Note 4)	**₱9,863,195**	₱10,825,520

See accompanying Notes to Consolidated Financial Statements.

IPM HOLDINGS, INC.

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	30-Sept-2017 Unaudited	31-Dec-2016 Audited
ASSETS		
Current Assets		
Cash and cash equivalents	**₱357,373**	₱336,520
Other current assets	**301,908**	20,000
Total Current Assets	**659,282**	356,520
Noncurrent Asset		
Investment in a subsidiary	**485,375,000**	485,375,000
Total Assets	**₱486,034,282**	₱485,731,520
LIABILITIES ANDEQUITY		
Current Liabilities		
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	**(207,992,728)**	(206,072,782)
Total Equity	**482,007,272**	483,927,218
	₱486,034,282	₱485,731,520

IPM HOLDINGS INC.
PARENT COMPANY STATEMENTS OF INCOME

	Quarters Ended September 30	
	2017	2016
INCOME		
Interest	**₱423**	₱53
EXPENSES		
Professional fees	**75,000**	437,728
Salaries and wages	**137,000**	137,000
Stock exchange listing fee	**158,113**	172,215
Directors' per diem	**-**	70,000
Entertainment, amusement and recreation	**10,500**	10,500
Utilities	**45,000**	45,000
Rent	**40,179**	40,179
Office supplies and printing costs	**18,459**	14,832
Transportation	**8,919**	8,470
Advertising	**15,000**	7,171
Postage & telegram	**12,877**	-
Miscellaneous	**19,126**	6,626
	540,173	949,720
LOSS BEFORE INCOME TAX	**539,750**	949,667
PROVISION FOR INCOME TAX	85	11
NET LOSS	**539,835**	949,678
OTHER COMPREHENSIVE LOSS	–	–
TOTAL COMPREHENSIVE LOSS	**₱539,835**	₱949,678
Basic/Diluted Loss Per Share	**₱0.0008**	₱0.0014

IPM HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF INCOME

	Nine Months Ended September 30	
	2017	2016
INCOME		
Interest	**₱1,149**	₱1,304
EXPENSES		
Professional fees	**249,800**	628,205
Salaries and wages	**411,000**	411,000
Stock exchange listing fee	**474,338**	521,695
Directors' per diem	**130,000**	290,000
Entertainment, amusement and recreation	**101,344**	113,431
Rent	**120,536**	120,536
Utilities	**135,000**	135,000
Office supplies and printing costs	**68,766**	82,744
Seminar	**56,000**	-
Transportation	**24,233**	28,707
Taxes and licenses	**18,496**	15,616
Advertising	**15,000**	7,171
Postage & telegram	**12,877**	8,587
Miscellaneous	**103,475**	32,936
	1,920,865	2,395,628
LOSS BEFORE INCOME TAX	**1,919,716**	2,394,324
PROVISION FOR INCOME TAX	**230**	261
NET LOSS	**1,919,946**	2,394,585
OTHER COMPREHENSIVE LOSS	–	–
TOTAL COMPREHENSIVE LOSS	**₱1,919,946**	₱2,394,585
Basic/Diluted Loss Per Share	**₱0.0028**	₱0.0035

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

	Capital Stock	Deficit	Total
At June 30, 2017	₱690,000,000	(₱207,452,895)	₱482,547,105
Net loss for the third quarter		(539,833)	(539,833)
At September 30, 2017	**₱690,000,000**	**(₱207,992,728)**	**₱482,007,272**
At June 30, 2016	₱690,000,000	(₱204,033,388)	₱485,966,612
Net loss for the third quarter		(949,678)	(949,678)
At September 30, 2016	₱690,000,000	(₱204,983,066	₱485,016,934

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 nine months period	−	(1,919,946)	(1,919,946)
At September 30, 2017	**₱690,000,000**	**(₱207,992,728)**	**₱482,007,272**
At January 1, 2016	₱690,000,000	(₱202,588,481)	₱487,411,519
Net loss for the nine months period	−	(2,394,585)	(2,394,585)
At September 30, 2016	**₱690,000,000**	**(₱204,983,066)**	**₱485,016,934**

IPM HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Quarters Ended September 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱539,750)**	(₱949,667)
Adjustments for:		
Interest income	**(423)**	(53)
Operating loss before changes in working capital	**(540,173)**	(949,720)
Changes in operating assets and liabilities		
Increase in other current assets	**145,947**	120,020
Decrease in accrued expenses and other payables	**-**	719,279
Net cash used in operations	**(394,226)**	(110,421)
Interest received	**423**	53
Income tax paid	**(85)**	(11)
Net cash used in operating activities	**(393,888)**	(110,379)
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from loan	**-**	1,000,000
Net cash provided by financing activities	**-**	1,000,000
NET INCREASE (DECREASE) IN CASH	**(393,888)**	889,621
CASH AT BEGINNING OF PERIOD	**751,261**	165,326
CASH AT END OF PERIOD	**₱357,373**	₱1,054,947

IPM HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱1,919,716)**	(₱2,394,324)
Adjustments for:		
Interest income	**(1,149)**	(1,304)
Operating loss before changes in working capital	**(1,920,865)**	(2,395,628)
Changes in operating assets and liabilities		
Increase in other current assets	**(281,908)**	(339,256)
Decrease in accounts and other payables	**(777,293)**	350,951
Net cash used in operations	**(2,980,066)**	(2,383,932)
Interest received	**1,149**	1,304
Income tax paid	**(230)**	(261)
Net cash used in operating activities	**(2,979,147)**	(2,382,889)
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from loan	**3,000,000**	1,000,000
Net cash used in investing activities	**3,000,000**	1,000,000
NET INCREASE (DECREASE) IN CASH	**20,853**	(1,382,889)
CASH AT BEGINNING OF PERIOD	**336,520**	2,437,836
CASH AT END OF PERIOD	**₱357,373**	₱1,054,947

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 G/F, 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 is incorporated in the Philippines on 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 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 IPM group of companies: (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/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. Subscription payable as of December 31, 2013 amounted to ₱152,500,000.

On June 11, 2013, the SEC approved the Parent Company's application for increase in authorized capital stock from 240,000,000 to740, 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. Subscription payable as of June 30, 2016 amounted to ₱ 129,625,000.

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.

On May 24, 2017, the stockholders approved the amendment of the Articles of Incorporation to increase the authorized capital stock to an amount of up to Php7.5 billion consisting of common and/or preferred shares as may be determine by the Board of Directors.

The Parent Company's shares are publicly traded in the Philippine Stock Exchange (PSE) under the ticker (MIC). As of September 30, 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 Parent Company's subsidiary, BEST, is incorporated in the Philippines. BEST is engaged in contracting and consulting business for waste management, public cleansing, sanitation and general hygiene to provide comprehensive waste disposal services.

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.

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 losses the control.

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

As of September 30, 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-Sept-2017	31-Dec-2016
Current assets	**₱993,358,587**	₱830,626,112
Noncurrent assets	**347,720,681**	363,590,428
Total assets	**₱1,341,079,268**	₱1,194,216,540
Current liabilities	**₱291,093,551**	₱224,260748
Noncurrent liabilities	**1,282,697**	1,282,697
Total liabilities	**₱292,376,248**	₱225,543,445

Revenue	**₱247,593,326**	₱357,843,239
Net income	**80,029,927**	97,759,298
Total comprehensive income	**80,029,927**	97,617,653
Cash flows from:		
Operating activities	**1,278,093**	(69,480,980)
Investing activities	**5,131,059**	2,867,823
Financing activities	**(3,089,901)**	(6,238,875)

Net increase in cash and cash equivalents	**(₱3,319,250)**	(₱72,852,032)
Accumulated balance of material NCI	**339,763,371**	319,755,890
Net income attributable to material NCI	**20,007,482**	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 September 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.

<u>Derecognition of Financial Assets and Liabilities</u>

Financial asset

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

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

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

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated 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:

	Years
Condominium units and improvements	35
Development costs	5 to 15
Transportation and heavy equipment	5 to 10
Office furniture and fixtures	2 to 5

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.

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

<u>Income tax</u>
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 September 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 September 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 ancilliary 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.

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

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 September 30, 2017 and December 31, 2016, the carrying value of the Group's investment properties amounted to ₱103.56 million and ₱104.40 million, respectively (see Note 9). As of September 30, 2017 and December 31, 2016, the carrying value of the Group's property and equipment amounted to ₱150.25 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 September 30, 2017 and December 31, 2016, the Group did not recognized any impairment loss on its nonfinancial assets. As of September 30, 2017 and December 31, 2016, the carrying values of other current assets amounted to ₱20.19 million and ₱19.49 million, respectively, investments in an associate and a joint venture amounted to ₱90.21 million and ₱87.99 million, respectively, investment property amounted to ₱103.56 million and ₱104.40 million, respectively, and property and equipment amounted to ₱150.25 million and ₱167.51 million, respectively (see Notes 6, 7, 9 and 10).

E*stimating 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 September 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-Sept-2017	31-Dec-2016
Cash on hand	**₱-**	₱72,210
Cash in banks	**9,863,195**	6,450,882
	9,863,195	₱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-Sept-2017	31-Dec-2016
Trade receivables		
Related parties (Note 14)	**₱879,383,601**	₱726,179,250
Local government units (LGUs)	**9,171,890**	15,912,853
Private entities	**16,346,546**	8,031,983
	904,902,037	750,124,086
Loans receivable (Note 14)	**31,000,000**	31,000,000
Advances to officers and employees	**19,537,837**	19,361,494
Interest receivable (Note 14)	**3,554,140**	2,668,900
Advances to suppliers	**973,825**	700,299
Others	**1,066,172**	1,066,172
	961,034,011	804,920,951
Less allowance for impairment losses on trade receivables from LGUs	**1,066,172**	1,066,172
	₱959,967,839	₱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-Sept-2017	31-Dec-2016
Input VAT	**₱18,577,367**	₱19,827,785
Prepayments	**5,240,232**	2,158,772
Creditable withholding taxes	**1,137,430**	2,451,210
Deferred input VAT	**-**	34,739
Prepaid expenses	**214,874**	-
Miscellaneous deposits	**15,669**	15,669
	25,185,572	24,488,175
Less allowance for impairment losses	**4,998,737**	4,998,737
	₱20,186,835	₱19,489,438

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 September 30, 2017 and December 31, 2016 follow:

	Associate		**Joint Venture**		**Total**	
	Metroclark Waste Management Corporation (MWMC)		**Ecoedge Resources Corporation (ERC)**			
	30-Sep-2017	31-Dec-2016	**30-Sep-2017**	31-Dec-2016	**30-Sep-2017**	31-Dec-2016
Investments	**₱32,393,358**	₱32,393,358	**₱51,412,499**	₱51,412,499	**₱83,805,857**	₱83,805,857
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 an associate and joint venture	**14,191,976**	7,126,125	**(6,630,355)**	(5,349,131)	**7,561,621**	1,776,994
Dividend received	**((5,333,333)**	(3,066,667)		–	**(5,333,333)**	(3,066,667)
	28,522,706	19,664,063	**((22,115,084)**	(15,484,729)	**6,407,622**	4,179,334
Balance at end of year	**₱60,916,064**	₱52,057,421	**₱29,297,415**	₱35,927,770	**90,213,479**	₱87,985,191

<u>MCWM</u>

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

<u>ERC</u>

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

As of September 30, 2017, BEST holds 60% interest in ERC. Joint control exists as decisions about the relevant activities of ERC require the unanimous consent of both BEST and LIEI, which is supported by the contractual agreement of the parties to the following:

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

8. Deposits

As of September 30, 2017 and December 31, 2016, BEST made deposits to GSIS as surety bond amounting to ₱3.30 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-Sept-2017		
	Land	**Condominium Unit**	**Total**
Cost	**₱70,320,000**	**₱38,535,329**	**₱108,855,329**
Accumulated depreciation:			
Balance at beginning of year	**–**	**4,453,337**	**4,453,337**
Depreciation (Note 16)	**–**	**838,082**	**838,082**
At September 30	**–**	**5,291,419**	**5,291,419**
Net book value	**₱70,320,000**	**₱33,243,910**	**₱103,563,910**

	31-Dec-2016		
	Land	Condominium Unit	Total
Cost	₱70,320,000	₱38,535,329	₱108,855,329
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	₱70,320,000	₱34,081,990	₱104,401,990

Land pertains to a property located in Taytay, Rizal with currently undetermined use as of September 30, 2017 and December 31, 2016.

No rental income was recognized as of September 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 ₱1.00 million in 2014.

The land and condominium unit have fair values of ₱75.59 million and ₱37.80 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-Sept-2017

	Land	**Condominium unit and Improvements**	**Transportation and Heavy Equipment**	**Office Furniture and Fixtures**	**Development Cost**	**Total**
Cost						
At January 1, 2017	**₱44,932,700**	**₱37,056,324**	**₱123,814,371**	**₱3,922,135**	**₱104,146,099**	**₱313,871,629**
Additions	**−**	**140,000**		**62,274**	**−**	**202,274**
At September 30, 2017	**44,932,700**	**37,196,324**	**123,814,371**	**3,984,409**	**104,146,099**	**314,073,903**
Accumulated Depreciation and Amortization						
At January 1	**−**	**4,553,785**	**62,999,654**	**3,347,646**	**75,456,851**	**146,357,937**
Depreciation and amortization (Notes 15 and 16)	**3,103,275**	**872,222**	**8,564,895**	**292,215**	**4,629,623**	**17,462,230**
At September 30, 2017	**3,103,275**	**5,426,007**	**71,564,549**	**3,639,861**	**80,086,474**	**163,820,167**
Net Book Value	**₱41,829,425**	**₱31,770,317**	**₱52,249,822**	**₱344,548**	**₱24,059,625**	**₱150,253,736**

31-Dec-2016

	Land	Condominium Unit and Improvements	Transportation and Heavy Equipment	Office Furniture and Fixtures	Development Costs	Total
Cost						
At January 1	₱44,932,700	₱36,962,660	₱123,814,371	₱3,836,215	₱104,146,099	₱313,692,045
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	₱44,932,700	₱32,502,539	₱60,814,717	₱574,488	₱28,689,248	₱167,513,692

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 September 30, 2017 and December 31, 2016, respectively.

11. Trade and Other Payables

This account consists of:

	30-Sept-2017	31-Dec-2016
Trade payable		
Related parties (Note 14)	**₱-**	₱13,165,254
Third parties	**2,634,147**	4,737,871
	2,634,147	17,903,125
Payable to government agencies	**118,214,180**	101,306,843
Accrued expenses	**2,246,813**	1,817,382
Others	**99,093**	-
	₱123,194,233	₱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 November 5, 2015, BEST obtained a new 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.

On December 29, 2016, BEST paid ₱2.00 million out of ₱100.00 million loan.

Interest expense on loans payable amounted to ₱3.09 million and ₱4.17 million, as of September 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-Sept-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 September 30, 2017 and December 31, 2016, the Parent Company is in a deficit position hence no dividends were declared during the years covered.

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

	30-Sept-2017	31-Dec-2016
Balance at beginning of year	**₱206,072,783**	₱202,588,481
Net loss during the year	**1,919,946**	3,484,302
	₱207,992,728	₱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.

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; and (c) 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:

30-Sept-2017

Category	**Outstanding Balance**	**Terms**	**Conditions**
Trade receivables (Note 5)			
Parent IPMCDC (a)	**₱879,383,601**	Non-interest-bearing; within one year	Unsecured, no impairment
	₱879,383,601		
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)	**3,554,140**	Due and demandable	Unsecured, no impairment
	₱34,554,140		
Due to Parent IPMCDC (e)	**₱60,099,883**	Non-interest-bearing; on demand	Unsecured
	₱60,099,883		

31-Dec-2016

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 2017 and 2016, 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 IMPCDC's contract with several local municipalities. The income payment is based on a fixed amount specified in the consultancy agreement.

b) BEST has an existing contract with IPMESI for the operation and maintenance of an Integrated Solid Waste Management Facility for a fixed monthly fee of ₱15.58 million. In 2017 and 2016, 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 2017 and 2016 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 ₱2.4 million and ₱1.49 million as of September 30, 2017 and December 31, 2016, 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 2016 and 2015. This assessment is done on a regular basis.

15. **Cost of Services**

This account consists of:

	Quarters Ended September 30	
	2017	2016
Rent	**₱8,363,438**	₱20,550,829
Contract costs	**2,232,143**	7,314,643
Depreciation and amortization	**5,430,907**	4,396,482
Chemical sprays	**-**	2,277,823
Materials and tools	**1,045,143**	820,676
Fuel and oil	**702,065**	2,316,491
Repairs and maintenance	**(705,732)**	1,345,563
Salaries and wages	**3,347,071**	1,852,575
Security and janitorial	**139,117**	250,410
Transportation and travel	**295,853**	32,715
Taxes and licenses		379,869
Supplies	**45,688**	135,207
Utilities	**17,254**	14,221
Others	**21,945**	26,585
	₱21,314,760	₱41,334,220

	Nine Months Ended September 30	
	2017	2016
Rent	**₱51,445,233**	₱69,323,515
Contract costs	**15,625,000**	21,166,292
Depreciation and amortization	**16,292,721**	13,189,446
Chemical sprays	**-**	6,456,395
Materials and tools	**6,554,002**	820,676
Fuel and oil	**5,071,750**	6,137,429
Repairs and maintenance	**6,056,010**	4,958,761
Salaries and wages	**8,520,918**	4,634,897
Security and janitorial	**417,350**	500,820
Transportation and travel	**347,813**	70,527
Taxes and licenses	**1,396,052**	935,388
Supplies	**208,324**	142,997
Utilities	**53,719**	68,618
Entertainment, amusement and recreation	**20,000**	67,482
Others	**53,676**	21,335
	₱112,062,568	₱128,494,578

16. General and Administrative Expenses

This account consists of:

	Quarters Ended September 30	
	2017	2016
Taxes and licenses	**₱959,069**	₱614,366
Salaries, wages and employee benefits	**2,690,325**	2,462,465
Depreciation	**667,579**	668,067
Professional fees	**(262,553)**	537,906
Utilities	**251,941**	248,556
Office supplies and printing costs	**112,736**	98,983
Entertainment, amusement and recreation	**30,500**	18,500
Repairs and maintenance	**69,676**	89,083
Stock exchange listing fee	**158,113**	172,215
Transportation and travel	**315,900**	93,421
Directors' per diem	**-**	70,000
Security and janitorial	**88,433**	104,924
Rent	**78,571**	25,941
Vat expense	**518,920**	34,592
Insurance	**21,303**	28,113
Advertising	**1,970,299**	7,171
Membership	**102,165**	102,150
Postage & telegram	**12,877**	-
Miscellaneous	**267,509**	35,013
	₱8,053,363	₱6,123,779

	Nine Months Ended September 30	
	2017	2016
Taxes and licenses	**₱12,156,698**	₱7,977,013
Salaries, wages and employee benefits	**7,370,752**	6,719,967
VAT expense	**596,537**	2,695,628
Depreciation	**2,007,591**	2,019,299
Professional fees	**223,387**	773,884
Utilities	**702,587**	719,511
Office supplies and printing costs	**361,499**	243,671
Entertainment, amusement and recreation	**126,344**	518,075
Repairs and maintenance	**164,298**	264,563
Stock exchange listing fee	**474,338**	521,695
Transportation and travel	**907,411**	246,663
Directors' per diem	**130,000**	290,000
Security and janitorial	**304,838**	305,744
Rent	**78,571**	59,119
Insurance	**58,315**	93,876
Advertising	**2,950,654**	7,171
Postage and telegram	**12,877**	8,587
Membership	**296,495**	429,672
Seminar	**56,000**	-
Miscellaneous	**802,867**	2,088,790
	₱29,782,059	₱25,982,928

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 September 30, 2017.

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:

		30-Sept-2017	
	Present value of defined benefit obligation	**Fair value of plan assets**	**Net pension liability**
At January 1	**₱1,056,535**	**(₱350,416)**	**₱706,119**
Benefit cost in profit or loss			
Current service cost (Note 16)	**336,734**	**–**	**336,734**
Net interest expense (income) (Note 16)	**56,102**	**(18,607)**	**37,495**
Remeasurements in other comprehensive income			
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 September 30	
	2017	2016
Net income attributable to equity holders of the parent (a)	**₱19,210,499**	₱22,150,801
Weighted average number of outstanding common share (b)	**690,000,000**	690,000,000
Basic earnings per share (a/b)	**0.028**	0.032

	Nine Months Ended September 30	
	2017	2016
Net income attributable to equity holders of the parent (a)	**₱58,102,499**	₱58,036,466
Weighted average number of outstanding common share (b)	**690,000,000**	690,000,000
Basic earnings per share (a/b)	**₱0.084**	₱0.084

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 September 30, 2017 and December 31, 2015, 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. The Group has existing contract with IPMCDC for the composting of waste from Pasig and Pasay City. The contract is renewable every year.

  b. Consultancy and field services in IPMCDC's Materials Recovery Facility (MRF) which is being renewed every year.

- 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, 2016 for the period covering January 1, 2016 to December 31, 2016. (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 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, 2016 and March 16, 2016, 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, 2015 to June 30, 2016, renewable upon mutual agreement of the parties. In 2017 and 2016, the agreement was renewed under the same terms.

20. Financial Risk Management Objectives and Policies

The Group's principal financial assets and liabilities comprise of cash and cash equivalents, receivables, short-term 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, liquidity risk, and market risks. It also supports the effective implementation of 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, liquidity risk, and market risks. The BOD reviews and approves the policies for managing each of these risks which are summarized below:

<u>Credit risk</u>
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, trade receivables and short-term 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-Sept-2017	31-Dec-2016
Loans and receivables:		
Cash and cash equivalents*	**₱9,863,195**	₱6,450,882
Receivables:		
Trade	**904,902,037**	750,124,086
Loan	**31,000,000**	31,000,000
Interest	**3,554,140**	2,668,900
Others **		
deposit	**3,304,747**	3,304,746
	₱952,624,119	₱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 September 30, 2017 and December 31, 2016.

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

	30-Sept-2017				
	Neither Past Due nor Impaired	**Past Due but not Impaired**			
	High Grade	**31 to 60 Days**	**61 to 90 days**	**Impaired**	**Total**
Financial assets:					
Loans and receivables:					
Cash and cash equivalents*	**₱9,863,195**	**₱–**	**₱–**	**₱–**	**₱9,863,195**
Receivables:					
Trade	**13,965,714**	**44,167,129**	**846,769,194**		**904,902,037**
Loans	**–**	**–**	**31,000,000**	**–**	**31,000,000**
Interest	**98,360**	**295,080**	**3,160,700**	**–**	**3,554,140**
Others	**–**	**–**	**–**	**1,066,172**	**1,066,172**
Deposits	**3,304,747**	**–**		**–**	**3,304,747**
	₱27,232,016	**₱44,462,209**	**₱880,929,894**	**₱1,066,172**	**₱953,690,291**

**excluding cash on hand*

	31-Dec-2016				
	Neither Past Due nor Impaired	Past Due but not Impaired			
	High Grade	31 to 60 Days	61 to 90 days	Impaired	Total
Financial assets:					
Loans and receivables:					
Cash*	₱6,450,882	₱–	₱–	₱–	₱6,450,882
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
	₱42,742,604	₱35,279,603	₱715,526,407	₱1,066,172	₱794,614,786

**excluding cash on hand*

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

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

<u>Liquidity risk</u>
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 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 September 30, 2017 and December 31, 2016 based on contractual undiscounted payments:

	30-Sept-2017					
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**More than One Year**	**No Term**	**Total**
Financial assets						
Loans and receivables:						
Cash and cash equivalents	**₱9,863,195**	**₱–**	**₱–**	**₱–**	**₱–**	**₱9,863,195**
Receivables:						
Trade	**7,719,910**	**8,019,637**	**60,228,045**	**828,934,445**	**–**	**904,902,037**
Loan	**–**			**31,000,000**	**–**	**31,000,000**
Interest	**-**	**98,360**	**393,440**	**3,062,340**	**–**	**3,554,140**
Deposits		**–**	**–**	**–**	**3,304,747**	**3,304,747**
	₱17,583,105	**8,117,997**	**60,621,485**	**₱862,996,785**	**₱3,304,747**	**₱952,624,119**
Financial liabilities						
Trade and other payables (excluding taxes payable)	**₱1,190,592**	**₱2,544,887**	**₱1,244,573**	**₱**	**₱–**	**₱4,980,053**
Due to related parties	**2,029,357**	**13,728,176**	**44,342,350**	**–**	**–**	**60,099,883**
Loans payable				**98,000,000**		**98,000,000**
	₱3,219,949	**₱16,273,064**	**₱45,586,923**	**₱98,000,000**	**₱–**	**₱163,079,936**

	31-Dec-2016					
	On Demand	Less than 3 Months	3 to 12 Months	More than One Year	**No Term**	Total
Financial assets						
Loans and receivables:						
Cash	₱6,523,092	₱–	₱–	₱–	**₱–**	₱6,523,092
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
	₱64,754,429	₱62,244,820	₱663,316,829	₱3,304,746		₱793,620,824
Financial liabilities						
Trade and other payables (excluding payable to government agencies)	₱–	₱19,720,507	₱–	₱–		₱19,720,507
Loans payable	–	–	98,000,000	–		98,000,000
	₱–	₱19,720,507	₱98,000,000	₱–		₱117,720,507

Market risk

Market risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise risks such as interest rate risk, equity price risk, and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans payable with interest rates that are repriced every 30 days at prevailing market rate.

Foreign currency risk
The Group is not exposed to foreign currency exchange rate risk since it has no financial instruments denominated in foreign currency.
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's risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risk to which the Group is exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly, the anticipated impact on the realistic statement of financial position and revenue account, are reported to the Group's risk management function. The risk management function then considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

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

Fair Value Hierarchy
As of September 30, 2017 and December 31, 2016, the Group has no AFS financial assets or any financial assets 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-Sept-2017				
	Investment Holding	**Service**	**Combined**	**Eliminations**	**Consolidated**
Revenue	**₱1,149**	**₱247,593,326**	**₱247,594,475**	**(₱120,536)**	**₱247,473,939**
Income (loss) before tax	**(1,919,716)**	**112,020,748**	**110,101,032**	**−**	**110,101,032**
Provision for income tax	**230**	**31,990,821**	**31,991,051**	**−**	**31,991,051**
Net income (loss)	**(1,919,946)**	**80,029,927**	**78,109,981**	**−**	**78,109,981**
Other Information					
Segment assets	**615,659,282**	**1,341,079,268**	**1,956,738,549**	**(619,000,000)**	**1,337,738,549**
Segment liabilities	**133,652,010**	**291,093,551**	**424,745,561**	**(133,625,000)**	**291,120,561**
Depreciation and amortization	**−**	**17,895,763**	**17,895,763**	**−**	**17,895,763**

	31-Dec-2016				
	Investment Holding	Service	Combined	Eliminations	Consolidated
Revenue and other income	₱−	₱354,824,697	₱354,824,697	(₱160,714)	₱354,663,983
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

	31-Dec-2016				
	Investment Holding	Service	Combined	Eliminations	Consolidated
Other Information					
Segment assets	₱615,356,520	₱1,194,216,540	₱1,809,573,060	(₱616,115,323)	₱1,193,457,737
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

Intersegment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. 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-Sept-2017	31-Dec-2016
Current Ratio	Current Assets/Current Liabilities	**3.40x**	3.69x
Quick Ratio	Current Assets-Inventory-Prepayments/Current Liabilities	**3.38x**	3.68x
Debt to Equity Ratio	Liabilities/ Stockholders' Equity	**0.28x**	0.23x
Asset to Equity Ratio	Assets/Stockholders' Equity	**1.28x**	1.23x
Interest Coverage Ratio	Earnings Before Interest & Taxes / Interest Expense	**30.68x**	31.23x
Gross Profit Margin	Gross Profit/Net Sales	**0.56**	0.39
Book Value per share	Total Assets –Total Liabilities/ Outstanding Shares	**1.51**	1.40
Net Income per Share	Net Income/Weighted Average Number of Shares Outstanding	**0.11**	0.14

	31-Sept-2017	31-Dec-2016
Current Ratio	990,017,869 / 291,120,561	829,867,309 / 224,959,727
Quick Ratio	984,562,763 / 291,120,561	827,708,537 / 224,959,727
Debt to Equity	292,403,258 / 1,045,335,291	226,735,747 / 967,225,313
Asset to Equity Ratio	1,337,738,550 / 1,045,335,291	1,193,547,737 / 967,225,313
Interest Coverage Ratio	94,790,136 / 3,089,901	142,175,129 / 4,552,475
Gross Profit Margin	142,972,993 / 255,035,561	139,411,028 / 354,919,997
Book Value/Share	1,045,335,291 / 690,000,000	967,225,313 / 690,000,000
Net Income per Share	78,109,981 / 690,000,000	94,274,997 / 690,000,000

IPM HOLDINGS, INC. AND SUBSIDIARY
AGING OF RECEIVABLES

Nature/Description	Current	1 to 30 days	31 to 60 days	61 to 90 days	> 90 days	Total
Income from Tipping Fee	1,398,214	1,359,805	391,818	1,283,043	4,333,250	8,766,130
Hauling Income	1,367,978	1,946,859	13,312,314	-	-	16,627,151
Composting / Waste Process	1,000,000	1,000,000	1,000,000	1,000,000	20,000,000	24,000,000
Consultancy / Field Services	2,946,429	2,946,429	29,462,997	26,893,467	793,259,433	855,508,755
Loans Receivable	-	-	-	-	31,000,000	31,000,000
Interest Receivable	98,360	98,360	98,360	98,360	3,160,700	3,554,140
Others	908,929	668,184	-	-	18,934,550	20,511,663
TOTAL	**7,719,910**	**8,019,637**	**44,265,489**	**29,274,870**	**870,687,933**	**959,967,839**